THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000 ("FSMA"), who specialises in advising on the acquisition of shares and other securities.

If you have sold or transferred all of your Shares in the Company, please forward this document at once, together with the accompanying Form of Proxy, to the purchaser or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. If you have sold or transferred some of your Shares in the Company, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

This document comprises an admission document which has been drawn up in accordance with the AIM Rules. This document does not constitute a prospectus for the purposes of the Prospectus Regulations 2005 and a copy of it has not been, and will not be, examined or approved by the Financial Services Authority.

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that such admission to AIM will become effective and that dealings in the Shares will commence on 8 January 2007. It is emphasised that no application has been made or is being made for the admission of the Shares to the Official List of the UK Listing Authority or to trading on the London Stock Exchange's market for listed securities. The shares are not dealt in on any regulated market and no application has been or is intended to be made for the Shares to be admitted to trading on any such market.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.

The Company and the Directors are the persons responsible for this document. The Directors (whose names, address and functions appear on page 4 of this document) accept responsibility for the information contained in this document. To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

The whole text of this document should be read and in particular your attention is drawn in to the section entitled "Risk Factors" in Part III of this document.

Future Internet Technologies plc

(Incorporated in England & Wales are the Companies Act 1985 with Registered No. 3904535)

Proposed acquisition of Artilium N.V.

Placing of 3,000,000 New Ordinary Shares at 100 pence each

(equivalent to 20 pence per Existing Share)

Capital Reorganisation

Re-Admission to trading on AIM

Results for the year ended 30 June 2006

and

Notice of Annual General Meeting

Nominated Adviser	*Broker*
Deloitte Corporate Finance	**Ambrian Partners Limited**

Deloitte Corporate Finance is acting as Nominated Adviser to Future Internet Technologies plc and no one else in connection with the Placing and Re-Admission and will not regard any other person as its client or be responsible to anyone other than Future Internet Technologies plc for providing the protections afforded to clients of Deloitte Corporate Finance or for providing advice in relation to the Placing and Re-Admission or any matter referred to herein. Deloitte Corporate Finance's responsibilities as the Company's Nominated Adviser under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director or to any other person in respect of their decision to acquire Shares in reliance on any part of this document. Deloitte Corporate Finance is a division of Deloitte & Touche LLP, which is authorised and regulated by the Financial Services Authority in respect of regulated activities.

Ambrian Partners Limited, which is authorised and regulated by the Financial Services Authority, is acting as Broker to the Company for the purposes of the AIM Rules. No representation or warranty, express or implied, is made by Ambrian as to any of the contents of this document for which the Company and the Directors are solely responsible and without limiting the statutory rights of any person to whom this document is sent, no liability is accepted by Ambrian Partners Limited for the accuracy of any information or opinions contained in this document or for any omission of any material information for which it is not responsible. Ambrian Partners Limited are acting for the Company and no one else and will not be responsible to any other person for providing the protections afforded to customers of Ambrian Partners Limited nor for providing advice in relation to the contents of this document or any matter referred to therein.

This document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Shares offered by this document have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the "Securities Act"), or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, the Republic of Ireland or Japan and, may not be offered or sold to the United States or to, or for the account or benefit of, US persons (as such terms are defined in Regulation S under the Securities Act ("Regulation S")) or to any national, resident or citizen of Canada, Australia, the Republic of Ireland or Japan, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement.

A notice convening an annual general meeting of the Company to be held at the offices of Morrison & Foerster MNP, CityPoint, One Ropemaker Street, London, EC2Y 9AW at 10.00 a.m. on 5 January 2007 is set out at the end of this document. To be valid the form of proxy accompanying this document must be completed and returned in accordance with the instructions printed thereon so as to be received by the Company's registrars, Capita Registrars, 34 Beckenham Road, Beckenham, Kent BR3 4BR as soon as possible but, in any event, not later than 48 hours before the time fixed for the meeting. Completion of a form of proxy will not preclude a member from attending the meeting and voting in person.

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PLACING AND ACQUISITION STATISTICS

Number of Existing Shares in issue before the Acquisition and Placing Equates to 49,049,800 New Ordinary Shares following the Capital Reorganisation.	245,249,000
Number of New Ordinary Shares to be issued pursuant to the Acquisition	400,000
Number of Placing Shares to be issued	3,000,000
Consideration Shares as a percentage of Enlarged Share Capital	0.76%
Placing Shares as a percentage of Enlarged Share Capital	5.72%
Number of New Ordinary Shares in issue on Re-Admission	52,449,800
Market capitalisation of the Company at the Placing Price on Re-Admission	£52,449,800
AIM symbol	FTI
ISIN number	GB00B1HLYB10

SHARE CAPITAL ON RE-ADMISSION

Authorised New Ordinary Shares		***Issued and fully paid New Ordinary Shares***	
Number	*Amount*	*Number*	*Amount*
210,135,388	£10,506,769	52,449,800	£2,622,490

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Date of publication of Re-Admission Document	13 December 2006
Trading resumes in Existing Shares	14 December 2006
Latest time and date for receipt of Forms of Proxy for the Annual General Meeting	10.00 a.m. on 3 January 2007
Annual General Meeting	10.00 a.m. on 5 January 2007
Completion of the Acquisition	8 January 2007
Re-Admission effective and dealings in the Enlarged Share Capital commence	8 January 2007
Despatch of definitive share certificates (where applicable) for Consideration Shares and Placing Shares	by 15 January 2007

DIRECTORS, SECRETARY AND ADVISERS

Directors

Paul Gratton *(Executive Chairman and acting Chief Executive Officer)*
Tony Lynch *(Chief Financial Officer)*
Tom Casaer *(Non-Executive Director)*
Paul Thornton *(Senior Non-Executive Director)*
Richard Armstrong *(Non-Executive Director)*

All of:

65 North Wharf Road
London W12 1LA

Company Secretary

MoFo Secretaries Limited
CityPoint
One Ropemaker Street
London EC2Y 9AW

Registered office

MoFo Notices Limited
CityPoint
One Ropemaker Street
London EC2Y 9AW

Nominated Adviser

Deloitte Corporate Finance
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

Broker

Ambrian Partners Limited
8 Angel Court
London EC2R 7HP

Reporting accountants and auditors

Deloitte & Touche LLP
Hill House
1 Little New Street
London EC4A 3TR

Solicitors to the Company

Morrison & Foerster MNP
CityPoint
One Ropemaker Street
London EC2Y 9AW

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

EXECUTIVE SUMMARY

The Company announced on 24 November 2006 that it had conditionally agreed to acquire the issued share capital of Artilium that it does not already own. The consideration under the Acquisition will be satisfied by a payment of €2.1 million in cash and the issue of 400,000 New Ordinary Shares (equivalent to 2,000,000 Existing Shares) and values the whole of Artilium at approximately £6.9 million based on the cash paid and shares issued at the Placing Price.

Established in Belgium in 2000, Artilium is focused on the emerging market of providing Shared Service Delivery Platforms services for the telecoms industry and internet service providers. It supplies hardware and software as well as consultancy services. It has considerable experience in this area and in conjunction with its partnership network has already established installations in more than six countries across Europe.

Artilium creates solutions that are built on and around operating systems. This enables operators and service providers to optimise and control their existing operating systems. Artilium's products can be used for fixed, mobile, ATM and IP networks, as well as for diverse and converged operating systems.

In acquiring Artilium, FIT will be able to combine its experienced international sales and product marketing team with Artilium's engineering capabilities. The result is an opportunity to exploit Artilium's past regional success on a global scale, capitalising on the growing demand for service delivery platforms. With a customer base of leading telecoms operators and a strong reputation, the Board is confident it can extend Artilium's position as a recognised leader in service delivery platforms from Benelux throughout the world.

In addition to extending Artilium's core business internationally, the Board also believes there is a significant opportunity for Artilium to capitalise on another widespread technology trend, the delivery of software as a service. To obtain business users, software providers seek to include their applications within the product offerings of service providers (such as internet service providers , system integrators and network operators). The Board believes this pool of service providers represents an ideal opportunity for the sale of the Artilium platform, which integrates business applications with telecoms networks. In addition, the Enlarged Group can generate revenues via the resale of wholesale voice minutes through these business applications.

The Company is proposing to raise approximately £3.0 million (before expenses) through the Placing. Of the net proceeds, approximately £1.4 million will be used to fund the cash element of the consideration due under the Acquisition, while the balance will provide working capital to support the growth and development of the Enlarged Group.

In addition, the Company has raised approximately £4.3 million via the exercise by certain holders of their Series 1 Warrants.

The Company also proposes to consolidate every five of its Existing Shares of 1 pence each into one New Ordinary Share of 5 pence each.

It is the intention of the Board that, following a period of transition, Tom Casaer who is currently a non-executive director of the Company will become Chief Executive Officer of the Enlarged Group. Mr Casaer will work alongside Mr Gratton, who, following the period of transition which is expected to be completed by the end of the first quarter of 2007, will revert to his original position of Executive Chairman.

Application will be made by the Company for the Enlarged Share Capital to be admitted to AIM following publication of this document. It is expected that Re-Admission will take place and trading in the New Ordinary Shares will commence on the first dealing day following that on which the Resolutions proposed pursuant to the Acquisition are passed at the Annual General Meeting of the Company. All New Ordinary Shares including the Placing Shares and the Consideration Shares, may be held in either certificated or uncertificated form (i.e. in CREST).

As the transaction is a reverse takeover of the Company under the AIM Rules, the Acquisition requires the approval of Shareholders at the Annual General Meeting. Notice of the Annual General Meeting is set out at the end of this document.

The Directors consider that the Proposals are in the best interests of the Company and recommend that Shareholders vote in favour of the Resolutions to be proposed at the Annual General Meeting as they intend to do in respect of their own beneficial holdings amounting to, in aggregate, 3,598,000 Existing Shares representing approximately 1.47 per cent. of the Existing Shares.

Potential investors should carefully consider the risk factors set out in Part III of this document, together with all other information set out in this document and their own circumstances, before deciding to invest in the Company.

PART I

LETTER FROM THE CHAIRMAN OF FIT

Future Internet Technologies plc

(Incorporated in England & Wales are the Companies Act 1985 with Registered No. 3904535)

Directors:
Paul Gratton *(Executive Chairman and acting Chief Executive Officer)*
Tony Lynch *(Chief Financial Officer)*
Tom Casaer *(Non-Executive Director)*
Paul Thornton *(Senior Non-Executive Director)*
Richard Armstrong *(Non-Executive Director)*

Registered office:
MoFo Notices Limited
CityPoint
One Ropemaker Street
London EC2Y 9AW

13 December 2006

To holders of Existing Shares

Dear Shareholder

Proposed acquisition of Artilium N.V.

Proposed Placing, Capital Reorganisation, Re-Admission to trading on AIM and notice of Annual General Meeting

Introduction

On 7 March 2006 FIT announced that it had entered into an agreement to acquire 49 per cent. of the outstanding share capital of Artilium for a cash payment of €7.5 million. In addition, FIT had the option to acquire the balance of the issued share capital of Artilium within 12 months for the issue of six million Shares. The acquisition of the balance of the share capital of Artilium was subject to, *inter alia*, Shareholders' approval.

On 10 March 2006, Artilium acquired a 49 per cent. stake in Aquanta for €1.5 million in cash. Artilium had the option to acquire the balance of the issued ordinary share capital of Aquanta within 12 months for the issue of four million Shares.

On 16 March 2006, the Company announced it had decided to exercise its option to acquire the balance of the issued share capital of Artilium. On 21 June 2006, the option was formally exercised. The acquisition of the balance of the share capital of Artilium constitutes a reverse takeover pursuant to the AIM Rules and trading in the Shares was therefore suspended at the Company's request pending posting of the circular to shareholders.

On 24 November 2006, the Company announced that the terms of the acquisition of the remaining 51 per cent. of the issued share capital in Artilium had been varied, principally to achieve increased certainty around the timescales relating to the acquisition. On commercial grounds, the Board decided that Aquanta would not be part of the Company's ongoing strategy and therefore agreed to transfer its shareholding in Aquanta to Aquanta's prior owner.

The consideration under the Acquisition will be satisfied by the allotment of the Consideration Shares and €2.1 million in cash and values the whole of Artilium at approximately £6.9 million (based on the cash paid and shares issued at the Placing Price of £1 per New Ordinary Share).

The Company is proposing to raise £3.0 million (before expenses) through the Placing. Of the net proceeds of the Placing, approximately £1.4 million will fund the cash element of the consideration due under the Acquisition, while the balance will provide working capital to support the growth and development of the Enlarged Group.

In addition, the Company has raised approximately £4.3 million via the exercise by certain holders of their Series 1 Warrants. Pursuant to a vote of the holders of the Series 1 and Series 2 Warrants on 27 November 2006, the terms of the Series 1 Warrants were amended such that the latest date for their exercise is 27 December 2006. The terms attaching to the Series 2 Warrants remain unchanged.

The Consideration Shares and the Placing Shares will represent 0.76 per cent. and 5.72 per cent. of the Enlarged Share Capital respectively.

As the transaction is a reverse takeover of the Company under the AIM Rules, the Acquisition requires the approval of the Existing Shareholders at the Annual General Meeting and it is also conditional upon the passing of certain other resolutions. Notice of the Annual General Meeting which sets out the Resolutions can be found on pages 146 and 147 of this document.

If Resolution 3 is duly passed at the AGM, the Company's existing quotation on AIM will be cancelled and the Company will apply immediately for the Enlarged Share Capital to be admitted to trading on AIM.

The purpose of this document is to provide you with information on the Proposals and explain why the Directors consider that the Proposals are in the best interests of the Company and recommend that Shareholders vote in favour of the AGM Resolutions.

Background to and reasons for the Acquisition

The Company has been considering a number of investments in order to meet the criteria of the London Stock Exchange for investing companies to make an acquisition or acquisitions which constitute a reverse takeover. The Company entered into discussions with the Vendor with a view to acquiring Artilium in a reverse takeover transaction.

The Directors believe that the acquisition of Artilium should substantially enhance shareholder value and will be in the interests of both companies and their shareholders.

In recent years, advances in technology have enabled voice communications to be delivered across networks as data. Together with the evolution of networks and devices, this new technology has created a situation in telecoms known as "convergence". The result is that voice communications can now be incorporated into software applications and be delivered to end-users over any network, whether fixed-line, mobile or the internet.

In the converged world of communications, any company with access to the proper infrastructure can become a provider of innovative voice services. This scenario has created a significant opportunity for those companies with expertise in telephony infrastructure to expand the customer base for their products and services.

The Directors believe that Artilium has established itself as one of the leading telecoms software providers in the Benelux region. Founded in 1999 by experienced telecoms engineers, Artilium has developed a service delivery platform that enables its telecoms customers to manage voice as data and deliver integrated services over any network. Services such as intelligent routing of calls, number portability, pre and post-paid billing and advanced messaging are examples of the functionality provided by Artilium's platform.

Artilium has been successful in selling its platform throughout the Benelux region but as an engineering focused organisation, the management of Artilium focussed on regional deals initially and provided a large amount of bespoke customised software in addition to its platform. The Directors believe that Artilium has significant experience in the telecoms sector and in acquiring Artilium, FIT will be able to combine its international sales and product marketing team with Artilium's engineering capabilities. In the Directors' opinion the result is an opportunity to exploit Artilium's past regional success on a global scale, capitalising on demand for service delivery platforms. With a customer base of leading telecoms operators and a proven track record, FIT is confident it can extend Artilium's position as a leader in service delivery platforms from Benelux throughout the world.

Market for Artilium's products

The market for Artilium's telecoms Shared Service Delivery Platform ("SSDP") has broadened in the past decade and with recent advancements in technology, the Directors believe the market is now poised to expand substantially. Historically, providers of communication services were large state-owned telecoms operators. With the privatisation of most state-owned operators and market deregulation intended to foster increased competition, the type and number of communication providers has significantly increased. For example, in the United States this has given rise to independent local exchange carriers ("ILECs"), competitive local exchange carriers ("CLECs"), cable operators, and new voice over internet protocol ("VoIP") operators. Typically, these new telecoms providers require a service delivery platform infrastructure.

Artilium predominantly markets its products to mobile network operators ("MNOs"), mobile virtual network operators ("MVNOs"), mobile virtual network enablers ("MVNEs") and fixed network operators.

MNOs

An MNO is a telecoms company that provides mobile services to subscribers. In order to provide such services, the MNO owns the necessary infrastructure and wireless spectrum licence. An example of an MNO is Vodafone.

In addition to the changes seen in the traditional telecoms market, advancements in MNO business models have also expanded the market for Artilium's products. Traditionally, governments viewed the wireless spectrum as a scarce resource and auctioned the rights to use portions of this spectrum for telecoms purposes to the highest bidder. The successful acquirers of the spectrum auctions, typically being the large MNOs, have identified an opportunity to increase the value of their rights to this spectrum. Rather than attempting to market a single brand to all consumers, the MNOs have created a new market segment for MVNOs.

MVNOs

An MVNO is a mobile operator that does not own its own spectrum, and that typically does not have its own network infrastructure. Some MVNOs rely completely on the offered infrastructure of the host mobile network operator, whereas others want to own and/or control some of their own infrastructure. The MVNO is generally granted the right to use the MNO's wireless spectrum and certain technology in order to create their own targeted brand.

MVNOs typically add value such as brand appeal and distribution channels to the resale of mobile services. MVNOs position their operations so that customers do not distinguish any significant differences in service or network performance, yet offer some affinity to their customers.

A benefit for the traditional MNO co-operating with MVNOs is that, despite the maturity of the mobile market, it is able to broaden its customer base at a low cost of acquisition and with a limited investment on its own part while keeping control of its entire network. An example of an MVNO is Virgin Mobile.

The Directors believe that, for Artilium, the advent of the MVNO market creates platform sales opportunities to both the MNO and MVNO that wants more control over the services they provide to their subscribers.

MVNEs

An MVNE does not typically have a relationship with subscribers. Rather, an MVNE provides infrastructure and services enabling MVNOs to offer services to their subscribers. As MVNEs may not have a relationship with end-users, they tend to have a lower public profile than MNOs and MVNOs.

Fixed network operators

A fixed network operator offers fixed as opposed to mobile telephony services. An example of a fixed network operator is BT.

Information on Artilium

Established in Belgium in 1999, Artilium is focused on the emerging market of providing Shared Service Delivery Platforms ("SSDP") services for the telecoms industry and internet service providers. It supplies hardware and software as well as consultancy services. It has considerable experience in this area and in conjunction with its partnership network has already established installations in more than six countries across Europe.

Artilium creates solutions that are built on and around operating systems. This enables operators and service providers to optimise and control their existing operating systems. Artilium's products can be used for fixed, mobile, ATM and IP networks, as well as for diverse and converged operating systems.

Further information relating to Artilium is set out in Part II of this document.

Information on FIT

The Company was originally admitted to trading on AIM in February 2000. By the end of its financial year to 30 June 2002 it had acquired and disposed of a trading business and had become an investment company with a residual holding in a private Hong Kong based internet company.

The Company raised funds from shareholders and was until recently a cash shell with no business. Pursuant to recent changes to the AIM Rules, an AIM listed investment company must have, by 5 July 2006, made an acquisition or acquisitions constituting a reverse takeover, failing which its shares would be suspended from trading and de-listed six months thereafter if a reverse takeover had not taken place.

The Acquisition constitutes a reverse takeover for the purposes of the AIM Rules. Accordingly, as the Company announced on 16 March 2006, trading in FIT's shares was suspended at the Company's request pending the posting of a circular to shareholders providing further detail on the transaction with Artilium. Following consultation with AIM, the Company received an extension to the six months timeframe which would otherwise have resulted in the Company's listing being terminated on 16 September 2006 due to the then current suspension having continued for more than a six month period. AIM granted an extension to the Company's listing to 15 December 2006. Accordingly a resolution is proposed at the AGM to approve the Proposals as part of the Company's on-going investment strategy.

Intentions regarding the Company

In addition to extending Artilium's core business internationally, the Board also believes there is a significant opportunity for Artilium to capitalise on another widespread technology trend, the delivery of software as a service ("SaaS").

The Directors believe that, increasingly, businesses are coming to recognise that outsourcing the management of their technology is a cost effective decision. With the proliferation of broadband penetration into businesses, leading software providers including Microsoft and SAP have embraced the concept of delivering software over the internet. Warehousing and distribution costs are virtually eliminated, updates are more easily deployed and support can be provided more rapidly.

To obtain business users, software providers seek to include their applications within the product offerings of service providers (such as internet service providers ("ISPs"), system integrators and network operators). The Board believes this pool of service providers represents an ideal opportunity for the sale of the Artilium platform, which integrates business applications with telecoms networks. In addition, the Enlarged Group can generate revenues via the resale of wholesale voice minutes through these business applications.

The Board believes that many of the most popular business applications are ideally suited for integration with voice technology. FIT has identified email, personal information management ("PIM"), workspace collaboration and customer resource management ("CRM") as the priority applications for voice integration. By integrating voice functionality, business users obtain access to a wide array of productivity enhancing tools, as well as cost savings for their phone services via the use of VoIP technology. One such example would be the ability to schedule and conduct a conference call

with one-click from within an email application, thereby eliminating the difficulties often associated with coordinating conference calls.

Once enabled with Artilium technology, businesses will be able to purchase blocks of voice minutes from the same company providing their email service and their broadband access. This bundling of solutions simplifies technology purchasing for businesses and gives Artilium a substantial new market to address.

Although the Directors are of the opinion that the Company, following the Proposals, has sufficient working capital at Re-Admission for its present requirements, that is for at least the 12 months following Re-Admission, the Company may need to raise further funds during or after this period in order to take advantage of additional opportunities that may be presented to it.

Financial information

During the year ended 30 June 2006, FIT achieved a loss before tax of £3.8 million (2005 loss: £0.01 million) on revenues of £0.6 million (2005: £nil). As at 30 June 2006, FIT had net assets of £4.3 million (2005: £0.6 million). FIT's audited consolidated accounts for the financial year ended 30 June 2006 are set out in Part V of this document.

Set out in Part VI is the historical financial information for Artilium for the three years ended 30 June 2006. Set out in Part IV is the historical financial information for the Company for the three years ended 30 June 2006.

Part VII contains an unaudited pro forma statement of net assets based upon the audited balance sheet of the Company as at 30 June 2006 adjusted for the Acquisition, Placing, Warrant Conversion and a disposal by the Company undertaken in September 2006 (details of which are set out in paragraph 13 of Part VIII of this document).

The Acquisition

Under the terms of the Acquisition, FIT is to acquire all the issued Artilium Shares it does not already own in exchange for the allotment and issue of the Consideration Shares and €2.1 million in cash.

The Acquisition is conditional, *inter alia*, on:

(i) the passing of Resolution 3 at the AGM;

(ii) the Placing having become unconditional in all respects save as regards completion of the Acquisition and Re-Admission; and

(iii) Re-Admission becoming effective.

The Acquisition will not complete if these conditions have not been satisfied by 31 January 2007 or such later date as FIT and the Vendor may decide.

The Artilium shares will be acquired free from all liens, charges, equitable interests, encumbrances and third party rights now or hereafter attaching thereto, including the right to all dividends and other distributions, if any, hereafter declared, made or paid.

The Placing

The Company proposes to raise approximately £3.0 million before expenses (£2.4 million net of expenses) through the Placing which is conditional only upon Admission.

Your attention is drawn to Part III of this document headed "Risk Factors", where information on risk factors associated with making an investment in the Company is set out.

Use of funds

An amount of approximately £1.4 million will be used to fund the cash element of the consideration due under the Acquisition, while the balance will provide working capital to support the growth and development of the Enlarged Group.

Details of the Consideration Shares, Placing Shares and New Ordinary Shares

The Consideration Shares will be issued credited as fully paid and will, in aggregate, represent approximately 0.76 per cent. of the Enlarged Share Capital.

The Placing Shares will be issued credited as fully paid and will, in aggregate, represent approximately 5.72 per cent. of the Enlarged Share Capital.

The resolutions proposed at the AGM include a resolution to consolidate every five Existing Shares of 1 pence each into one New Ordinary Share of 5 pence each. Any fractions resulting from the consolidation will be aggregated and sold in the market for the benefit of the Company.

The Consideration Shares and Placing Shares will rank *pari passu* with the New Ordinary Shares in all respects, including the right to receive all dividends or other distributions declared, made or paid after the date of this document.

Directors

Details relating to Directors are set out in paragraph 7 of Part VIII of this document. It is the intention of the Board that, following a period of transition, Tom Casaer who is currently a non-executive director of the Company will become Chief Executive Officer of the Enlarged Group. Mr Casaer will work alongside Mr Gratton who, following the period of transition which is expected to be completed by the end of the first quarter of 2007, will revert to his original position of Executive Chairman.

Corporate governance

The Company intends to adopt the Corporate Governance Guidelines for AIM Companies issued by the Quoted Companies Alliance in July 2005. The Directors consider these guidelines to be appropriate for a company of FIT's size. With the expected growth of the Enlarged Group, the Directors will undertake a review of the Combined Code and the Code of Best Practice published by the London Stock Exchange and implement those areas deemed to be appropriate for the size and stage of development of the Company.

Share and other performance based incentive schemes

The Directors consider that it is in the best interests of the Enlarged Group to establish certain share incentive schemes to incentivise and reward the performance of employees and executive directors. The Directors accordingly propose the adoption of an unapproved share option scheme (the "Unapproved Share Option Scheme") and a long term incentive plan (the "LTIP"). The details of the Unapproved Share Option Scheme and the LTIP are set out in paragraph 9 of Part VIII of this document. Resolutions 11 and 12, which are proposed as ordinary resolutions at the AGM, will, if passed, approve the adoption by the Company of the Unapproved Share Option Scheme and the LTIP. The Company has agreed the purchase of 7,500,000 Series 2 Warrants at a price of 2 pence each from each of IC Partners Limited and Cold Investments Limited and has exercised those Warrants, the resultant 15,000,000 Existing Shares being held for the benefit of the Company's employee benefit trust.

Dealings and trading

Application will be made by the Company for the Enlarged Share Capital to be admitted to AIM following publication of this document. It is expected that Re-Admission will take place and trading in the New Ordinary Shares will commence on the first dealing day following that on which the Resolutions relating to the Proposals are passed at the Annual General Meeting. All the New Ordinary Shares may be held in either certificated or uncertificated form (i.e. in CREST).

CREST

CREST is a paperless security transfer system, which enables securities to be held otherwise than by a certificate and transferred otherwise than by a written instrument. The New Ordinary Shares will be made eligible for settlement in CREST with effect from Re-Admission. The Existing Shares continue to be eligible for transfer within CREST until Re-Admission.

Accordingly, settlement of the transactions in the ordinary shares may take place within the CREST system if the relevant holders so wish. CREST is a voluntary system and holders of the ordinary shares who wish to receive and retain share certificates will be able to do so.

Orderly market arrangements

Robert Bonnier, a substantial shareholder in the Company, has entered into an orderly market agreement with the Company and Ambrian Partners Limited pursuant to which Mr Bonnier has agreed, for a period of six months following Admission, not to dispose of any of 30,000,000 Existing Shares (equal to 6,000,000 New Ordinary Shares) held by him or persons connected with him other than through Ambrian Partners Limited and, in respect of CFD positions held by him and persons connected with him to notify Ambrian Partners Limited at least 2 days in advance of closing out, unwinding or otherwise disposing of any CFD position.

The Consideration Shares are also subject to an orderly market agreement on terms that disposals may not take place for a period of 12 months following Admission other than through Ambrian Partners Limited.

Reporting period

The Company's accounting reference date is 30 June.

Dividends

The Directors anticipate that any earnings will, for the forseeable future, be retained by the Company for the development of the business of the Enlarged Group and will not be distributed to Shareholders as cash or other dividends. The declaration and payment by the Company of dividends will, once the Enlarged Group has achieved its development objectives, be dependent upon the Company's results from operations and other factors deemed to be relevant at that time.

Annual General Meeting

A notice convening an AGM of the Company to be held at the offices of Morrison & Foerster, CityPoint, One Ropemaker Street, London, EC2Y 9AW at 10.00 a.m. on 5 January 2007 is set out at the end of this document. At the AGM, resolutions will be proposed to:

1. receive the report and accounts dated 30 June 2006;
2. approve the re-appointment of Deloitte & Touche LLP as auditors;
3. approve the Acquisition and Re-Admission;
4. authorise the Directors to allot relevant securities in connection with the Acquisition and the Placing and to exercise generally all powers of the Company to allot relevant securities up to a maximum nominal amount of £786,750, being approximately 30 per cent. of the Company's enlarged issued ordinary share capital;
5. reappoint Paul Gratton as a Director;
6. reappoint Tony Lynch as a Director;
7. reappoint Paul Thornton as a Director;
8. reappoint Richard Armstrong as a Director;
9. reappoint Tom Casaer as a Director;
10. approve the share consolidation so that every five Existing Shares be consolidated into one New Ordinary Share;

11. approve and adopt the terms of the Unapproved Share Option Scheme;
12. approve and adopt the terms of the LTIP; and
13. disapply pre-emption rights in connection with the Acquisition and the Placing and generally up to a maximum of £262,250, being approximately 10 per cent. of the Company's enlarged share capital.

Resolutions 1 to 12 will be proposed as ordinary resolutions. Resolution 13 will be proposed as a special resolution. In respect of Resolution 4 the Directors have no current intentions of allotting the New Ordinary Shares over which they have been given authority, other than the Placing Shares and the Consideration Shares.

Taxation

Certain general information relating to United Kingdom taxation with regards to Re-Admission is set out in paragraph 14 of Part VIII of this document. **If you are in any doubt as to your tax position, you should contact your professional adviser immediately.**

Further information

Your attention is drawn to the further information set out in the remainder of this document and, in particular, to the risk factors set out in Part III of this document.

Action to be taken

You will find enclosed with this document a Form of Proxy for use in connection with the AGM. Whether or not you intend to be present at the AGM you are asked to complete and return the Form of Proxy in accordance with the instructions printed on them so as to be received by Capita Registrars, 34 Beckenham Road, Beckenham, Kent BR3 4BR as soon as possible but in any event not later than 10.00 a.m. on 3 January 2007. Completion and return of the Form of Proxy will not preclude you from attending or voting at the AGM in person should you so wish.

Recommendation and voting intentions

The Directors are of the opinion that the Acquisition is in the best interests of the Company and Shareholders as a whole and that the terms of the Acquisition are fair and reasonable so far as the Shareholders of the Company are concerned. Accordingly the Directors recommend that Shareholders vote in favour of the Resolutions to be proposed at the AGM as they intend to do so in respect of their own beneficial holdings, which amount in aggregate to 3,598,000 Existing Shares, representing a total of 1.47 per cent. of the Existing Shares in issue. The Directors have also received undertakings to vote in favour of the Resolutions from Shareholders in respect of holders of a total of 43,700,000 Existing Shares, which when aggregated with those of the Directors, represent 19.28 per cent. of the Existing Shares in issue.

Yours faithfully,

Paul Gratton
Chairman

PART II

INFORMATION ON ARTILIUM

1. Introduction

Artilium provides technology solutions to network operators and enablers. Its core product is a Shared Service Delivery Platform ("SSDP") which comprises a single technology platform offering a variety of services to both the network operator and its subscribers. Historically, Artilium has provided customers with a bespoke version of its SSDP, suitably tailored for the needs of the user. Customer contracts relating to the SSDP will usually include elements relating to hardware, software, professional services and ongoing maintenance.

Artilium has an established market position which it has developed by supplying its products and services to a number of operators throughout the Benelux region. Contract delivery times depend on the scale of the customer's requirements but typically vary between two and six months. Artilium currently has 25 employees located at its headquarters in Loppem, Belgium.

2. History and background

Artilium was established in 1999 with the name LVLCOM B.V.B.A. In 2002, LVLCOM acquired the business of Softamed N.V. and changed its name to Artilium Communications N.V. Artilium focussed on the provision of technology solutions to customers in the telecoms sector. From 2002, Artilium continued to grow its business, concentrating on customers and projects in the Benelux region. In early 2006, the shareholders disposed of their shares in Artilium to VIG.

3. Products

Telecommunications providers and mobile network operators are expanding beyond traditional consumer and business services in order to boost revenues and reduce costs. The Directors believe resellers, communities and MVNO/MVNEs are searching for a strong commercial approach to both maximize the ARPU (Average Revenue Per User) and minimize the time to market. The fact that network subscribers are constantly demanding new services requires operators and providers to be ever more flexible and to offer reliable solutions. The ability to meet subscriber demands is limited by today's rigid network and IT infrastructures, which are often very complex and based on proprietary network-based switching equipment.

Artilium's SSDP affords operators the ability to provide a telecoms offering and incorporate specified applications to meet subscriber requirements. It is built on an application infrastructure platform which enables operators and service providers to efficiently create, deliver and manage services and applications. The SSDP comprises three layers:

Common telecoms layer – comprises the signalling and service gateways. The telecoms layer is a technology enabler that allows operators and service providers to connect the SSDP to multiple operators at the same time;

Application layer – built on top of the telecoms layer and independent of the underlying infrastructure. The application layer can host applications for heterogeneous environments comprising fixed, mobile, cable, ATM and IP networks; and

Presentation layer – allows operators and MVNOs to build the applications for provisioning and monitoring services, in addition to acting as an interface for subscribers to access their account data.

The SSDP has a wide degree of functionality and customers can choose from a variety of different applications depending upon their requirements. Set out below is a sample of products, marketed under the 'Arta' brand, available to a customer within different categories.

Advanced messaging and content

The Arta Unified Subscriber Services ("USS") product centralises all personal communications via the internet. For example, all communications can be redirected to the email address of the subscriber. With USS, subscribers can send and retrieve voice, fax SMS and email messages by means of a user interface which is independent of the type of network (fixed, mobile or data) that hosts the message.

Fixed offerings

The Arta Fixed/Mobile Convergence ("FMC") product allows calls to a subscriber to be routed to a desired number dependent on the subscriber's preferences and geographical location. The call can even be routed to the subscriber's voicemail or to another person.

The Arta Seamless FMC product enables seamless roaming between different devices and/or different networks during call establishment. It supports seamless call transfer on both incoming and outgoing calls. The transfer can be initiated by the user or, depending upon device status and network availability, by the server.

Mobile offerings

The Arta MVNO solution affords MVNOs the ability to rapidly react to market demands with new products and promotions in addition to the MNO services thereby increasing ARPU. It also allows the MVNO to develop tariff structures independent of the MNO and view its own real-time reporting and statistics.

Real-time charging and billing

The management of telecoms expenses can be a challenging task for corporations. The Arta Telecommunication Invoice Management Service ("TIMS") helps ensure the accuracy of telecoms invoices, provides effective controls over the invoicing process and aids resolution of billing errors. The TIMS product can be used to consolidate telecoms invoices, provide real-time customised management reports and produce billings, invoices and commissions notes.

Call completion and call management

Number portability ("NP") is the ability to take an existing telephone number, which was assigned by a local exchange carrier ("LEC") and reassign it to another LEC while referring to the same physical connection. In some countries, operators are responsible for maintaining databases containing information on NP. The Arta Number Portability solution can help operators maintain a NP database.

Service and customer care management

At present, simplified administration and management of communications systems is one of the major concerns of operators. The Arta Switch Administrator is designed to make both the set up and management of a communications platform faster, easier and more efficient. Its user interface is a productivity tool for administrators enabling them to manage common tasks from a single console.

Carrier platform services

Lawful intercept is the legally authorised surveillance of private communications such as telephone calls. In general, it is a security process in which a network operator or service provider gives law enforcement agencies access to the communications of private individuals or organisations. The Arta Lawful Intercept system contains all the information and settings a system needs to monitor and/or tap telephone conversations and/or to a particular telephone number.

4. Recent reference projects

Set out below are details of two reference projects recently undertaken by Artilium, providing examples of the nature of its business.

Project 1

Artilium recently built a platform for an MNO enabling it to quickly deploy the necessary infrastructure required to provide various MVNOs with rapid access to market, typically within three to six weeks of agreement of terms between the MNO and MVNO. The SSDP connects to the switching infrastructure of the MNO via the telecom layer, and enables the MVNO to build its business support systems within the application layer.

Project 2

A leading pan-European MVNO selected Artilium's technology to manage the routing of its termination traffic. Using Artilium technology incorporating an intelligent routing solution, the MVNO can choose to terminate its traffic on the operator network of its choice. The routing capability is not only based on the 'least-cost routing' principle, but can also take account of specified criteria designed to optimise the quality of the voice traffic.

5. Markets

Artilium has identified three potential market opportunities for its products.

Continued development of the MVNO/MVNE market

The Directors consider that Artilium has facilitated the emergence of the MVNO/MVNE market in recent years. Historically, Artilium sold its SSDP to MNOs who identified an opportunity to increase their market share by partnering with MVNOs. The Board believes that the MVNO market is still undergoing a period of expansion. For example, the UK MVNO subscriber base is projected to grow from 6.6 million subscribers in 2005 to 12.2 million in 2010 (source: eMarketer.com). As a result of this expansion, the Board believes a growing number of MNOs will open their network infrastructure to new entrants in the telecoms market.

In addition, the Board believes there is likely to be a period of consolidation in the MVNO/MVNE market such that the number of market participants will be reduced. Those companies that lead the consolidation will, in the Board's opinion, have the financial strength necessary to invest in their own technology infrastructure and hence form the basis for Artilium's MVNO marketing efforts.

Convergence of services and networks

According to Ovum, fixed mobile convergence ("FMC") connections worldwide will grow from one million in 2006 to 90 million in 2010. The Board believes that subscriber demand for converged telecoms services over diverse networks will drive operators and service providers alike to obtain flexible business support systems that will enable them to develop and market new data and voice communication services. The Artilium SSDP meets the needs of operators and service providers who interface with all forms of network including IP, PSTN, mobile and ATM and who also seek to rapidly deploy business support information management systems. Hence, the Board believes this to be an attractive market for Artilium's products.

Future deployment of VoIP

The Board believes that the integration of voice services within business applications will be the key driver for the deployment of VoIP services. Ovum predicts that VoIP connections in Western Europe will grow from 1.7 million in 2005 to 11 million by 2009 representing a compound annual growth rate of 59.5 per cent. Integrating Artilium's SSDP with business applications will enable the vendors of such applications to offer end-users voice services as described in Part I of this document. The Board believes that the integration of voice capabilities with business applications will drive further fragmentation of providers of telecoms services and create a new market for Artilium's SSDP with software providers.

6. Sales & marketing

Artilium has historically focused on customers in the Benelux region. The Directors intend to use the international sales and product marketing skills of FIT to enter new geographic markets. Artilium has

recently undertaken a review of potential markets for its products. This review considered, *inter alia*, a number of factors including the number of operators in each jurisdiction, mobile phone penetration, proportion of prepay contracts, handset subsidies, price levels and legal position. As a result, Artilium has produced a prioritised list of European countries to target.

7. Customer base

Artilium has endeavoured to develop close relationships with both existing and prospective customers in order to protect its market position. Growth in the customer base is achieved via senior management's relationship with potential customers and business partners (who refer customers), presentations at public events and Artilium's reputation in the market.

Artilium has historically provided customers with a tailored product on an individually negotiated basis. Due to the nature of its product, Artilium typically undertakes one significant project per client which will then be followed by maintenance, upgrades and other services as required. The initial project will involve the provision of both hardware (sourced from third parties) and software solutions (developed in-house). As a result, the customer base can fluctuate however, Artilium has maintained some consistent business with a number of significant customers.

8. Future strategy

Following the Acquisition, the Directors intend to use the cash resources of the Enlarged Group to, *inter alia*, increase the scale of Artilium's operations. The Directors believe an essential element of building the business will be to transition Artilium from a "software engineering" company, characterised by predominantly bespoke solutions, to a software company, characterised by standardised products. To this end, the Directors intend to harmonise the bespoke products into a more streamlined and focused product line whilst maintaining each product's flexibility. This will be achieved by a re-engineering of the SSDP during 2007.

In addition to Artilium's existing business, the Directors intend to utilise the SSDP to capitalise on the increasing trend of delivery of software as a service, details of which are set out above and in Part I of this document.

9. IPR

Artilium's market position relies on protected technology. The key intangible assets of Artilium are the developed software products and tools (consisting of the source code, intellectual property and technical files) that are used to generate the SSDP.

10. R&D

The Directors believe that an important factor in Artilium's success is its ability to provide innovative, "out of the box" solutions. To ensure that Artilium continues to develop market leading products, the Directors intend to establish a dedicated research department tasked with developing innovative products.

11. Senior management

Details of Artilium board members are set out below:

Stefaan Top, Managing Director

Mr Top has over 20 years of experience with early stage IT companies, as an investor, entrepreneur and executive. In 1998, Mr Top co-founded Pythagoras Participations C.V.B.A., a Belgium-based, early stage venture capital fund. Prior to founding Pythagoras, Mr Top was investment manager for telecommunications and media for Gevaert N.V., a major Belgian financial holding. As part of his role, he co-managed the investments in Mobistar N.V. & Telenet N.V. as well as founding and managing Planet Internet N.V., a successful ISP which was a joint venture between Gevaert and KPN Telecom B.V.

From 1993 to 1996, Mr Top was Managing Director for Trix N.V., a 3D Computer Generated Imagery company, which he managed from start-up to profitability in a three-year span. Mr Top commenced his career holding managerial positions in sales and marketing for Wang Laboratories N.V. and subsequently Apple Computer N.V.

Jan Cant, Legal Counsel

Mr Cant attended the University of Ghent, completing a degree in Law, European Law and Maritime Law in 1996. He was a lawyer at the Court of Bruges from 1998 to 2005 after which he had legal consultant roles at T-Systems Belgium N.V., T-Systems Luxembourg S.A. and Deutsche Telekom Group. Mr Cant was a board member and legal consultant of various private companies during this time. He also provided consulting services for governmental institutions, particularly in respect to development for the Central African Republic.

In addition to Mr Top and Mr Cant, Tony Lynch, Tom Casaer and Gery Pollet are also board members of Artilium. Details relating to Mr Lynch and Mr Casaer are set out in paragraph 7 of Part VIII of this document. Mr Pollet will resign from the board upon completion of the Acquisition.

PART III

RISK FACTORS

In addition to all other information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company and whether to approve the Acquisition at the AGM. An investment in the Company may not be suitable for all recipients of this document.

If you are in any doubt about the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant, or other independent professional adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

A prospective investor ought not to infer any relative importance in relation to the risk factors by reference to the order in which they appear. It should be noted that the risks described below are not the only risks faced by the Company. There may be additional risks that the Directors currently consider not to be material or of which they are unaware. The information below does not purport to be an exhaustive list or summary of the risks affecting the Enlarged Group. Shareholders and investors should consider carefully whether they wish to approve the Acquisition or whether an investment in the Company is suitable for them, in light of the matters referred to in this document, their personal circumstances and the financial resources available to them.

RISKS RELATING TO THE ENLARGED GROUP

The Company's objectives may not be fulfilled

The value of an investment in the Company is dependent upon the Company achieving the aims set out in this document. There can be no guarantee that the Company will achieve the level of success that the Board expects.

Potential acquisitions or investments in other companies may have a negative impact on the Company's business and the Company's share price.

As part of the Company's strategy, it will consider acquiring or making investments in a variety of businesses as appropriate opportunities arise. The risks the Company may face should it acquire or invest include:

- difficulties with the integration and assimilation of the acquired business;
- diversion of the attention of the Company's management team from other business concerns;
- availability of favourable acquisition or investment financing; and
- loss of key employees of any acquired business.

Acquisitions or investments may require the Company to expend significant amounts of cash. This would result in the Company's inability to use those funds for other business purposes. Additionally, if the Company funds acquisitions through further issuances of ordinary shares, its Shareholders will be diluted, which may cause the market price of the ordinary shares to decline. The potential impairment or complete write-off of goodwill and other intangible assets related to any such acquisition may reduce the Company's overall earnings, which in turn could negatively affect the price of the ordinary shares.

Competition and technological change

The telecoms software services sector is competitive. The Company may face significant competition, including from larger software companies which have greater capital resources. Competitors could develop superior technology which could render the Company's products uncompetitive or competitors could develop products that achieve greater market acceptance than the Company's products. In the future, the Company may experience pricing pressures from competitors and customers which may adversely affect potential sales levels and/or gross margins. There is no assurance

that the Company will be able to compete successfully in such a marketplace in the future. The technology upon which the Company's products and services are based may become obsolete or may not continue to have sufficient market acceptance to create adequate demand for the Company's products and services. In order to compete successfully, the Company will need to continue to improve its products and services and to develop and market new products and services that keep pace with technological change.

The Company's success depends on its ability to retain the current members of its senior management team and other key personnel.

The Company's success depends to a significant extent on the continued services of its core senior management team. If one or more of these individuals were unable or unwilling to continue in his present position, the Company's business would be disrupted and it might not be able to find replacements on a timely basis or with the same level of skill and experience. Finding and hiring any such replacements could be costly and might require the Company to grant significant equity awards or other incentive compensation, which could adversely impact its financial results.

If the Company fails to continue to attract and retain highly skilled personnel, it may be unable to successfully execute its business strategy.

The Company's success depends upon its ability to attract, retain and motivate highly-skilled personnel. Because competition to attract such personnel is intense in the industry, the Company may experience difficulty attracting, integrating or retaining the number of qualified personnel needed to successfully implement its business strategy. If the Company is delayed in recruiting key employees, it may be forced to incur significant additional recruitment, compensation and relocation expenses. If it is unable to hire and retain such personnel in the future, the Company may not be able to operate its business as it does today or meet the needs of its clients.

Fluctuations in the Company's operating results may cause the price of the ordinary shares to decline and limit its Shareholders' ability to sell ordinary shares in the public market.

The Company expects its operating results to fluctuate especially whilst it is developing its business due to a variety of factors, many of which are outside of its control. The Company's operating results may in some future period fall below the expectations of securities analysts and investors. In this event, the trading price of the ordinary shares could decline significantly. In addition to the risks disclosed elsewhere in this document, factors outside of the Company's control that have caused its operating results to fluctuate in the past and that may affect it in the future, include:

- fluctuations in general economic conditions; and
- demand for the type of products and services provided by the Company generally.

The factors listed above may affect both the Company's periodical operating results as well as its long-term success. Given the fluctuations in its operating results, investors should not rely on periodical comparisons of the Company's results of operations as an indication of its future performance or to determine any trend in its performance. Fluctuations in the Company's operating results could cause the market price of and demand for ordinary shares to fluctuate substantially, which may limit the ability of investors to sell ordinary shares on the public market.

The Company might have difficulty obtaining additional capital, which could prevent it from achieving its business objectives. If the Company is successful in raising additional capital, it may have a dilutive effect on its shareholders.

The Company may need to raise additional capital in the future to fund the expansion of its business or acquire other companies. If additional financing is not available, or available only on terms that are not acceptable to the Company, it may be unable to fund the development and expansion of its business, attract qualified personnel or take advantage of business opportunities. Any of these events may harm the Company's business. Also, if the Company raises funds by issuing additional ordinary shares or debt securities convertible into ordinary shares, its Shareholders will experience dilution, which may be significant, to their ownership interest in the Company. If the Company raises funds by

issuing shares of a different class or by issuing debt, the holders of such different classes of shares or debt securities may have rights senior to the rights of Shareholders.

Litigation risks

While the Enlarged Group has no material outstanding litigation, there can be no guarantee that current or future actions of the Enlarged Group will not result in litigation. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceedings will not have a material effect on the Enlarged Group's financial position or results of operations.

Taxation risks

Any change in the Enlarged Group's tax status or the tax applicable to holding ordinary shares or in taxation legislation or its interpretation, could affect the ability of the Enlarged Group to provide returns to shareholders and/or alter the post-tax returns to shareholders. Statements in this document concerning the taxation of the Enlarged Group and investors are based upon current tax law and practice which is subject to change.

RISKS RELATING AN INVESTMENT IN THE COMPANY

Liquidity of the ordinary shares and AIM generally

An investment in the ordinary shares of the Company is highly speculative and subject to a high degree of risk.

Application has been made for the ordinary shares to be re-admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less stringent than those of the Official List. Investments in shares traded on AIM carry a higher degree of risk than investments in shares quoted on the Official List. Neither the London Stock Exchange nor the UKLA have examined this document for the purposes of the Re-Admission.

An investment in the ordinary shares may be difficult to realise and the price at which the ordinary shares will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to the Enlarged Group and its operations and some, which may affect quoted companies generally. Re-Admission to AIM should not be taken to as implying that there will be a liquid market for the ordinary shares particularly as, on Re-Admission, the Company will have a limited number of shareholders. The market for shares in smaller public companies, such as the Company, is less liquid than for larger public companies. The Enlarged Group is aiming to achieve capital growth and, therefore, ordinary shares may not be suitable as a short-term investment. Consequently, the share price may be subject to greater fluctuation on small volumes of shares, and thus may go down as well as up. Investors may therefore realise less than their original investment, or sustain a total loss of their investment.

PART IV

FINANCIAL INFORMATION ON FIT

Part IV.I Future Internet Technologies plc

The historical financial information for the Company is set out below. The Directors of the Company are responsible for the preparation of the historical financial information and its presentation in accordance with International Financial Reporting Standards (“IFRS”) and the accounting policies in Note 1. The historical financial information for the years ended 30 June 2006, 2005 and 2004 is the subject of the Accountant’s Report set out in Part IV.2 of this document.

Consolidated income statement for the year ended 30 June

	Note	*2006* *£’000*	*2005* *£’000*	*2004* *£’000*
Revenue	4	612	–	–
Cost of sales		(56)	–	–
Gross profit		556	–	–
Other operating income	4	–	15	4
Administrative expenses		(3,409)	(31)	(66)
Other operating expenses		(6)	–	–
Operating loss		(2,859)	(16)	(62)
Investment revenues	7	135	25	19
Other gains and losses	8	(698)	(15)	–
Finance costs	9	(349)	–	–
Loss before tax		(3,771)	(6)	(43)
Tax	10	(152)	–	–
Loss for the year	5	(3,923)	(6)	(43)
Attributable to:				
Equity holders of parent		(3,159)	(6)	(43)
Minority interest		(764)	–	–
		(3,923)	(6)	(43)

		2006 *pence*	*2005* *pence*	*2004* *pence*
Loss per share				
Basic	11	(2.86)	(0.03)	(0.26)
Diluted	11	(2.86)	(0.03)	(0.26)

Consolidated statement of recognised income and expense for the year ended 30 June

	2006 *£'000*	*2005* *£'000*	*2004* *£'000*
Exchange differences on translation of foreign operations	2	–	–
Net income recognised directly in equity	2	–	–
Transfers	–	–	–
Loss for the year	(3,923)	(6)	(43)
Total recognised income and expense for the year	(3,921)	(6)	(43)
Attributable to:			
Equity holders of parent	(3,158)	(6)	(43)
Minority interest	(763)	–	–
	(3,921)	(6)	(43)

Consolidated balance sheet at 30 June

	Note	*2006* *£'000*	*2005* *£'000*	*2004* *£'000*
Non-current assets				
Goodwill	12	2,697	–	–
Intangible assets	13	837	–	–
Plant and equipment	14	170	–	–
Deferred tax asset	19	119	–	–
Investments	16	–	18	33
		3,823	18	33
Current assets				
Inventories	17	118	–	–
Trade and other receivables	18	1,925	5	6
Cash and cash equivalents		1,911	552	550
		3,954	557	556
Total assets		7,777	575	589
Current liabilities				
Trade and other payables	21	2,849	16	24
Current tax liabilities		–	–	–
Obligations under finance leases	20	4	–	–
Provisions	22	425	–	–
		3,278	16	24
Non-current liabilities				
Deferred tax liabilities	19	180	–	–
Total liabilities		3,458	16	24
Net assets		4,319	559	565
Equity				
Share capital	23	1,769	4,654	4,654
Share premium account	24	9,033	2,596	2,596
Capital redemption reserve	25	4,493	–	–
Option to acquire minority interest	26	(1,611)	–	–
Share warrants reserve	27	336	–	–
Translation reserve	28	2	–	–
Retained earnings	29	(9,849)	(6,691)	(6,685)
Equity attributable to equity holders of the parent		4,173	559	565
Minority interest		146	–	–
Total equity		4,319	559	565
Total liabilities and equity		7,777	575	589

Consolidated cash flow statement for the year ended 30 June

	Note	*2006* *£'000*	*2005* *£'000*	*2004* *£'000*
Net cash used in operating activities	31	(1,732)	(23)	(66)
Investing activities				
Interest received		135	25	19
Sale of investments		21	–	–
Purchases of property, plant and equipment		(34)	–	–
Purchases of investments		(691)	–	(17)
Acquisition of subsidiary	30	(4,370)	–	–
Net cash (used in)/from investing activities		(4,939)	25	2
Financing activities				
Repayments of obligations under finance leases		(5)	–	–
Proceeds on issue of shares		8,046	–	–
Net cash from financing activities		8,041	–	–
Net increase/(decrease) in cash and cash equivalents		1,370	2	(64)
Cash and cash equivalents at beginning of year		552	550	614
Effect of foreign exchange rate changes		(11)	–	–
Cash and cash equivalents at end of year		1,911	552	550

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. General information

Future Internet Technologies plc is a company incorporated in the United Kingdom under the Companies Act 1985.

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

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

— Amendment to IAS 21 'Net Investment in a Foreign Operation' (effective from 1 July 2006)

— Amendment to IAS 39 and IFRS 4 'Financial Guarantee Contracts' (effective from 1 July 2006)

— Amendment to IAS 39 'Cash Flow Hedge Accounting of Forecast Intragroup Transactions' (effective from 1 July 2006)

— Amendment to IAS 39 'The Fair Value Option' (effective from 1 July 2006)

— IFRIC 4 'Determining whether an Arrangement contains a Lease' (effective from 1 July 2006)

— IFRIC 5 'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds' (effective from 1 July 2006)

— IFRIC 6 'Liabilities Arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment' (effective from 1 July 2006)

— IFRIC 7 'Applying the restatement approach under IAS 29' (effective from 1 July 2006)

— IFRIC 8 'Scope of IFRS 2' (effective from 1 July 2006)

— IFRIC 9 'Reassessment of Embedded Derivatives' (effective from 1 July 2006)

— IFRS 6 'Exploration for and Evaluation of Mineral Resources' (effective from 1 July 2006)

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

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

2. Significant accounting policies

Basis of accounting

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs) for the first time. Under first time adoption procedures set out in IFRS 1 First-time Adoption of International Financial Reporting Standards, the Company is required to establish its IFRS policies as at 1 July 2005 and to apply these retrospectively in the determination of prior period comparatives from 1 July 2004, the date of transition.

No adjustments affecting the Company's equity, net income and cash flows have been identified on transition from UK GAAP to IFRS. Consequently no reconciliation table has been provided.

The financial information has also been prepared in accordance with IFRSs adopted by the European Union and therefore complies with Article 4 of the EU IAS Regulation.

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

Basis of consolidation

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

The Company acquired its first subsidiary in the year ended 30 June 2006 and as a result the comparative information for the year ended 30 June 2005 is on a company basis. Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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

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

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

Business combinations

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

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

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

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

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

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

Sales of goods are recognised when goods are delivered and title has passed. Sales of bespoke software platforms are recognised upon confirmation from the customer that the software platform has been delivered. Sales of maintenance and consulting services are recognised rateably over the period in which service was provided.

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

Leasing

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

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

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

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

Foreign currencies

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

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was

determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Taxation

The tax expense represents the sum of the current and deferred tax.

The current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Plant and equipment

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

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

Leasehold improvements	10%
Fixtures, equipment and motor vehicles	20%-33%

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

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

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

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

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

Inventories

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

Financial instruments

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

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

Trade receivables

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

Investments

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

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

Cash and cash equivalents

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

Financial liabilities and equity

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

Trade payables

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

Equity instruments

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

Provisions

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

Share-based payments

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

The Group issued equity-settled payments to certain directors and advisors. Share-based payments are measured at their fair value at the date of grant.

Reportable segments

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

3. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

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

Business combinations

Goodwill only arises in business combinations. The amount of goodwill initially recognised is dependent on the allocation of the purchase price to the fair value of the identifiable assets and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement. Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortised whereas indefinite lived intangible assets, including goodwill, are not amortised, and could result in differing amortisation charges based on the allocation to indefinite lived and finite lived intangible assets.

Investments

As the Company does not own the majority of the voting shares in Artilium, the judgement as to whether the Company has the power to govern the financial and operating policies of Artilium is a matter for management's judgement. If it were decided that the Company does not have control, then Artilium would have be accounted for using the equity method as an associate rather than consolidated as a subsidiary.

The Group owns 49% of the voting shares in Aquanta N.V. ("Aquanta"), and therefore management has made a judgement as to whether the Group has significant influence over the financial and operating policies of Aquanta and therefore whether it is accounted for as an associate or an investment. If it were decided that the Group does have significant influence, then Aquanta would have be accounted for using the equity method as an associate rather than held as an investment at cost less provision for impairment.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the balance sheet date was £2.7 million (2005 and 2004: nil).

Fair value of warrants

IFRS 2 requires 'for equity-settled share-based payment transactions, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.' In determining the fair value of the warrants granted as share based payments for services to the Group management considered both the fair value of the services received for payment of the warrants and the fair value of the warrants themselves in arriving at a suitable charge for issuance of the warrants.

4. Revenue

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

	2006 *£'000*	*2005* *£'000*	*2004* *£'000*
Sales of goods	612	–	–
Other operating income	–	15	4
Investment income: interest on bank deposits	135	25	19
	747	40	23

5. Loss for the year

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

	2006 *£'000*	*2005* *£'000*	*2004* *£'000*
Net foreign exchange gains	(11)	–	–
Operating lease rentals – land and buildings	47	–	–
Depreciation of plant and equipment	31	–	–
Amortization of intangibles	60	–	–
Impairment of investment	698	15	–
Profit on sale of investments	(14)	–	–
Cost of inventories recognised as expense	56	–	–
Staff costs (see note 6)	786	–	–
Employee benefits	14	–	–
Auditors' remuneration for audit services (see below)	30	3	3

Amounts payable to Deloitte & Touche LLP (2005: Orolus Limited) and their associates by the Company and its UK subsidiary undertakings in respect of non-audit services were £7,500 (2005: £300) (2004: nil).

Costs of £131,611 have been recognised during the 2006 year in respect of the professional costs incurred in connection with an aborted acquisition.

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

	2006		*2005*		*2004*	
	£'000	*%*	*£'000*	*%*	*£'000*	*%*
Audit services:						
statutory audit	30	79%	3	100%	3	100%
Tax services:						
advisory services	8	21%	–	–	–	–
	38	100%	3	100%	3	100%

6. Staff costs

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

	2006 *Number*	*2005* *Number*	*2004* *Number*
Administration & development	30	–	–
	30	–	–
	£'000	*£'000*	*£'000*
Their aggregate remuneration comprised:			
Wages and salaries	678	–	–
Social security costs	95	–	–
Other pension costs (see note 35)	13	–	–
	786	–	–

Directors

	2006 *£'000*	*2005* *£'000*	*2004* *£'000*
Directors' remuneration consists of:			
Emoluments	51	–	–
Fees	79	–	–
	130	–	–
Highest paid director:			
Emoluments	39	–	–

No contributions to personal pension schemes were made in respect of directors during the year (2005 and 2004 – nil).

7. Investment revenue

	2006 *£'000*	*2005* *£'000*	*2004* *£'000*
Interest on bank deposits	135	25	19

8. Other losses

	2006	*2005*	*2004*
	£'000	*£'000*	*£'000*
Impairment of investments	698	15	–

9. Finance costs

	2006	*2005*	*2004*
	£'000	*£'000*	*£'000*
Loans written off	347	–	–
Interest on obligations under finance leases	2	–	–
	349	–	–

10. Tax

	2006	*2005*	*2004*
	£'000	*£'000*	*£'000*
Analysis of taxation expense for the year:			
UK taxation:			
Corporation tax at 30% (2005: 30%, 2004: 30%)	–	–	–
Non-UK taxation:			
Current tax	172	–	–
Total current tax	**172**	**–**	**–**
Deferred tax :			
Origination and reversal of temporary differences	(20)	–	–
Total deferred tax	**(20)**	**–**	**–**
Total taxation expense in the income statement	**152**	**–**	**–**

Corporation tax is calculated at 30% (2005: 30%, 2004: 30%) of the estimated assessable loss for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2006		*2005*		*2004*	
	£'000	*%*	*£'000*	*%*	*£'000*	*%*
Loss before tax from continuing operations	(3,771)		(6)		(43)	
Tax at the UK corporation tax rate of 30% (2005: 30%, 2004: 30%)	1,131	30	2	30	13	30
Effects of:						
Expenses not deductible for tax purposes	(809)	(21)	(5)	(80)	–	–
Provision in respect of tax exposures	(374)	(10)	–	–	–	–
Effect of different tax rates of subsidiary operating in other jurisdictions	25	1	–	–	–	–
Tax losses brought forward utilised in the period	11	-	–	–	–	–
Tax losses carried forward unutilised in the period	(136)	(4)	–	–	(13)	(30)
Profit eligible to zero rate marginal relief	–	–	3	50	–	–
Tax expense and effective tax rate for the year	(152)	(4)	–	–	–	–

11. Earnings per share

The consolidated group has no discontinued operations. The warrants on issue do not have a dilutive effect as the market price of ordinary shares exceeded the exercise price of the warrants during the financial year. As a result, diluted earnings per share is the same as basic earnings per share.

	2006	*2005*	*2004*
	£'000	*£'000*	*£'000*
Earnings			
Earnings for the purposes of basic earnings per share being net loss attributable to equity holders of the parent	(3,159)	(6)	(43)
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	110,552,747	16,050,006	16,050,006

12. Goodwill

	£'000
Cost	
At 1 July 2003, 1 July 2004 and 1 July 2005	–
Recognised on acquisition of subsidiary	2,697
At 30 June 2006	2,697
Accumulated impairment losses	
At 1 July 2003, 1 July 2004, 1 July 2005 and 30 June 2006	–
Carrying amount	
At 1 July 2003, 1 July 2004 and 1 July 2005	–
At 30 June 2006	2,697

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

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

13. Other intangible assets

	Telecommunications software platform £'000
Cost	
At 1 July 2003, 1 July 2004 and 1 July 2005	–
Acquired on acquisition of a subsidiary	897
At 30 June 2006	897
Amortisation	
At 1 July 2003, 1 July 2004 and 1 July 2005	–
Charge in period	60
At 30 June 2006	60
Carrying amount	
At 30 June 2004 and 30 June 2005	–
At 30 June 2006	837

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

14. Property, plant and equipment

	Leasehold Improvements £'000	*Fixtures and equipment £'000*	*Motor vehicles £'000*	*Total £'000*
Cost				
At 1 July 2003, 1 July 2004 and 1 July 2005	–	–	–	–
Additions	–	34	–	34
Acquisition of subsidiary	43	291	149	483
Disposals	–	(1)	–	(1)
At 30 June 2006	43	324	149	516
Accumulated depreciation				
At 1 July 2003, 1 July 2004 and 1 July 2005	–	–	–	–
Acquisition of subsidiary	1	215	100	316
Charge for the year	1	21	9	31
Eliminated on disposals	–	(1)	–	(1)
At 30 June 2006	2	235	109	346
Carrying amount				
At 30 June 2004 and 30 June 2005	–	–	–	–
At 30 June 2006	41	89	40	170

There were no impairment charges for the 2006 financial year (2005 and 2004: nil)

The carrying amount of the Group's motor vehicles includes an amount of £36,000 (2005 and 2004: nil) in respect of assets held under finance leases.

15. Subsidiaries

As at 30 June 2006 the Company held 49% of the voting rights of Artilium N.V. ("Artilium"), a company incorporated in Belgium. The Company exercised an option to acquire the remaining 51% of Artilium on 21 June 2006. The exercise of this option triggers a reverse takeover pursuant to the AIM rules and as such requires shareholder approval. Shareholders will be able to approve this exercise on or around 4 January 2007. Furthermore, Future Internet Technologies plc has the right to appoint or remove a majority of Artilium's board of directors and therefore influence its decisions. The Company has the power to govern the financial and operating policies of Artilium so as to obtain benefits from its activities and it is therefore consolidated in this financial information.

16. Investments

	Listed Investments £'000	Unlisted Investments £'000	Total £'000
Cost			
At 1 July 2003	–	1,780	1,780
Additions	18	–	18
At 30 June 2004 and 30 June 2005	18	1,780	1,798
Additions	–	691	691
Disposals	(8)	(1,780)	(1,788)
At 30 June 2006	10	691	701
Provision			
At 1 July 2003 and 30 June 2004	–	1,765	1,765
Charge for the year	–	15	15
At 30 June 2005	–	1,780	1,780
Charge for the year	10	688	698
Exchange differences	–	3	3
Disposals	–	(1,780)	(1,780)
At 30 June 2006	10	691	701
Carrying amount			
At 30 June 2004	18	15	33
At 30 June 2005	18	–	18
At 30 June 2006	–	–	–

Included in unlisted investments is the Group's investment in Aquanta Networks N.V., a company incorporated in Belgium over which the Group has an interest of 24% in its issued share capital. As at 30 June 2006 Aquanta Networks N.V., per unaudited management information, had net liabilities of €315,339 (£217,881) and in the period since acquisition made a loss of €72,924 (£50,386).

17. Inventories

	2006 £'000	2005 £'000	2004 £'000
IT hardware for sale	118	–	–

18. Trade and other receivables

	2006 £'000	2005 £'000	2004 £'000
Amounts receivable for the sale of goods	767	–	–
Other debtors	301	2	2
Prepayments, accrued income and deferred expenses	857	3	4
	1,925	5	6

The average credit period taken on sales of goods is 44 days. No interest is charged on the receivables. An allowance has been made for estimated irrecoverable amounts from the sale of goods of £83,028 (2005: nil). This allowance has been determined by reference to past default experience.

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

Credit risk

The Group's principal financial assets are cash, trade and other receivables, and investments.

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

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

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

Liquidity and cash flow risk

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

Price risk

The Group is not exposed to any material price risks.

19. 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.

	Differences between IFRS and Belgium GAAP £'000	*Tax losses £'000*	*Total £'000*
At 1 July 2003 and 30 June 2004	–	–	–
Charge to income statement	–	–	–
At 30 June 2005	–	–	–
(Charge) / credit to income statement	(36)	55	19
Acquisition of subsidiary	(80)	–	(80)
As 30 June 2006	(116)	55	(61)

	2006 £'000	*2005 £'000*	*2004 £'000*
Deferred tax liability	(180)	–	–
Deferred tax asset	119	–	–
	(61)	–	–

At the balance sheet date, the Group has unused tax losses with a deferred tax value of £192,000 (2005: £224,000, 2004: £224,000) available for offset against future profits. A deferred tax asset has been recognised in respect of the portion of losses that have accrued in Belgium of £55,000 (2005: £nil, 2004: £nil). No deferred tax asset has been recognised in respect of the portion of

losses that have arisen in the UK of £137,000 (2005: £224,000, 2004: £224,000) due to insufficient evidence of future appropriate profits.

At the balance sheet date, the Group has recognised a deferred tax asset in relation to differences between Belgium GAAP which is followed for Belgium tax purposes and IFRS of £63,000 (2005: £nil, 2004: £nil).

20. Obligations under finance leases

	Minimum lease payments			*Present value of lease payments*		
	2006	*2005*	*2004*	*2006*	*2005*	*2004*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Amounts payable under finance leases:						
Within one year	4	–	–	4	–	–
	4	–	–	4	–	–

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 3.5 years. For the year ended 30 June 2006 the average effective borrowing rate was 5.27% (2005: nil). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Euros.

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

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

21. Trade and other payables

	2006	*2005*	*2004*
	£'000	*£'000*	*£'000*
Trade creditors	1,118	9	20
Accruals	1,079	–	–
Other creditors	652	7	4
	2,849	16	24

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 41 days.

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

22. Provisions

	Tax provision £'000	*Warranty provision £'000*	*Total £'000*
At 1 July 2003, 1 July 2004 and 1 July 2005	–	–	–
Additional provision in the year	376	49	425
At 30 June 2006	376	49	425
Included in current liabilities	376	49	425
Included in non-current liabilities	–	–	–
	376	49	425

The warranty provision represents management's best estimate of the Group's potential liability under customer service agreements. The tax provision represents management's best estimate of the Group's potential liability following the transactions with Aquanta.

23. Share capital

	2006 £'000	*2005 £'000*	*2004 £'000*
Fully paid ordinary shares:			
Authorised:			
1,050,676,947 (2005: 1,050,676,947; 2004: £1,050,676,947) ordinary shares of 1 pence each	10,507	10,507	10,507
Issued and fully paid:			
176,900,006 (2005: 16,050,006; 2004: 16,050,006) ordinary shares of 1 pence each	1,769	161	161
Deferred ordinary shares:			
Authorised:			
900,447 (2005: 900,447; 2004: 900,447) deferred ordinary shares of £4.99 each	4,493	4,493	4,493
Issued and fully paid:			
Nil (2005: 900,447; 2004: 900,447) deferred ordinary shares of £4.99 each	–	4,493	4,493

	2006		*2005*		*2004*	
	No. '000	*£'000*	*No. '000*	*£'000*	*No. '000*	*£'000*
Fully paid ordinary shares:						
Balance at beginning of financial year	16,050	161	16,050	161	16,050	161
Shares issued	160,000	1,600	–	–	–	–
Warrant conversion	850	8	–	–	–	–
Issued and fully paid:	176,900	1,769	16,050	161	16,050	161

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

	2006		*2005*		*2004*	
	No. '000	*£'000*	*No. '000*	*£'000*	*No. '000*	*£'000*
Deferred ordinary shares:						
Balance at beginning of financial year	900	4,493	900	4,493	900	4,493
Shares repurchased	(900)	(4,493)	–	–	–	–
Issued and fully paid:	–	–	900	4,493	900	4,493

Deferred ordinary shares do not carry the right to vote and do not 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. This effect of this transaction has been to reduce issued share capital by £4,493,231 and create a capital redemption reserve of the same amount.

24. Share premium account

	Share premium £'000
Balance at 1 July 2003, 1 July 2004 and 1 July 2005	2,596
Premium arising on issue of equity shares	6,400
Premium arising on warrant conversion	93
Expenses of issue of equity shares	(56)
Balance at 30 June 2006	9,033

25. Capital redemption reserve

	Capital redemption reserve £'000
Balance at 1 July 2003, 1 July 2004 and 1 July 2005	–
Deferred ordinary shares repurchased (note 23)	4,493
Balance at 30 June 2006	4,493

26. Option to acquire minority interest

	Option £'000
Balance at 1 July 2005	–
Option purchased	(1,611)
Balance at 30 June 2006	(1,611)

27. Share warrants reserve

	Share warrants £'000
Balance at 1 July 2003, 1 July 2004 and 1 July 2005	–
Expense arising on warrant based payments (note 34)	336
Balance at 30 June 2006	336

28. Translation reserve

	Translation reserve £'000
Balance at 1 July 2003, 1 July 2004 and 1 July 2005	–
Exchange differences on translation of overseas operations	2
Balance at 30 June 2006	2

29. Retained earnings

	2006 £'000	2005 £'000	2004 £'000
Loss at beginning of the financial year	(6,691)	(6,685)	(6,642)
Net loss for the year	(3,159)	(6)	(43)
Balance at end of financial year	(9,849)	(6,691)	(6,685)

30. Acquisition of subsidiary

On 6 March 2006 the Company acquired 49% of the issued capital of Artilium N.V. ("Artilium") for cash consideration of €7.5 million. As part of the transaction the Company was granted an option to acquire the balance of the issued share capital of Artilium within 12 months for consideration of 6 million ordinary shares in the Company. This option was exercised on 21 June 2006.

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

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Net assets			
Intangible assets	367	530	867
Property, plant and equipment	165	–	165
Deferred tax asset	98	–	98
Inventories	85	–	85
Trade and other receivables	818	–	818
Cash and cash equivalents	807	–	807
Trade and other payables	(708)	–	(708)
Current tax liabilities	(200)	–	(200)
Obligations under finance leases	(9)	–	(9)
Deferred tax liability	–	(180)	(180)
	1,423	350	1,773
Net assets acquired		**49%**	**869**
Option to acquire minority interest			1,611
Goodwill			2,697
Total consideration			5,177
Satisfied by:			
Cash			5,149
Directly attributable costs			28
			5,177
Net cash outflow arising on acquisition			
Cash consideration			(5,177)
Cash and cash equivalents acquired			807
			(4,370)

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

Artilium contributed £0.6 million revenue and £1.5 million to the Group's loss before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition of Artilium had been completed on the first day of the financial year, group revenues for the period would have been £2.8 million and Group losses attributable to equity holders of the parent would have been £3.0 million.

31. Notes to the cash flow statement

	2006 *£'000*	*2005* *£'000*	*2004* *£'000*
Loss from continuing operations	(3,923)	(6)	(43)
Adjustments for:			
Investment revenues	(135)	(25)	(19)
Impairment of investment	698	15	–
Tax	152	–	–
Depreciation of property, plant and equipment	31	–	–
Amortisation of intangible assets	60	–	–
Share based payment expense	336	–	–
Gain on disposal of property, plant and equipment	(14)	–	–
Increase/(decrease) in provisions	425	–	–
	(2,370)	(16)	(62)
Operating cash flows before movements in working capital			
Increase in inventories	(34)		
Decrease/(increase) in receivables	(1,139)	1	(4)
Increase/(decrease) in payables	2,163	(8)	1
Cash generated by operations	(1,380)	(7)	(4)
Income taxes paid	(352)	–	–
Net cash from operating activities	(1,732)	(23)	(66)

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

32. Contingent liabilities

There were no contingent liabilities as at 30 June 2006 or 30 June 2005 or 30 June 2004.

33. Operating lease arrangements

	2006 *£'000*	*2005* *£'000*	*2004* *£'000*
Minimum lease payments under operating leases recognised in income for the year	47	–	–

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

	2006 *£'000*	*2005* *£'000*	*2004* *£'000*
Within one year	224	–	–
In the second to fifth years inclusive	436	–	–
After five years	165	–	–
	825	–	–

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

34. Share based payments

Warrants

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

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

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

On 27 November 2006, an Extraordinary General Meeting of both classes of warrants was convened and passed resolutions to make the exercise of the Series 1 Warrants mandatory within a period of 30 days commencing on the day after the resolutions are passed. The terms of the Series 2 warrants remained unchanged.

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

	Number of warrants	*2006 Weighted average exercise price (in pence)*	*Number of warrants*	*2005 Weighted average exercise price (in pence)*
Granted during the period	122,333,333	13.03	–	–
Exercised during the period	850,000	12.00	–	–
Outstanding at the end of the period	121,483,333	13.04	–	–
Exercisable at the end of the period	121,483,333	–	–	–

The weighted average share price at the date of exercise for warrants exercised during the period was 40.05 pence. All the Series 2 warrants outstanding at the end of the period remain exercisable until 31 December 2007 at 12p per Ordinary Share. The Series 1 warrants outstanding at the end of the period remain exercisable until 11 December 2006 at 12p per Ordinary Share.

In the year to 30 June 2006, warrants were granted as follows:

Warrants granted	*Series 1 Warrants*	*Series 2 Warrants*	*Total Warrants*
Warrants to placees	80,000,000	–	80,000,000
Warrants to advisors & directors in consideration of services	333,333	42,000,000	42,333,333
	80,333,333	42,000,000	122,333,333

The Directors have reviewed available market data to determine the fair value of the warrants granted to advisors and directors in consideration for services to the Company. Data in the public domain indicates that broker fees for an AIM company at a private placing on average range between 2-5% of the funds raised plus a fixed corporate finance fee. For fund raisings less than £10 million the broker fees lie towards the upper end of that range.

The Directors believe that the fair value of the broker fees provided for the private placing during the year amounted to 4% of funds raised.

The table below sets out the fair value of the warrants issued to the professional advisors based on the assumption that the cost of services provided is 4% of the funds raised:

	£
Funds raised	8,000,000
4.0% of funds raised	320,000
Total warrants granted to brokers/advisors	40,333,333
FV per warrant	0.79p

All the advisor and director warrants remained un-exercised as at 30 June 2006 and the aggregate of the estimated fair value of the warrants for advisors and directors at 30 June 2006 is £335,867.

35 Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees of its Artilium subsidiary in Belgium. 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 £14,798 (2005 and 2004: nil) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 30 June 2006 all contributions due in respect of the current reporting period had been paid over to the scheme.

36 Events after the balance sheet date

On 11 September 2006, the Board of agreed the sale, to Flasktent Limited, of certain of the Group's intellectual property and physical assets pertaining to a potential consumer offering and the rights related thereto.

As a result of the sale of certain assets to Flasktent Limited, the Company will no longer pursue the creation of a consumer branded "Unified Communication Service". Instead, the Group will focus upon opportunities in the B2B and B2B2C communication sector based on completion of the transactions outlined below.

On the same date, Robert Bonnier resigned as Chief Executive and director of FIT and left the Company. Paul Gratton, Executive Chairman of FIT, has assumed the role of acting Chief Executive.

Pursuant to the transaction, Flasktent Limited acquired certain assets which had yet to become revenue generating and had a capitalised value of approximately £1.3 million. In consideration for the assets, Flasktent assumed approximately £3.0 million of existing FIT obligations of which £1.2 million were currently due at the date of the transaction. FIT may also receive up to £15 million of deferred consideration, which is contingent upon a realisation of equity in Flasktent for value within three years of the transaction date. Certain personnel also transferred from FIT to Flasktent. FIT agreed to make a further payment in respect of the development costs of Flasktent's proposition, the net effect to the Group being approximately £0.1 million. Flasktent will assume the future commitments relating to the assets thus removing any further obligations from the Company.

On 16 March 2006, trading in FIT's shares was suspended at the Company's request pending the posting of a circular to shareholders providing further detail on certain proposed transactions with Advance Global Communications, Inc ("AGC") and Artilium. The Company has been in continual consultation with AIM concerning a possible extension to the application of Rule 41 of

the AIM Rules which would otherwise have resulted in the Company's listing being terminated on 16 September 2006 due to the current suspension having continued for more than a six month period. It has been agreed with the AIM team that the Company's shares will remain suspended pending the publication of such a circular, which is now envisaged to be on or around 15 December 2006.

On 8 December 2006 the issued ordinary share capital of the Company was consolidated on the basis of one new ordinary share, with a nominal value of 20p (a "New Ordinary Share") for every 20 Ordinary Shares of 1p each. All fractions resulting from the consolidation are to be aggregated and sold in the market for the benefit of the Company.

37 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 are disclosed in the Company's separate financial statements.

Trading transactions

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

Gery Pollet is a director of a subsidiary Group company and in March 2006 the subsidiary purchased 49% of the shares in Aquanta Networks N.V. ("Aquanta") for €1million and made a loan of €0.5million to Aquanta for working capital purposes. Gery Pollet is also a director and a beneficial shareholder in Aquanta. The loan has subsequently been written off and the carrying value of the investment written down as the Board has decided that Aquanta will not be part of the Company's ongoing strategy and therefore agreed to transfer its shareholding in Aquanta to Aquanta's majority shareholders.

Remuneration of key management personnel

The Group has a related party relationship with the Directors of the Company as key management. At 30 June 2006, there were 3 (2005: nil) key management all of whom were directors of the Company. Key management compensation is disclosed in note 6.

Related party transaction - Cold Investments Limited

Cold Investments Limited is an investment vehicle controlled by Robert Bonnier, who was a director of the Company. In November 2005, Cold Investments Limited facilitated the placing of 160 million new shares at 5p per share and in return was granted 20,000,000 series 2 warrants as a share based payment for its services. The fair value of these warrants charged to income as per note 34 is £158,678.

38 Explanation of transition to IFRS

There have been no significant adjustments to loss after tax and shareholders' equity at 1 July 2004 and 30 June 2005 required when reconciling such amounts recorded in the accounts to the corresponding amounts in accordance with IFRS.

The loss reported under UK GAAP and the loss reported under IFRS for the year ended 30 June 2005 is the same, as is the Group's equity reported under UK GAAP and the Group's equity reported under IFRS at both 1 July 2004 and at 30 June 2005.

Part IV.2 Accountant's Report

Deloitte.

Deloitte & Touche LLP
Hill House
1 Little New Street
London EC4A 3TR

Tel: +44 (0) 20 7936 3000
Fax: +44 (0) 20 7583 1198
LDE: DX 599
www.deloitte.co.uk

The Board of Directors
on behalf of Future Internet Technologies plc
63-65 North Wharf Road
London
W2 ILA

Deloitte & Touche Corporate Finance
Athene Place
66 Shoe Lane
London
EC4A 3BQ

13 December 2006

Dear Sirs

Future Internet Technologies plc

We report on the financial information of Future Internet Technologies plc (the "Company") set out in Part IV.1 of the AIM admission document of the Company dated 12 December 2006 (the "Admission Document"). This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in Note 2. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation) as applied by Paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in Note 2 and in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex 1 item 23.1 of the Prospectus Directive Regulation as applied by Paragraph (a) of Schedule Two of the AIM Rules, consenting to its inclusion in the Admission Document.

Audit•Tax•Consulting•Corporate Finance•

Deloitte & Touche LLP is a limited liability partnership registered in England and Wales with registered number C303675 and its registered office at Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR, United Kingdom.

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Member of
Deloitte Touche Tohmatsu

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation and in accordance with IFRS as described in Note 2.

Declaration

For the purposes of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken alI reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants

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PART V

AUDITED CONSOLIDATED ACCOUNTS OF FIT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

Future Internet Technologies plc

Annual report and financial statements

for the year ended 30 June 2006

Registered number: 3904535 (England and Wales)

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COMPANY INFORMATION

Directors:	Mr P Gratton Mr T Lynch Mr P Thornton Mr R Armstrong Mr T Casaer
Secretary:	Mofo Secretaries Limited
Registered office:	MOFO Notices Limited Citipoint (7th Floor) One Ropemaker Street London EC2Y 9AW
Registered number:	3904535 (England and Wales)
Auditors:	Deloitte & Touche LLP Hill House 1 Little New Street London EC4A 3TR
Principal bankers:	HSBC Bank plc 8 Stephenson Place Birmingham B2 4NH
Solicitors:	Morrison and Foerster Citipoint (7th Floor) One Ropemaker Street London EC2Y 9AW
Registrars:	Capita Registrars 34 Beckenham Road Beckenham Kent BR3 4TU
Nominated Advisors:	Deloitte & Touche Corporate Finance Athene Place 66 Shoe Lane London EC4A 3BQ
Brokers:	Ambrian Partners Limited 8 Angel Court London EC2R 7HP

DIRECTORS' REPORT

The Directors present their annual report on the affairs of Future Internet Technologies plc and its subsidiary (the "Group"), together with the financial statements and auditors' report, for the year ended 30 June 2006.

Principal activities

During the period 1 July 2005 to 6 March 2006 Future Internet Technologies plc (the "Company", "FIT") traded as a cash shell.

On 7 March 2006 the Company acquired 49% (a controlling interest) of Artilium N.V. ("Artilium"). The principal activities of Artilium are the provision of Shared Service Delivery Platforms ("SSDP") service for telecoms operators and internet service providers ("ISPs").

From 7 March 2006 the Company commenced the commissioning of a consumer branded "Unified Communication Service". The planned service was to be an enriched fixed-mobile convergence ('FMC') communication service for the private individual, Small Office Home Office ("SOHO") and enterprise markets.

On 11 September 2006, the Board of Directors agreed the sale, to Flasktent Limited, of certain of the Group's intellectual property and physical assets pertaining to the potential consumer offering above and the rights related thereto.

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

The subsidiary principally affecting the losses and net liabilities of the Group in the year is listed in notes 15 and 30 to the financial statements.

Business review

The operating loss for the Group for the year to 30 June 2006 incorporating 4 months of trading from Artilium amounted to £2.9 million (2005: £16,000). At 30 June 2006 the Group had consolidated net assets of £4.3 million (2005: £0.6 million). Total headcount of the Group at year end was 37. The Directors are currently establishing the key performance indicators ("KPIs") with which it intends to monitor the new group.

On 16 March 2006, trading in FIT's shares was suspended at the Company's request pending the posting of a circular to shareholders providing further detail on certain proposed transactions with Advance Global Communications, Inc ("AGC") and Artilium. The Company has been in continual consultation with the AIM team of the London Stock Exchange concerning a possible extension to the application of Rule 41 of the AIM Rules which would otherwise result in the Company's listing being terminated on 16 September 2006 due to the current suspension having continued for more than a six month period. It has been agreed with the AIM team that the Company's shares will remain suspended pending the publication of such a circular, which is now envisaged to be on or around 15 December 2006.

On 13 October, after extensive discussions with the shareholders of AGC, it was agreed between the parties that the Company would not proceed to acquire any of the share capital of AGC. However, the Company will complete the reverse takeover of Artilium on or around 8 January 2007 subject to the approval of shareholders.

The Directors believe that Artilium has established itself as one of the leading telecom infrastructure providers in Benelux. Founded in 2000 by experienced telecommunication engineers, Artilium has developed a service delivery platform that enables its telecom customers to manage voice as data and deliver integrated services over any network. Services such as intelligent routing of calls, number

portability, pre and post-paid billing and advanced messaging are examples of the functionality provided by Artilium's platform.

In addition to extending Artilium's core business internationally, the Directors also believe there is a significant opportunity for Artilium to capitalise on another widespread technology trend, the delivery of software as a service ("SaaS").

Increasingly, businesses are coming to recognise that outsourcing the management of their technology is a cost effective decision. With the proliferation of broadband penetration into businesses, leading software providers including Microsoft and SAP have embraced the concept of delivering software over the Internet. Warehousing and distribution costs are virtually eliminated, updates are more easily deployed and support can be provided more rapidly.

To secure business users, software providers seek to include their applications within the product offerings of service providers (such as ISPs, system integrators and network operators). FIT believes this pool of service providers represents an ideal opportunity for the sale of the Artilium platform which integrates business applications with telecom networks. In addition, the Group can generate revenues via the resale of wholesale voice minutes through these business applications.

The Group's financial and risk management policies are set out in notes 18 and 21 together with details of financial instruments.

Details of significant events since the balance sheet date are also contained in note 35 to the financial statements.

Dividends

The Directors do not recommend a dividend for the year (2005 – nil).

Directors

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

Name	*Particulars*	
Mr P Gratton	Executive Chairman and acting Chief Executive Officer	Appointed 8 June 2006.
Mr T Lynch	Chief Financial Officer	Appointed 8 June 2006.
Mr P Thornton	Senior Non Executive	Appointed 7 March 2006.
Mr R Armstrong	Non Executive	
Mr T Casaer	Non Executive	Appointed 27 September 2006.
Mr R Bonnier	Chief Executive Officer.	Appointed 7 March 2006. Resigned 10 September 2006.
Mr J Morley	Non Executive	Appointed 7 March 2006. Resigned 6 September 2006.
Mr P Redmond	Non Executive	Resigned 7 March 2006.

All current directors will be retiring at the next annual general meeting and, being eligible, all will offer themselves for re-election.

Mr P Gratton

Paul (age 47) had a career in banking with Midland Bank, First Direct and Prudential before joining Egg as Chief Operating Officer in 1998. In 2001 Paul became CEO of Egg and sat on the Prudential Group Executive Committee between 2002/4. He resigned as CEO of Egg in February 2006 on the delisting of Egg following Prudential's decision to reintegrate Egg.

Mr T Lynch

Tony (age 36) joined the Company from Aspect Capital Limited a specialist hedge fund manager where he held the position of Director of Finance. Tony's previous positions include Chief Operating Officer and Company Secretary at Select Asset Management Limited, in Sydney and Group Financial Controller at Egg plc. Previously, he was an audit manager in the Financial Markets Division at Arthur Andersen.

Mr P Thornton

Paul (age 59) has over 30 years' experience in management consultancy, where he enjoyed a number of senior positions before founding his own consultancy, French Thornton in 1994 which was subsequently sold to ITNET plc in 2000. Paul is a former president of The Management Consultancies Association, and a former chairman of flyingSPARK, the UK based mobile applications software developer.

Mr R Armstrong

Richard (age 57) is currently an associate of Fiske plc, an AIM-listed stock broking firm, where he specialises in floating smaller companies, raising funds for such companies and initiating corporate transactions. He is a director of several AIM companies including Crescent Technology Ventures plc and BWA Group PLC.

Mr Tom Casaer

Tom (age 39) has 15 years' experience in Business Development, Sales & Marketing in IT & Communications most recently as channel manager for Software as a Service managing hoster relationships in the Communications Sector group at Microsoft EMEA. Before joining Microsoft in 2000, he held various management positions at Hilti AG until 1996, started up the European launch of Firstmark Communications Inc. in 1998 and started an Applications Service Provider, Intellimus.com, in 1999.

Mr R Bonnier *

Robert (age 36) has 15 years' experience in operations, venture capital, investment banking and as CEO of a UK public company. Robert co-founded and was managing partner of New York based Indigo Capital, LLC until 2003. In 2002, Robert founded Cold Investments Limited which operates as a principal investor in public and private companies. Previously, Robert was the co-founder and CEO of Scoot.com plc, a publicly traded media company that grew to over 2,000 employees with operations in nine countries.

Mr J Morley*

John (age 41) had a career in the City for over 20 years, including Head of the smaller companies team at Collins Stewart, before leaving to head up the smaller companies sales team at Investec. John left Investec in 2002 and now makes strategic investments in a number of companies in the small and mid-cap sector as a private investor.

* Resigned September 2006

Directors' interests

The directors who held office at 30 June 2006 had the following interests in the shares and warrants of group undertakings:

	30 June 2006	*30 June 2005*
Ordinary 1p shares		
Mr R Bonnier *	37,700,000	–
Mr P Thornton	1,698,000	–
Mr J Morley	40,000,000	–
Mr R Armstrong	1,900,000	900,000

	30 June 2006	*30 June 2005*
Series 1 Warrants		
Mr R Bonnier	20,000,000	–
Mr P Thornton	1,000,000	–
Mr J Morley	20,000,000	–
Mr R Armstrong	600,000	–

	30 June 2006	*30 June 2005*
Series 2 Warrants		
Mr R Bonnier	20,000,000	–
Mr R Armstrong	1,000,000	–

* Robert Bonnier's interests in the shares of the Company are held through his company, Cold Investments Limited.

The aggregate directors' beneficial interests in the Company's issued share capital amounted to 46.0% (2005: 5.6%).

Directors' share options

There were no directors with share options at 30 June 2006.

Directors' indemnities

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

Supplier payment policy

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

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

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

Fixed assets

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

Substantial shareholdings

On 27 November 2006, the Company was notified, in accordance with sections 198 to 208 of the Companies Act 1985, of the following interests in the ordinary share capital of the Company.

	Ordinary shares of 1p each	
Name of holder	*Number*	*Percentage held*
BBHISL Nominees Limited	40,000,000	21.04%
HSBC Global Custody Nominee (UK)	32,794,008	17.07%
P H Nominees Limited	25,002,500	13.15%
Nutraco Nominees Limited	18,511,478	9.74%
Credit Suisse Securities (Europe)	12,906,750	6.79%
KBC Peel Hunt Ltd	12,200,000	6.42%
Pershing Keen Nominees	7,608,997	4.00%
Fiske Nominees Limited	6,417,238	3.38%
Credit Agricole Cheuvreux	6,050,000	3.18%

Acquisition of the Company's own shares

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 has been to reduce issued share capital by £4,493,231 and increase the capital redemption reserve by the same amount. The deferred shares were non-equity shares carrying no right to dividend nor to attend or vote at a general meeting of the Company.

Special business

The notice convening the AGM to be held at the offices of Morrison & Foerster MNP, City Point, One Ropemaker Street, London EC2Y 9AW on 5 January 2007 at 10.00 am can be found in a separate notice accompanying the Annual Report.

Auditors

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

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

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

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

By order of the Board,

Paul Gratton
Chairman

CORPORATE GOVERNANCE REPORT

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

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

The Board of Directors

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

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

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

As at 30 June 2006 the Board consisted of three executive directors and three non executive directors. Details of the directors are set out in the Directors Report. The Company has a policy of appointing a separate Chairman and CEO and has three directors acting in a non-executive capacity. However, on Robert Bonnier's resignation as CEO on 10 September, the Chairman, Paul Gratton was appointed acting CEO. The Company is currently undergoing a process to appoint a new CEO and this position should be filled early in 2007.

Committees

The Company has a remuneration and nomination committee but does not have an audit committee as yet. The key roles of these committees are currently being performed by the non-executives on the Board. The Company recognises that this is not in accordance with the QCA corporate governance guidelines and intends to establish an audit committee during the 2007 financial year. As with the existing committees, the audit committee will consist of a minimum of two members who will be independent, non executive directors.

Risk management and internal controls

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This has been in place throughout the period and up to the date of approval of the annual report. The process is regularly reviewed by the Board. The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Relations with shareholders

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements. The directors have elected to prepare financial statements for the group in accordance with International Financial Reporting Standards (IFRS) and have also elected to prepare financial statements for the company in accordance with IFRS.

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which comply with the requirements of the Companies Act 1985.

Going concern

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FUTURE INTERNET TECHNOLOGIES PLC

We have audited the group and parent company financial statements (the 'financial statements') of Future Internet Technologies plc for the year ended 30 June 2006 which comprise consolidated and individual company income statements, the consolidated and individual company balance sheets, the consolidated and individual company cash flow statements, the consolidated statement of recognised income and expenses, the individual company statement of changes in equity, and the related notes 1 to 54. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report whether in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and the Corporate Governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the group's and the parent company's affairs as at 30 June 2006 and of the group's and the parent company's loss for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and

- the information given in the Directors' Report is consistent with the financial statements.

Separate opinion in relation to IFRS

As explained in Note 2, the group in addition to complying with its legal obligation to apply those IFRSs adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. Accordingly, in our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the group's affairs as at 30 June 2006 and of its loss for the year then ended.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

CONSOLIDATED INCOME STATEMENTS

Year ended 30 June 2006

	Note	*Consolidated 2006 £'000*	*Consolidated 2005 £'000*
Revenue	4	612	–
Cost of sales		(56)	–
Gross profit		556	–
Other operating income	4	–	15
Administrative expenses		(3,409)	(31)
Other operating expenses		(6)	–
Operating loss		(2,859)	(16)
Investment revenues	7	135	25
Other losses	8	(698)	(15)
Finance costs	9	(349)	–
Loss before tax		(3,771)	(6)
Tax	10	(152)	–
Loss for the year	5	(3,923)	(6)
Attributable to:			
Equity holders of parent		(3,159)	(6)
Minority Interest		(764)	–
		(3,923)	(6)

		Consolidated 2006 pence	*Consolidated 2005 pence*
Loss per share			
Basic	11	(2.86)	(0.03)
Diluted	11	(2.86)	(0.03)

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

Year ended 30 June 2006

	Consolidated 2006 £'000	*Consolidated 2005 £'000*
Exchange differences on translation of foreign operations	2	–
Net income recognised directly in equity	2	–
Loss for the year	(3,923)	(6)
Total recognised income and expense for the year	(3,921)	(6)
Attributable to:		
Equity holders of parent	(3,158)	(6)
Minority interest	(763)	–
	(3,921)	(6)

CONSOLIDATED BALANCE SHEET

30 June 2006

	Note	Consolidated 2006 £'000	Consolidated 2005 £'000
Non-current assets			
Goodwill	12	2,697	–
Intangible assets	13	837	–
Plant and equipment	14	170	–
Deferred tax asset	19	119	–
Investments	16	–	18
		3,823	18
Current assets			
Inventories	17	118	–
Trade and other receivables	18	1,925	5
Cash and cash equivalents		1,911	552
		3,954	557
Total assets		7,777	575
Current liabilities			
Trade and other payables	21	2,849	16
Obligations under finance leases	20	4	–
Provisions	22	425	–
		3,278	16
Non-current liabilities			
Deferred tax liabilities	19	180	–
Total liabilities		3,458	16
Equity			
Share capital	23	1,769	4,654
Share premium account	24	9,033	2,596
Capital redemption reserve	25	4,493	–
Option to acquire minority interest	26	(1,611)	–
Share warrants reserve	27	336	–
Translation reserve	28	2	–
Retained earnings	29	(9,849)	(6,691)
Equity attributable to equity holders of the parent		4,173	559
Minority interest		146	–
Total equity		4,319	559
Total liabilities and equity		7,777	575

The financial statements were approved by the Board of Directors and authorised for issue on 12 December 2006. They were signed on its behalf by:

Tony Lynch
Director

12 December 2006

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 June 2006

	Note	*Consolidated 2006 £'000*	*Consolidated 2005 £'000*
Net cash used in operating activities	31	(1,732)	(23)
Investing activities			
Interest received		135	25
Sale of investments		21	–
Purchases of property, plant and equipment		(34)	–
Purchases of investments		(691)	–
Acquisition of subsidiary	30	(4,370)	–
Net cash (used in)/from investing activities		(4,939)	25
Financing activities			
Repayments of obligations under finance leases		(5)	–
Proceeds on issue of shares		8,046	–
Net cash from financing activities		8,041	–
Net increase in cash and cash equivalents		1,370	2
Cash and cash equivalents at beginning of year		552	550
Effect of foreign exchange rate changes		(11)	–
Cash and cash equivalents at end of year		1,911	552

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Future Internet Technologies plc is a company incorporated in the United Kingdom under the Companies Act 1985. 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 56 to 60.

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

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

- Amendment to IAS 21 'Net Investment in a Foreign Operation' (effective from 1 July 2006)
- Amendment to IAS 39 and IFRS 4 'Financial Guarantee Contracts' (effective from 1 July 2006)
- Amendment to IAS 39 'Cash Flow Hedge Accounting of Forecast Intragroup Transactions' (effective from 1 July 2006)
- Amendment to IAS 39 'The Fair Value Option' (effective from 1 July 2006)
- IFRIC 4 'Determining whether an Arrangement contains a Lease' (effective from 1 July 2006)
- IFRIC 5 'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds' (effective from 1 July 2006)
- IFRIC 6 'Liabilities Arising from Participating in a Specific Market — Waste Electrical and ElectronicEquipment' (effective from 1 July 2006)
- IFRIC 7 'Applying the restatement approach under IAS 29' (effective from 1 July 2006)
- IFRIC 8 'Scope of IFRS 2' (effective from 1 July 2006)
- IFRIC 9 'Reassessment of Embedded Derivatives' (effective from 1 July 2006)
- IFRS 6 'Exploration for and Evaluation of Mineral Resources' (effective from 1 July 2006)
- IFRS 7 'Financial Instruments: Disclosures' (effective from 1 July 2007) and amendment to IAS 1 'Presentation of Financial Statements — Capital Disclosures' (effective from 1 July 2007)

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

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) for the first time. Under first time adoption procedures set out in IFRS 1 First-time Adoption of International Financial Reporting Standards, the Company is required to establish its IFRS policies as at 1 July 2005 and to apply these retrospectively in the determination of prior period comparatives from 1 July 2004, the date of transition.

No adjustments affecting the Company's equity, net income and cash flows have been identified on transition from UK GAAP to IFRS. Consequently no reconciliation table has been provided.

The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation.

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

The Company acquired its first subsidiary in the year ended 30 June 2006 and as a result the comparative information for the year ended 30 June 2005 is on a company basis. Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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

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

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

Business combinations

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

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

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the

basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

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

Sales of goods are recognised when goods are delivered and title has passed. Sales of bespoke software platforms are recognised upon confirmation from the customer that the software platform has been delivered. Sales of maintenance and consulting services are recognised rateably over the period in which the service was provided.

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

Leasing

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

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

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

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

Foreign currencies

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

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and

losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Taxation

The tax expense represents the sum of the current and deferred tax.

The current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Plant and equipment

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

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

Leasehold improvements	10%
Fixtures, equipment and motor vehicles	20%-33%

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

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

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

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

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

Inventories

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

Financial instruments

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

Trade receivables

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

Investments

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

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

Cash and cash equivalents

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

Financial liabilities and equity

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

Trade payables

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

Equity instruments

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

Provisions

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

Share-based payments

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

The Group issued equity-settled payments to certain directors and advisors. Share-based payments are measured at their fair value at the date of grant.

Reportable segments

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

3. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

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

Business combinations

Goodwill only arises in business combinations. The amount of goodwill initially recognised is dependent on the allocation of the purchase price to the fair value of the identifiable assets and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement. Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortised whereas indefinite lived intangible assets, including goodwill, are not amortised, and could result in differing amortisation charges based on the allocation to indefinite lived and finite lived intangible assets.

Investments

As the Company does not own the majority of the voting shares in Artilium, the judgement as to whether the Company has the power to govern the financial and operating policies of Artilium is a matter for management's judgement. If it were decided that the Company does not have control, then Artilium would be accounted for using the equity method as an associate rather than consolidated as a subsidiary.

The Group owns 49% of the voting shares in Aquanta N.V. ("Aquanta"), and therefore management have made a judgement as to whether the Group has significant influence over the financial operating policies of Aquanta and therefore whether it is accounted for as an associate or an investment. If it were decided that the Group does have significant influence, then Aquanta would have be accounted for using the equity method as an associate rather than held as an investment at cost less provision for impairment.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at 30 June 2006 was £2.7 million (2005: nil).

Fair value of warrants

IFRS 2 requires 'for equity-settled share-based payment transactions, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably'. In determining the fair value of the warrants granted as share based payments for services to the Group management

considered both the fair value of the services received for payment of the warrants and the fair value of the warrants themselves in arriving at a suitable charge for issuance of the warrants.

4. Revenue

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

	Consolidated 2006 £'000	*Consolidated 2005 £'000*
Sales of goods *	612	–
Other operating income	–	15
Investment income: interest on bank deposits	135	25
	747	40

* Represents 4 months of revenue from subsidiary acquired in the year

5. Loss for the year

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

	Consolidated 2006 £'000	*Consolidated 2005 £'000*
Net foreign exchange gains	(11)	–
Operating lease rentals – land and buildings	47	–
Depreciation of plant and equipment	31	–
Amortisation of intangibles	60	–
Impairment of investment	698	15
Profit on sale of investments	(14)	–
Cost of inventories recognised as expense	56	–
Staff costs (see note 6)	786	–
Employee benefits	14	–
Auditors' remuneration for audit services (see below)	30	3

Amounts payable to Deloitte & Touche LLP (2005: Orolus Limited) and their associates by the Company and its UK subsidiary undertakings in respect of non-audit services were £7,500 (2005: £300).

Costs of £131,611 have been recognised during the year in respect of the professional costs incurred in connection with an aborted acquisition.

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

	Consolidated 2006		*Consolidated 2005*	
	£'000	*%*	*£'000*	*%*
Audit services:				
statutory audit	30	79%	3	100%
Tax services:				
advisory services	8	21%	–	–
	38	100%	3	–

6. Staff costs

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

	Consolidated 2006 Number	*Consolidated 2005 Number*
Administration & development	30	–

	£'000	*£'000*
Their aggregate remuneration comprised:		
Wages and salaries	678	–
Social security costs	95	–
Other pension costs (see note 35)	13	–
	786	–

Directors

	2006 £'000	*2005 £'000*
Directors' remuneration consists of:		
Emoluments	51	–
Fees	79	–
	130	–
Highest paid director:		
Emoluments	39	–

No contributions to personal pension schemes were made in respect of directors during the year (2005 – nil).

7. Investment revenue

	Consolidated 2006 £'000	*Consolidated 2005 £'000*
Interest on bank deposits	135	25

8. Other losses

	Consolidated 2006 £'000	*Consolidated 2005 £'000*
Impairment of investments	698	15

9. Finance costs

	Consolidated 2006 £'000	*Consolidated 2005 £'000*
Loans written off	347	–
Interest on obligations under finance leases	2	–
	349	–

10. Tax

	Consolidated 2006 £'000	*Consolidated 2005 £'000*
Analysis of taxation expense for the year:		
UK taxation:		
Corporation tax at 30% (2005: 30%)	–	–
Non-UK taxation:		
Current tax	172	–
Total current tax	172	–
Deferred tax:		
Origination and reversal of temporary differences	(20)	–
Total deferred tax	(20)	–
Total taxation expense in the income statement	152	–

Corporation tax is calculated at 30% (2005: 30%) of the estimated assessable loss for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2006 £'000	*2006* %	*2005* £'000	*2005* %
Loss before tax from continuing operations	(3,771)		(6)	
ax at the UK corporation tax rate of 30% (2005: 30%)	1,131	30	2	30
Effects of:				
Expenses not deductible for tax purposes	(809)	(21)	(5)	(80)
Provision in respect of tax exposures	(374)	(10)	–	–
Effect of different tax rates of subsidiary operating in other jurisdictions	25	1	–	–
Tax losses brought forward utilised in the period	11	–	–	–
Tax losses carried forward unutilised in the period	(136)	(4)	–	–
Profit eligible to zero rate marginal relief	–	–	3	50
Tax expense and effective tax rate for the year	(152)	(4)	–	–

11. Earnings per share

The consolidated group has no discontinued operations. The warrants on issue do not have a dilutive effect as the market price of ordinary shares exceeded the exercise price of the warrants during the financial year. As a result, diluted earnings per share is the same as basic earnings per share.

	Consolidated 2006 £'000	*Consolidated 2005 £'000*
Earnings		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	(3,159)	(6)
	Number	*Number*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	110,552,747	16,050,006

12. Goodwill

	£'000
Cost	
At 1 July 2005	–
Recognised on acquisition of subsidiary	2,697
At 30 June 2006	2,697
Accumulated impairment losses	
At 1 July 2005 and at 30 June 2006	–
Carrying amount	
At 1 July 2005	–
At 30 June 2006	2,697

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

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

13. Other intangible assets

	Telecommunications software platform £'000
Cost	
At 1 July 2004 and 30 June 2005	–
Acquired on acquisition of a subsidiary	897
At 30 June 2006	897
Amortisation	
At 1 July 2004 and 30 June 2005	–
Charge in period	60
At 30 June 2006	60
Carrying amount	
At 30 June 2005	–
At 30 June 2006	837

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

14. Property, plant and equipment

	Leasehold Improvements £'000	*Fixtures and equipment £'000*	*Motor Vehicles £'000*	*Total £'000*
Cost				
At 1 July 2004 and 30 June 2005	–	–	–	–
Additions	–	34	–	34
Acquisition of subsidiary	43	291	149	483
Disposals	–	(1)	–	(1)
At 30 June 2006	43	324	149	516
Accumulated depreciation				
At 1 July 2004 and 30 June 2005	–	–	–	–
Acquisition of subsidiary	1	215	100	316
Charge for the year	1	21	9	31
Eliminated on disposals	–	(1)	–	(1)
At 30 June 2006	2	235	109	346
Carrying amount				
At 30 June 2005	–	–	–	–
At 30 June 2006	41	89	40	170

There were no impairment charges for the 2006 financial year (2005: nil).

The carrying amount of the Group's motor vehicles includes an amount of £36,000 (2005: nil) in respect of assets held under finance leases.

15. Subsidiaries

The name, country of incorporation and proportion of ownership interest of the Company's subsidiary is given in note 44 to the Company's separate financial statements.

As at 30 June 2006 the Company held 49% of the voting rights of Artilium Communications N.V. ("Artilium"). The Company exercised an option to acquire the remaining 51% of Artilium on 21 June 2006. The exercise of this option triggers a reverse takeover pursuant to the AIM rules and as such requires shareholder approval. Shareholders will be able to approve this exercise on or around 4 January 2007. Furthermore, Future Internet Technologies plc has the right to appoint or remove a majority of Artilium's board of directors and therefore influence its decisions. The Company has the power to govern the financial and operating policies of Artilium so as to obtain benefits from its activities and it is therefore consolidated in these financial statements.

16. Investments

	Listed Investments £'000	*Unlisted Investments £'000*	*Total £'000*
Cost			
At 1 July 2004 and 30 June 2005	18	1,780	1,798
Additions	–	691	691
Disposals	(8)	(1,780)	(1,788)
At 30 June 2006	10	691	701
Provision			
At 1 July 2004	–	1,765	1,765
Charge for the year	–	15	15
At 30 June 2005	–	1,780	1,780
Charge for the year	10	688	698
Exchange differences	–	3	3
Disposals	–	(1,780)	(1,780)
At 30 June 2006	10	691	701
Carrying amount			
At 30 June 2005	18	–	18
At 30 June 2006	–	–	–

Included in unlisted investments is the Group's investment in Aquanta Networks N.V., a company incorporated in Belgium over which the Group has an interest in 24% in its issued share capital. As at 30 June 2006 Aquanta Networks N.V., per unaudited management information, had net liabilities of €315,339 (£217,881) and in the period since acquisition made a loss of €72,924 (£50,386).

17. Inventories

	Consolidated 2006 £'000	*Consolidated 2005 £'000*
IT hardware for resale	118	–

18. Trade and other receivables

	Consolidated 2006 £'000	*Consolidated 2005 £'000*
Amounts receivable for the sale of goods	767	–
Other debtors	301	2
Prepayments, accrued income and deferred expenses	857	3
	1,925	5

The average credit period taken on sales of goods is 44 days. No interest is charged on the receivables. An allowance has been made for estimated irrecoverable amounts from the sale of goods of £83,028 (2005: nil). This allowance has been determined by reference to past default experience.

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

Credit risk

The Group's principal financial assets are cash, trade and other receivables, and investments.

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

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

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

Liquidity and cash flow risk

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

Price risk

The Group is not exposed to any material price risks.

19. 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.

	Differences between IFRS and Belgium GAAP	*Tax losses*	*Total*
	£'000	*£*	*£*
At 1 July 2004	–	–	–
Charge to income statement	–	–	–
At 30 June 2005	–	–	–
(Charge)/credit to income statement	(36)	55	19
Acquisition of subsidiary	(80)	–	(80)
As 30 June 2006	(116)	55	(61)

	Consolidated 2006	*Consolidated 2005*
	£'000	*£'000*
Deferred tax liability	(180)	–
Deferred tax asset	119	–
	(61)	–

At the balance sheet date, the Group has unused tax losses with a deferred tax value of £192,000 (2005: £224,000) available for offset against future profits. A deferred tax asset has been recognised in respect of the portion of losses that have accrued in Belgium of £55,000 (2005: £nil). No deferred tax asset has been recognised in respect of the portion of losses that have arisen in the UK of £137,000 (2005: £224,000) due to insufficient evidence of future appropriate profits.

At the balance sheet date, the Group has recognised a deferred tax asset in relation to differences between Belgium GAAP which is followed for Belgium tax purposes and IFRS of £63,000 (2005: £nil).

20. Obligations under finance leases

	Minimum lease payments		*Present value of lease payments*	
	2006	*2005*	*2006*	*2005*
	£'000	*£'000*	*£'000*	*£'000*
Amounts payable under finance leases:				
Within one year	4	–	4	–
	4	–	4	–

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 3.5 years. For the year ended 30 June 2006 the average effective borrowing rate was 5.27 % (2005: nil). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Euros.

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

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

21. Trade and other payables

	Consolidated 2006 £'000	*Consolidated 2005 £'000*
Trade creditors	1,118	9
Accruals	1,079	–
Other creditors	652	7
	2,849	16

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 41 days.

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

22. Provisions

	Tax provision £'000	*Warranty provision £'000*	*Total £'000*
At 1 July 2005	–	–	–
Additional provision in the year	376	49	425
At 30 June 2006	376	49	425
Included in current liabilities	376	49	425
Included in non-current liabilities	–	–	–
	376	49	425

The warranty provision represents management's best estimate of the Company's potential liability under customer service agreements. The tax provision represents management's best estimate of the Company's potential liability following the transactions with Aquanta.

23. Share capital

	2006 £'000	*2005 £'000*
Fully paid ordinary shares:		
Authorised:		
1,050,676,947 (2005: 1,050,676,947) ordinary shares of 1 pence each	10,507	10,507
Issued and fully paid:		
176,900,006 (2005: 16,050,006) ordinary shares of 1 pence each	1,769	161
Deferred ordinary shares:		
Authorised:		
900,447 (2005: 900,447) deferred ordinary shares of £4.99 each	4,493	4,493
Issued and fully paid:		
Nil (2005: 900,447) deferred ordinary shares of £4.99 each	–	4,493

	2006		2005	
	No. '000	*£'000*	*No. '000*	*£'000*
Fully paid ordinary shares:				
Balance at beginning of financial year	16,050	161	16,050	161
Shares issued	160,000	1,600	–	–
Warrant conversion	850	8	–	–
Issued and fully paid:	176,900	1,769	16,050	161

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

	2006		2005	
	No. '000	*£'000*	*No. '000*	*£'000*
Deferred ordinary shares:				
Balance at beginning of financial year	900	4,493	900	4,493
Shares repurchased	(900)	(4,493)	–	–
Issued and fully paid:	–	–	900	4,493

Deferred ordinary shares do not carry the right to vote and do not 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. This effect of this transaction has been to reduce issued share capital by £4,493,231 and create a capital redemption reserve of the same amount.

24. Share premium account

	Share premium £'000
Balance at 1 July 2005	2,596
Premium arising on issue of equity shares	6,400
Premium arising on warrant conversion	93
Expenses of issue of equity shares	(56)
Balance at 30 June 2006	9,033

25. Capital redemption reserve

	Capital redemption reserve £'000
Balance at 1 July 2005	–
Deferred ordinary shares repurchased (note 23)	4,493
Balance at 30 June 2006	4,493

26. Option to acquire minority interest

	Option *£'000*
Balance at 1 July 2005	–
Option purchased	(1,611)
Balance at 30 June 2006	(1,611)

27. Share warrants reserve

	Share warrants *£'000*
Balance at 1 July 2005	–
Expense arising on warrant based payments (note 34)	336
Balance at 30 June 2006	336

28. Translation reserve

	Translation reserve *£'000*
Balance at 1 July 2005	–
Exchange differences on translation of overseas operations	2
Balance at 30 June 2006	2

29. Retained earnings

	Consolidated 2006 £'000	*Consolidated 2005 £'000*
Loss at beginning of the financial year	(6,691)	(6,685)
Net loss for the year	(3,158)	(6)
Balance at end of financial year	(9,849)	(6,691)

30. Acquisition of subsidiary

On 6 March 2006 the Company acquired 49% of the issued capital of Artilium NV ("Artilium") for cash consideration of €7.5 million. As part of the transaction the Company was granted an option to acquire the balance of the issued share capital of Artilium within 12 months for consideration of 6 million ordinary shares in the Company. This option was exercised on 21 June 2006.

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

	Book value	*Fair value adjustments*	*Fair value*
	£'000	*£'000*	*£'000*
Net assets			
Intangible assets	367	530	897
Property, plant and equipment	165	–	165
Deferred tax asset	98	–	98
Inventories	85	–	85
Trade and other receivables	818	–	818
Cash and cash equivalents	807	–	807
Trade and other payables	(708)	–	(708)
Current tax liabilities	(200)	–	(200)
Obligations under finance leases	(9)	–	(9)
Deferred tax liability	–	(180)	(180)
	1,423	350	1,773
Net assets acquired		49%	869
Option to acquire minority interest			1,611
Goodwill			2,697
Total consideration			5,177
Satisfied by:			
Cash			5,149
Directly attributable costs			28
			5,177
Net cash outflow arising on acquisition			
Cash consideration			(5,177)
Cash and cash equivalents acquired			807
			(4,370)

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

Artilium contributed £0.6 million revenue and £1.5 million to the Group's loss before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition of Artilium had been completed on the first day of the financial year, Group revenues for the period would have been £2.8 million and Group losses attributable to equity holders of the parent would have been £3.0 million.

31. Notes to the cash flow statement

	Consolidated 2006 £'000	*Consolidated 2005 £'000*
Loss from continuing operations	(3,923)	(6)
Adjustments for:		
Investment revenues	(135)	(25)
Impairment of investment	698	15
Tax	152	–
Depreciation of property, plant and equipment	31	–
Amortisation of intangible assets	60	–
Share based payment expense	336	–
Gain on disposal of property, plant and equipment	(14)	–
Increase/(decrease) in provisions	425	–
	(2,370)	(16)
Operating cash flows before movements in working capital		
Increase in inventories	(34)	–
Decrease/(increase) in receivables	(1,139)	1
Increase/(decrease) in payables	2,163	(8)
Cash generated by operations	(1,380)	(7)
Income taxes paid	(352)	–
Net cash from operating activities	1,732	(23)

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

32. Contingent liabilities

There were no contingent liabilities as at 30 June 2006 or 30 June 2005.

33. Operating lease arrangements

	Consolidated 2006 £'000	*Consolidated 2005 £'000*
Minimum lease payments under operating leases recognised as an expense for the year	47	–

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

	Consolidated 2006 £'000	*Consolidated 2005 £'000*
Within one year	224	–
In the second to fifth years inclusive	436	–
After five years	165	–
	825	–

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

34. Share based payments

Warrants

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

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

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

On 27 November 2006, an Extraordinary General Meeting of both classes of warrants was convened and passed resolutions to make the exercise of the Series 1 Warrants mandatory within a period of 30 days commencing on the day after the resolutions are passed. The terms of the Series 2 warrants remained unchanged.

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

	Number of warrants	*2006 Weighted average exercise price (in pence)*	*Number of warrants*	*2005 Weighted average exercise price (in pence)*
Granted during the period	122,333,333	13.03	–	–
Exercised during the period	850,000	12.00	–	–
Outstanding at the end of the period	121,483,333	13.04	–	–
Exercisable at the end of the period	121,483,333	–	–	–

The weighted average share price at the date of exercise for warrants exercised during the period was 40.05 pence. All the Series 2 warrants outstanding at the end of the period remain exercisable until 31 December 2007 at 12p per Ordinary Share. The Series 1 warrants outstanding at the end of the period remain exercisable until 11 December 2006 at 12p per Ordinary Share.

In the year to 30 June 2006, warrants were granted as follows:

	Series 1 Warrants	*Series 2 Warrants*	*Total Warrants*
Warrants granted			
Warrants to placees	80,000,000	–	80,000,000
Warrants to advisors & directors in consideration of services	333,333	42,000,000	42,333,333
	80,333,333	42,000,000	122,333,333

The Directors have reviewed available market data to determine the fair value of the warrants granted to advisors and directors in consideration for services to the Company. Data in the public domain indicates that broker fees for an AIM company at a private placing on average range between 2-5% of the funds raised plus a fixed corporate finance fee. For fund raisings less than £10 million the broker fees lie towards the upper end of that range.

The Directors believe that the fair value of the broker fees provided for the private placing during the year amounted to 4% of funds raised.

The table below sets out the fair value of the warrants issued to the professional advisors based on the assumption that the cost of services provided is 4% of the funds raised:

	£
Funds raised	8,000,000
4.0% of funds raised	320,000
Total warrants granted to brokers/advisors	40,333,333
FV per warrant	0.79p

All the advisor and director warrants remained un-exercised as at 30 June 2006 and the aggregate of the estimated fair value of the warrants for advisors and directors at 30 June 2006 is £335,867.

35. Retirement benefit schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees of Artilium. 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 £14,798 (2005: nil) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 30 June 2006, all contributions due in respect of the current reporting period had been paid over to the scheme.

36. Events after the balance sheet date

On 11 September 2006, The Board of agreed the sale, to Flasktent Limited, of certain of the Group's intellectual property and physical assets pertaining to a potential consumer offering and the rights related thereto.

As a result of the sale of certain assets to Flasktent Limited, the Company will no longer pursue the creation of a consumer branded "Unified Communication Service". Instead, the Group will focus upon opportunities in the B2B and B2B2C communication sector based on completion of the transactions outlined below.

On the same date, Robert Bonnier resigned as Chief Executive and director of FIT and left the Company. Paul Gratton, Executive Chairman of FIT, has assumed the role of acting Chief Executive.

Pursuant to the transaction, Flasktent Limited acquired certain assets which had yet to become revenue generating and had a capitalised value of approximately £1.3 million. In consideration for the assets, Flasktent assumed approximately £3.0 million of existing FIT obligations of which £1.2 million were currently due at the date of the transaction. FIT may also receive up to £15 million of deferred consideration, which is contingent upon a realisation of equity in Flasktent for value within three years of the transaction date. Certain personnel also transferred from FIT to Flasktent. FIT agreed to make a further payment in respect of the development costs of Flasktent's proposition, the net effect to the Group being approximately £0.1 million. Flasktent will assume the future commitments relating to the assets thus removing any further obligations from the Company.

On 16 March 2006, trading in FIT's shares was suspended at the Company's request pending the posting of a circular to shareholders providing further detail on certain proposed transactions with Advance Global Communications, Inc ("AGC") and Artilium. The Company has been in continual consultation with AIM concerning a possible extension to the application of Rule 41 of the AIM Rules which would otherwise have resulted in the Company's listing being terminated on 16 September 2006 due to the current suspension having continued for more than a six month period. It has been agreed with the AIM team that the Company's shares will remain suspended pending the publication of such a circular, which is now envisaged to be on or around 15 December 2006.

On 8 December 2006 the issued ordinary share capital of the Company was consolidated on the basis of one new ordinary share, with a nominal value of 20p (a "New Ordinary Share") for every 20 Ordinary Shares of 1p each. All fractions resulting from the consolidation are to be aggregated and sold in the market for the benefit of the Company.

37. 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 are disclosed in the Company's separate financial statements.

Trading transactions

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

Gery Pollet is a director of a subsidiary Group company (Artilium) and in March 2006, Artilium purchased 49% of the shares in Aquanta Networks N.V. ("Aquanta") for €1 million and made a loan of €0.5 million to Aquanta for working capital purposes.

Gery Pollet is also a director and a beneficial shareholder in Aquanta, a company in which Artilium made an investment in during the year. The loan has subsequently been written off and the carrying value of the investment written down as the Board has decided that Aquanta will not be part of the Company's ongoing strategy and therefore agreed to transfer its shareholding in Aquanta to Aquanta's majority shareholders.

Remuneration of key management personnel

The Group has a related party relationship with the Directors of the Company as key management. At 30 June 2006, there were 3 (2005: nil) key management all of whom were directors of the Company. Key management compensation is disclosed in note 6.

Related party transaction – Cold Investments Limited

Cold Investments Limited is an investment vehicle controlled by Robert Bonnier, who was a director of the Company. In November 2005, Cold Investments Limited facilitated the placing of 160 million new shares at 5p per share and in return was granted 20,000,000 series 2 warrants as a share based payment for its services. The fair value of these warrants charged to income as per note 34 is £158,678.

38. Explanation of transition to IFRS

There have been no adjustments to profit after tax and shareholders equity at 1 July 2004 and 30 June 2005 required when reconciling such amounts recorded in the accounts to the corresponding amounts in accordance with IFRS.

The profit reported under UK GAAP and the profit reported under IFRS for the year ended 30 June 2005 is the same, as is the Group's equity reported under UK GAAP and the Group's equity reported under IFRS at both 1 July 2004 and at 30 June 2005.

COMPANY INCOME STATEMENT

Year ended 30 June 2006

	Note	*2006* *£'000*	*2005* *£'000*
Revenue		–	–
Cost of sales		–	–
Gross profit		–	–
Other operating income	4	–	15
Administrative expenses		(2,540)	(31)
Operating loss		(2,540)	(16)
Investment revenues – interest on bank deposits	42	126	25
Other losses		(10)	(15)
Loss before tax		(2,424)	(6)
Tax	43	–	–
Loss for the year	40	(2,424)	(6)

COMPANY BALANCE SHEET

Year ended 30 June 2006

	Note	*2006* *£'000*	*2005* *£'000*
Non-current assets			
Plant and equipment	46	11	–
Investments	45	3,566	18
		3,577	18
Current assets			
Trade and other receivables	47	2,089	5
Cash and cash equivalents		1,211	552
		3,300	557
Total assets		**6,877**	**575**
Current liabilities			
Trade and other payables	48	(1,972)	(16)
Net current assets		**1,328**	**541**
Net assets		**4,905**	**559**
Equity			
Share capital	23	1,769	4,654
Share premium account	24	9,033	2,596
Capital redemption reserve	25	4,493	–
Option to purchase minority interest	26	(1,611)	–
Share warrant reserve	27	336	–
Retained earnings	50	(9,115)	(6,691)
Total equity	51	**4,905**	**559**

The financial statements were approved by the Board of Directors and authorised for issue on 12 December 2006. They were signed on its behalf by:

Director
Tony Lynch

12 December 2006

COMPANY CASHFLOW STATEMENT

Year ended 30 June 2006

	Note	*2006* *£'000*	*2005* *£'000*
Net cash used in operating activities	52	(2,345)	(23)
Investing activities			
Interest received		126	25
Purchases of property, plant and equipment		(12)	–
Sale of investments		21	–
Acquisition of subsidiary		(5,177)	–
Net cash (used in)/from investing activities		(5,042)	25
Financing activities			
Proceeds on issue of shares		8,046	–
Net cash from financing activities		8,046	–
Net increase in cash and cash equivalents		659	2
Cash and cash equivalents at beginning of year		552	550
Cash and cash equivalents at end of year		1,211	552

39. Significant accounting policies

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

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below.

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

40. Loss for the year

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

	2006	*2005*
	£'000	*£'000*
Net foreign exchange losses	(11)	–
Depreciation of plant and equipment	1	–
Staff costs (see note 41)	160	–
Auditors' remuneration for audit services (see below)	30	3

The auditors' remuneration for audit services to the Company was £30,000 (2005: £2,500).

41. Staff costs

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

	2006	*2005*
	Number	*Number*
Administration	2	–

	£'000	*£'000*
Their aggregate remuneration comprised:		
Wages and salaries	143	–
Social security costs	17	–
	160	–

42. Investment revenue

	2006	*2005*
	£'000	*£'000*
Interest on bank deposits	126	25

43. Tax

	2006	*2005*
	£	*£*
Current tax	–	–

Current tax is calculated at 30% (2005: 30%) of the estimated assessable loss for the year.

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

	2006 £	%	*2005* £	%
Loss before tax	(2,424)		(6)	
Tax at the current tax rate of 30% (2005: 30 %)	727	30	2	30
Expenses not deductible for tax purposes	(602)	(24)	(5)	(80)
Tax losses brought forward utilised	11	–	–	–
Unutilised tax losses carried forward	(136)	(6)	–	–
Marginal relief	–	–	3	50
Tax expense and effective tax rate for the year	–	–	–	–

	2006 *£'000*	*2005* *£'000*
Deferred tax		
Tax losses carried forward	455	746
At 30%	137	224

No deferred tax asset has been recognised in respect of the portion of losses that have arisen in the UK of £137,000 due to insufficient evidence of future appropriate profits.

44. Subsidiary

Details of the Company's subsidiary at 30 June 2006 are as follows:

Name	*Place of incorporation ownership (or registration) and operation*	*Proportion of ownership interest in ordinary bearer shares %*	*Method used to account investment*
Artilium N.V.	Belgium	49%	Purchase

45. Investments

	Listed Investments £'000	*Unlisted Investments £'000*	*Investment in Subsidiary £'000*	*Total £'000*
Cost				
At 1 July 2004 and 30 June 2005	18	1,780	–	1,798
Additions	–	–	3,566	3,566
Disposals	(8)	(1,780)	–	(1,788)
At 30 June 2006	10	–	3,566	3,576
Provision				
At 1 July 2004	–	1,765	–	1,765
Charge for the year	–	15	–	15
At 30 June 2005	–	1,780	–	1,780
Charge for the year	10	–	–	10
Disposals	–	(1,780)	–	(1,780)
At 30 June 2006	10	–	–	10
Carrying amount				
At 30 June 2005	18	–	–	18
At 30 June 2006	–	–	3,566	3,566

46. Property, plant and equipment

	Fixtures and equipment £'000	*Total £'000*
Cost		
At 1 July 2004 and 30 June 2005	–	–
Additions	12	12
At 30 June 2006	12	12
Accumulated depreciation		
At 1 July 2004 and 30 June 2005	–	–
Charge for the year	1	1
At 30 June 2006	1	1
Carrying amount		
At 30 June 2005	–	–
At 30 June 2006	11	11

47. Trade and other receivables

	2006 £'000	*2005 £'000*
Prepayments and deferred expenses	849	3
Other debtors	204	2
Receivable from Group companies	1,036	–
	2,089	5

The carrying amount of these assets approximates their fair value.

48. Trade and other payables

	2006 £'000	*2005 £'000*
Trade creditors	1,026	–
Accruals	807	9
Other creditors	101	7
Payable to Group companies	38	–
	1,972	16

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 43 days.

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

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

The movements on these items are disclosed in notes 23 to 27 to the consolidated financial statements.

50. Retained earnings

	£'000
Balance at 1 July 2004	(6,685)
Net loss for the year	(6)
Balance at 1 July 2005	(6,691)
Net loss for the year	(2,424)
Balance at 30 June 2006	(9,115)

51. Statement of changes in equity

	£'000
Balance at 1 July 2004	565
Net loss for the year	(6)
Balance at 1 July 2005	559
Net loss for the year	(2,424)
Decrease in share capital	(2,885)
Increase in share premium	6,437
Option to purchase minority interest	(1,611)
Increase in share warrant reserve	336
Purchase of own shares	4,493
Balance at 30 June 2006	4,905

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

52. Notes to the company cash flow statement

	Company 2006 £'000	*Company 2005 £'000*
Loss from continuing operations	(2,424)	(6)
Adjustments for:		
Investment revenues	(126)	(25)
Impairment of investment	–	15
Gain on disposal of investments	(4)	–
Depreciation of property, plant and equipment	1	–
Share based payment expense	336	–
	(2,217)	(16)
Operating cash flows before movements in working capital		
(Increase)/decrease in receivables	(2,084)	1
Increase/(decrease) in payables	1,956	(8)
Cash used in operating activities	(2,345)	(23)

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

53. Operating lease arrangements

	2006 £'000	2005 £'000
Minimum lease payments under operating leases recognised in income for the year	20	–

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

	2006 £'000	2005 £'000
Within one year	176	–
In the second to fifth years inclusive	247	–
	423	–

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 2 years and rentals are fixed for an average of 4 years.

54. Related party transactions

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

Trading transactions

During the year, Company entered into the following transactions with its subsidiary:

	Purchase of goods		*Amounts owed to related parties*	
	2006 *£'000*	*2005* *£'000*	*2006* *£'000*	*2005* *£'000*
Artilium	138	–	38	–

Artilium is a subsidiary of the Company as disclosed in note 44.

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

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

PART VI

FINANCIAL INFORMATION ON ARTILIUM

The historical financial information for Artilium N.V. is set out below. The Directors of the Company are responsible for the preparation of the historical financial information and its presentation in accordance with International Financial Reporting Standards ("IFRS") and the accounting policies in Note 1. The historical financial information for the six months ended 30 June 2006, and the years ended 31 December 2005, 2004 and 2003 is the subject of the Accountant's Report set out in Part VI.2 of this document.

INCOME STATEMENT

	Note	*6 months ended 30 June 2006 £'000*	*Year ended 31 December 2005 £'000*	*Year ended 31 December 2004 £'000*	*Year ended 31 December 2003 £'000*
Revenue	4	1,244	3,024	2,328	1,380
Cost of sales		(93)	(604)	(422)	(212)
Gross profit		1,151	2,420	1,906	1,168
Other operating income	4	–	12	–	–
Administrative expenses		(1,186)	(1,956)	(1,659)	(1,235)
Other operating expenses		(9)	(14)	(13)	(13)
Operating (loss)/profit		(44)	462	234	(80)
Investment revenues	7	5	12	5	1
Other gains and losses	8	(691)	(1)	2	–
Finance costs	9	(343)	(6)	(37)	(134)
(Loss)/profit before tax		(1,073)	467	204	(213)
Tax	10	(268)	(169)	(89)	58
(Loss)/profit for the period	5	(1,341)	298	115	(155)

	Note	*6 months ended 30 June 2006 £*	*Year ended 31 December 2005 £*	*Year ended 31 December 2004 £*	*Year ended 31 December 2003 £*
(Loss)/earnings per share					
Basic	11	(268.2)	59.6	23.0	(30.8)
Diluted	11	(268.2)	59.6	23.0	(30.8)

BALANCE SHEET

	Note	*30 June 2006 £'000*	*31 December 2005 £'000*	*31 December 2004 £'000*	*31 December 2003 £'000*
Non-current assets					
Intangible assets	12	289	439	485	780
Plant and equipment	13	158	177	213	288
Deferred tax asset	17	119	7	40	94
		566	623	738	1,162
Current assets					
Inventories	15	118	106	454	28
Trade and other receivables	16	910	805	742	352
Cash and cash equivalents		700	823	558	380
		1,728	1,734	1,754	760
Total assets		2,294	2,357	2,492	1,922
Current liabilities					
Trade and other payables	19	913	1,080	1,478	455
Obligations under finance leases	18	4	10	36	33
Loans		1,036	6	6	549
Provisions	20	425	–	–	–
		2,378	1,096	1,520	1,037
Non-current liabilities					
Obligations under finance leases	18	–	4	13	41
Total liabilities		2,378	1,100	1,533	1,078
Net (liabilities)/assets		(84)	1,257	959	844
Equity					
Share capital	21	1,081	1,081	1,081	1,081
Retained earnings	22	(1,165)	176	(122)	(237)
Total equity		(84)	1,257	959	844
Total liabilities and equity		2,294	2,357	2,492	1,922

CASH FLOW STATEMENT

	Note	*6 months ended 30 June 2006 £'000*	*Year ended 31 December 2005 £'000*	*Year ended 31 December 2004 £'000*	*Year ended 31 December 2003 £'000*
Net cash (outflow)/inflow from operating activities	23	(438)	548	223	(733)
Investing activities					
Interest received		5	12	5	1
Purchases of property, plant and equipment		(25)	(55)	(17)	(51)
Purchases of intangibles		–	(207)	(11)	(40)
Purchase of investments		(691)	–	–	–
Net cash used in investing activities		(711)	(250)	(23)	(90)
Financing activities					
Repayments of obligations under finance leases		(10)	(33)	(22)	(16)
Proceeds on issue of shares		–	–	–	1,036
Loans from parent		1,036	–	–	–
Net cash from/(used in) financing activities		1,026	(33)	(22)	1,020
Net (decrease)/increase in cash and cash equivalents		(123)	265	178	197
Cash and cash equivalents at beginning of period		823	558	380	183
Cash and cash equivalents at end of period		700	823	558	380

1. General information

Artilium N.V. (the "Company") is a company incorporated in Belgium. The nature of the Company's operations and its principal activities are the provision of Shared Service Delivery Platforms ("SSDP") service for telecoms and internet service providers ("ISPs").

The currency of the primary economic environment in which the Company operates is Euros however this financial information is presented in pounds sterling, translated at the closing rate on 30 June 2006 for reporting purposes.

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

– Amendment to IAS 21 'Net Investment in a Foreign Operation' (effective from 1 July 2006)

– Amendment to IAS 39 and IFRS 4 'Financial Guarantee Contracts' (effective from 1 July 2006)

– Amendment to IAS 39 'Cash Flow Hedge Accounting of Forecast Intragroup Transactions' (effective from 1 July 2006)

– Amendment to IAS 39 'The Fair Value Option' (effective from 1 July 2006)

– IFRIC 4 'Determining whether an Arrangement contains a Lease' (effective from 1 July 2006)

– IFRIC 5 'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds' (effective from 1 July 2006)

– IFRIC 6 'Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment' (effective from 1 July 2006)

– IFRIC 7 'Applying the restatement approach under IAS 29' (effective from 1 July 2006)

– IFRIC 8 'Scope of IFRS 2' (effective from 1 July 2006)

– IFRIC 9 'Reassessment of Embedded Derivatives' (effective from 1 July 2006)

– IFRS 6 'Exploration for and Evaluation of Mineral Resources' (effective from 1 July 2006)

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

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

2. Significant accounting policies

Basis of accounting

The financial information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") for the first time. The Company has established its IFRS policies as at 1 January 2003. The Company has not previously been required to file statutory accounts in Belgium, consequently no reconciliation table has been provided between Belgian GAAP and IFRS.

The financial information has also been prepared in accordance with IFRSs adopted by the European Union and therefore complies with Article 4 of the EU IAS Regulation.

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

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.

Sales of goods are recognised when goods are delivered and title has passed. Sales of bespoke software platforms are recognised upon confirmation from the customer that the software platform has been delivered. Sales of maintenance and consulting services are recognised rateably over the period in which service was provided.

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.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

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

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.

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 Company'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 profits for the period. 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 periods and it further excludes items that are never taxable or deductible. The Company'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 information 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 probably that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probably 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 probably 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 Company intends to settle its current tax assets and liabilities on a net basis.

Plant and equipment

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

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

Leasehold improvements	10%
Fixtures, equipment and motor vehicles	20%-33%

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

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

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Company 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

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

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

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised from the balance sheet when the Company's contractual rights to the cash flows expire or the Company transfers substantially all the risks and rewards of the financial asset. Financial liabilities are derecognised from the Company's balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

Trade receivables

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

Investments

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

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

Cash and cash equivalents

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

Financial liabilities and equity

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

Trade payables

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

Equity instruments

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

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company 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.

Reportable segments

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

3. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Company's accounting policies

In the process of applying the Company's accounting policies, which are described in note 2, management has not made any judgements that have a significant effect on the amounts recognised in the financial information.

4. Revenue

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

	6 months ended 30 June 2006 £'000	*Year ended 31 December 2005 £'000*	*Year ended 31 December 2004 £'000*	*Year ended 31 December 2003 £'000*
Sales of goods	1,244	3,024	2,328	1,380
Other operating income	–	12	–	–
Investment income: interest on bank deposits	5	12	5	1
	1,249	3,048	2,333	1,381

5. Loss for the period

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

	6 months ended 30 June 2006 £'000	*Year ended 31 December 2005 £'000*	*Year ended 31 December 2004 £'000*	*Year ended 31 December 2003 £'000*
Net foreign exchange gains/(losses)	–	–	2	(1)
Depreciation of plant and equipment	45	84	89	84
Amortisation of intangible	150	253	306	307
Cost of inventories recognised as expense	93	604	422	212
Staff costs (see note 6)	721	972	656	603
Impairment of investments	691	–	–	–
Employee benefits expense	26	43	10	28
Operating lease rentals – land and buildings	32	64	44	49

The Company does not meet the requirements in Belgium for a statutory audit and therefore has not incurred audit fees in any of the periods presented.

6. Staff costs

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

	6 months ended 30 June 2006 No.	*Year ended 31 December 2005 No.*	*Year ended 31 December 2004 No.*	*Year ended 31 December 2003 No.*
Administration & development	28	19	15	15
	£'000	*£'000*	*£'000*	*£'000*
Their aggregate remuneration comprised:				
Wages and salaries	602	764	506	467
Social security costs	107	194	137	121
Other pension costs (see note 26)	12	14	13	16
	721	972	656	604

Directors

	6 months ended 30 June 2006 £'000	*Year ended 31 December 2005 £'000*	*Year ended 31 December 2004 £'000*	*Year ended 31 December 2003 £'000*
Directors' remuneration consists of:				
Emoluments	45	176	41	55
Highest paid director:				
Emoluments	45	176	41	55

No contributions to personal pension schemes were made in respect of directors during the period (2003: £510, 2004: £521, 2005: £2,731).

7. Investment revenue

	6 months ended 30 June 2006 £'000	*Year ended 31 December 2005 £'000*	*Year ended 31 December 2004 £'000*	*Year ended 31 December 2003 £'000*
Interest on bank deposits	5	12	5	1

8. Other gains and losses

	6 months ended 30 June 2006 £'000	*Year ended 31 December 2005 £'000*	*Year ended 31 December 2004 £'000*	*Year ended 31 December 2003 £'000*
Other	–	(1)	2	–
Impairment of investments	(691)	–	–	–
	(691)	(1)	2	–

9. Finance costs

	6 months ended 30 June 2006 £'000	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Loans written off	341	–	–	–
Interest on loans	–	–	27	124
Interest on obligations under finance leases	2	6	6	6
Bank charges	–	–	4	4
	343	6	37	134

10. Tax

	6 months ended 30 June 2006 £'000	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Analysis of taxation expense for the period:				
Non UK taxation:				
Current tax	379	136	35	–
Total current tax	379	136	35	–
Deferred tax:				
Origination and reversal of temporary differences	(111)	33	42	(58)
Adjustment in respect of prior periods	–	–	12	–
Total deferred tax	(111)	33	54	(58)
Total taxation expense in the income statement	268	169	89	(58)

Corporation tax is calculated at 30% (2003: 30%, 2004: 30%, 2005: 30%) of the estimated assessable (loss)/profit for the period.

The charge for the period can be reconciled to the (loss)/profit per the income statement as follows:

	30 June 2006		*31 December 2005*		*31 December 2004*		*31 December 2003*	
	£'000	*%*	*£'000*	*%*	*£'000*	*%*	*£'000*	*%*
(Loss) / profit before tax	(1,073)		(467)		204		(213)	
Tax at the UK corporation tax rate of 30% (2003: 30%, 2004: 30%, 2005: 30%)	322	30	(140)	(30)	(61)	(30)	64	30
Effects of:								
Expenses not deductible for tax purposes	(228)	(21)	(8)	(2)	(7)	(3)	(21)	(10)
Provision in respect of tax exposures	(374)	(35)	–	–	–	–	–	–
Changes to rate of recognition of brought forward deferred tax	–	–	–	–	(12)	(6)	–	–
Tax rate differences	12	1	(21)	(4)	(9)	(4)	15	7
Tax expense and effective tax rate for the period	(268)	(25)	(169)	(36)	(89)	(43)	58	27

11. (Loss)/earnings per share

The consolidated entity has no discontinued operations. There are no dilutive shares.

	6 months ended 30 June 2006 £'000	*Year ended 31 December 2005 £'000*	*Year ended 31 December 2004 £'000*	*Year ended 31 December 2003 £'000*
(Loss)/earnings				
(Loss)/earnings for the purposes of basic earnings per share being net (loss)/profit attributable to equity holders	(1,341)	298	115	(154)
	No.	*No.*	*No.*	*No.*
Number of shares				
Weighted average number of ordinary shares for the purposes of basic earnings per share	5,000	5,000	5,000	5,000

12. Intangible assets

	Telecommunications Software Platform £'000
Cost	
At 1 January 2003	1,195
Additions	40
At 31 December 2003	1,235
Additions	11
At 31 December 2004	1,246
Additions	207
At 31 December 2005 and 30 June 2006	1,453
Amortisation	
At 1 January 2003	148
Charge in period	307
At 31 December 2003	455
Charge in period	306
At 31 December 2004	761
Charge in period	253
At 31 December 2005	1,014
Charge in period	150
At 30 June 2006	1,164
Carrying amount	
At 31 December 2003	780
At 31 December 2004	485
At 31 December 2005	439
At 30 June 2006	289

The amortisation period for the Company's telecommunications software platform development is 3 years.

13. Property, plant and equipment

	Leasehold Improvements £'000	*Fixtures and equipment £'000*	*Motor Vehicles £'000*	*Total £'000*
Cost				
At 1 January 2003	–	261	136	397
Additions	–	1	50	51
At 31 December 2003	–	262	186	448
Additions	–	17	–	17
Disposals	–	–	(5)	(5)
At 31 December 2004	–	279	181	460
Additions	43	9	3	55
Disposals	–	–	(35)	(35)
At 31 December 2005	43	288	149	480
Additions	–	25	–	25
Disposals	–	(1)	–	(1)
At 30 June 2006	43	312	149	504
Accumulated depreciation				
At 1 January 2003	–	44	32	76
Charge for the year	–	52	32	84
At 31 December 2003	–	96	64	160
Charge for the year	–	54	35	89
Disposals	–	–	(2)	(2)
At 31 December 2004	–	150	97	247
Charge for the year	–	57	27	84
Disposals	–	–	(28)	(28)
At 31 December 2005	–	207	96	303
Charge for the period	2	30	13	45
Disposals	–	(2)	–	(2)
At 30 June 2006	2	235	109	346
Carrying amount				
At 31 December 2003	–	166	123	288
At 31 December 2004	–	129	84	213
At 31 December 2005	43	81	53	177
At 30 June 2006	41	77	40	158

The carrying amount of the Company's fixtures and equipment includes an amount of £36,000 (2003: £97,000, 2004: £73,000, 2005: £48,000) in respect of assets held under finance leases.

14. Investments

	Unlisted Investments £'000
Cost	
At 1 January 2003, 31 December 2003, 31 December 2004 and 31 December 2005	–
Additions	691
At 30 June 2006	691
Provision	
At 1 January 2003, 31 December 2003, 31 December 2004 and 31 December 2005	–
Impairment in the period	691
At 30 June 2006	691
Carrying amount	
At 31 December 2003, 31 December 2004 and 31 December 2005	–
At 30 June 2006	–

Included in unlisted investments is the Company's investment in Aquanta Networks N.V., a company incorporated in Belgium over which the Company has an interest in 49% of its issued share capital. As at 30 June 2006 Aquanta Networks N.V., per unaudited management information, had net liabilities of €315,339 (£217,881) and in the period since acquisition made a loss of €72,924 (£50,386). An impairment provision has been made as the Board of Directors decided that on commercial grounds that Aquanta would not be part of the Company's ongoing strategy.

15. Inventories

	30 June 2006 £'000	*31 December 2005 £'000*	*31 December 2004 £'000*	*31 December 2003 £'000*
IT hardware for resale	118	106	454	28

16. Trade and other receivables

	30 June 2006 £'000	*31 December 2005 £'000*	*31 December 2004 £'000*	*31 December 2003 £'000*
Amounts receivable for the sale of goods	767	684	679	352
Other debtors	97	111	30	–
Prepayments, accrued income and deferred expenses	46	10	33	–
	910	805	742	352

The average credit period taken on sales of goods is 41 days. No interest is charged on the receivables. An allowance has been made for estimated irrecoverable amounts from the sale of goods of £83,028 (2003: £39,756, 2004: £69,207, 2005: £75,511). This allowance has been determined by reference to past default experience.

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

Bank balances and cash comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables and investments.

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

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

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

Liquidity and cash flow risk

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

Price risk

The Company is not exposed to any material price risks.

17. Deferred tax

The following are the major deferred tax assets recognised by the Company and movements thereon during the current and prior reporting periods.

	Timing difference between IFRS and Belgium GAAP £'000	*Tax losses £'000*	*Total £'000*
At 1 January 2003	(2)	38	36
Credit/(charge) to income statement	90	(32)	58
At 31 December 2003	88	6	94
Charge to income statement	(47)	(6)	(53)
At 31 December 2004	40	–	40
Charge to income statement	(33)	–	(33)
At 31 December 2005	7	–	7
Credit to income statement	57	55	112
As 30 June 2006	63	55	119

At the balance sheet date, the Company has unused tax losses with a value of £55,000 (2005: £nil, 2004: £nil, 2003: £nil) available for offset against future profits. A deferred tax asset has been recognised in respect of these losses. All losses can be carried forward indefinitely. At the balance sheet date, the Company has recognised a deferred tax asset in relation to differences between Belgium GAAP which is followed for Belgium tax purposes and IFRS of £63,000 (2005: £nil, 2004: £39,000 2003: £92,000).

18. Obligations under finance leases

Minimum lease payments

	30 June 2006 £'000	*31 December 2005 £'000*	*31 December 2004 £'000*	*31 December 2003 £'000*
Amounts payable under finance leases:				
Within one year	4	10	36	33
In the second to fifth years inclusive	–	4	13	41
After five years	–	–	–	–
Minimum lease payments	4	14	49	74
Less:				
Future finance charges	–	–	2	5
Present value of lease obligations	4	14	47	69

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

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

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

19. Trade and other payables

	30 June 2006 £'000	31 December 2005 £'000	31 December 2004 £'000	31 December 2003 £'000
Trade creditors	83	576	799	54
Accruals	249	187	162	223
Deferred income	581	317	517	178
	913	1,080	1,478	455

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days.

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

20. Provisions

	Warranty provision £'000	Tax provision £'000	Total £'000
At 31 December 2003, 31 December 2004 and 31 December 2005	–	–	–
Additional provision in the period	49	376	425
At 30 June 2006	49	376	425
Included in current liabilities	49	376	425
Included in non-current liabilities	–	–	–

The warranty provision represents management's best estimate of the Company's potential liability under customer service agreements. The tax provision represents management's best estimate of the Company's potential liability following the transactions with Aquanta.

21. Share capital

	30 June 2006 £'000	31 December 2005 £'000	31 December 2004 £'000	31 December 2003 £'000
Issued and fully paid:				
5,000 ordinary non-bearer shares of €313 each	1,081	1,081	1,081	1,081

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

22. Retained (losses)/earnings

	30 June 2006 £'000	31 December 2005 £'000	31 December 2004 £'000	31 December 2003 £'000
Balance at beginning of financial period	176	(122)	(237)	(82)
Net (loss)/profit for the period	(1,341)	298	115	(155)
Balance at end of financial period	(1,165)	176	(122)	(237)

23. Notes to the cash flow statement

	6 months ended 30 June 2006 £'000	*Year ended 31 December 2005 £'000*	*Year ended 31 December 2004 £'000*	*Year ended 31 December 2003 £'000*
(Loss)/profit from continuing operations	(1,341)	298	115	(155)
Adjustments for:				
Investment revenues	(5)	(12)	(5)	(1)
Tax	268	169	89	(58)
Depreciation of property, plant and equipment	45	84	89	84
Amortisation of intangible assets	150	253	306	307
Impairment of investment	691	–	–	–
Increase/(decrease) in provisions	425	–	–	–
Operating cash flows before movements in working capital	233	792	594	177
Decrease/(increase) in inventories	12	348	(426)	23
(Increase)/decrease in receivables	(105)	(63)	(390)	(157)
Increase/(decrease) in payables	(199)	(393)	480	(776)
Cash (used by)/generated by operations	(59)	684	258	(733)
Income taxes paid	(379)	(136)	(35)	–
Net cash (used by)/from operating activities	(438)	548	223	(733)

24. Contingent liabilities

There were no contingent liabilities as at 30 June 2006, 31 December 2005, 2004 or 2003.

25. Operating lease arrangements

	6 months ended 30 June 2006 £'000	*Year ended 31 December 2005 £'000*	*Year ended 31 December 2004 £'000*	*Year ended 31 December 2003 £'000*
Minimum lease payments under operating leases recognised in income for the period	28	40	47	50

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

	6 months ended 30 June 2006 £'000	*Year ended 31 December 2005 £'000*	*Year ended 31 December 2004 £'000*	*Year ended 31 December 2003 £'000*
Within one year	47	26	26	26
In the second to fifth years inclusive	189	102	102	102
After five years	165	51	77	102
	401	179	204	230

Operating lease payments represent rentals payable by the Company for certain of its office properties. Leases are negotiated for an average term of 4 years and rentals are fixed for an average of 9 years.

26. Retirement benefit schemes

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. 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 £12,354 (2003: £15,657, 2004: £13,265, 2005: £14,417) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 30 June 2006, no contributions due in respect of the current reporting period had not been paid over to the scheme

27. Events after the balance sheet date

There are no significant events since the balance sheet date other than the disposal of the investment in Aquanta as noted below.

28. Related party transactions

Trading transactions

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

Gery Pollet is a director of the Company and in March 2006 the Company purchased 49% of the shares in Aquanta for €1 million and made a loan of €0.5 million to Aquanta for working capital purposes. Gery Pollet is also a director and a beneficial shareholder of Aquanta. The loan has subsequently been written off and the carrying value of the investment written down as the Board of Directors has decided that Aquanta will not be part of the Company's ongoing strategy and therefore agreed to transfer its shareholding in Aquanta to Aquanta's majority shareholders.

Remuneration of key management personnel

The Company has a related party relationship with the directors of the Company as key management. At 30 June 2006, there was 1 (2005: nil) member of key management who was also a director of the Company. Directors' remuneration is disclosed in note 6.

Deloitte.

Deloitte & Touche LLP
Hill House
1 Little New Street
London EC4A 3TR
Tel: +44 (0) 20 7936 3000
Fax: +44 (0) 20 7583 1198
LDE: DX 599
www.deloitte.co.uk

The Board of Directors
on behalf of Future Internet Technologies plc
63-65 North Wharf Road
London
W2 ILA

Deloitte & Touche Corporate Finance Athene Place
66 Shoe Lane
London
EC4A 3BQ

13 December 2006

Dear Sirs

Artilium NV

We report on the financial information of Artilium NV ("Artilium") set out in Part VI.1 of the AIM admission document dated 12 December 2006 of Future Internet Technologies plc (the "Admission Document"). This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in Note 2. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation) as applied by Paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of Future Internet Technologies plc are responsible for preparing the financial information on the basis of preparation set out in Note 2 and in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex 1 item 23.1 of the Prospectus Directive Regulation as applied by Paragraph (a) of Schedule Two of the AIM Rules, consenting to its inclusion in the Admission Document.

Audit • Tax • Consulting • Corporate Finance •

Deloitte & Touche LLP is a limited liability partnership registered in England and Wales with registered number 0003675 and its registered office at Stonecutter Court. 1 Stonecutter Street, London EC4A 4TR. United Kingdom,

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Member of
Deloitte Touche Tohmatsu

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Artilium as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation and in accordance with IFRS as set out and described in Note 2.

Declaration

For the purposes of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants

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PART VII

UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET ASSETS FOR THE ENLARGED GROUP

Set out below is a pro forma statement of consolidated assets, liabilities and shareholders' equity of the Enlarged Group, which has been prepared on the basis of the financial information on the Company and Artilium as adjusted for the acquisition of Artilium, the Placing, the Warrant Conversion and a disposal by the Company undertaken in September 2006 (details of which are set out in paragraph 13 of Part VIII of this document) set out in the notes below. The pro forma has been prepared for illustrative purposes only and, because of its nature, cannot represent the actual financial position or results of the Enlarged Group.

	FIT as at 30 June 2006	*Unwind of option over minority (note 2)*	*Disposal of certain assets (note 3)*	*Proceeds of Placing and Warrant Conversion (note 4)*	*Goodwill adjustment (note 5)*	*Enlarged Group pro forma net assets*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Non Current Assets						
Goodwill	2,697	1,611	–	–	(1,860)	2,448
Intangible assets	838	–	–	–	–	838
Plant and equipment	170	–	–	–	–	170
Deferred tax asset	119	–	–	–	–	119
	3,823	1,611	–	–	(1,860)	3,574
Current Assets						
Inventories	118	–	–	–	–	118
Trade and other receivables	1,925	–	(1,338)	–	–	587
Cash and cash equivalents	1,911	–	(95)	8,317	(1,451)	8,682
	3,954	–	(1,433)	8,317	(1,451)	9,387
Total Assets	7,777	1,611	(1,433)	8,317	(3,311)	12,961
Current Liabilities						
Trade and other payables	(2,849)	–	1,039	–	–	(1,810)
Obligations under finance leases	(4)	–	–	–	–	(4)
Provisions	(425)	–	–	–	–	(425)
	(3,278)	–	1,039	–	–	(2,239)
Net Current Assets	676	–	(394)	8,317	(1,451)	7,148
Non Current Liabilities						
Deferred tax liabilities	(180)	–	–	–	–	(180)
	(180)	–	–	–	–	(180)
Total Liabilities	(3,458)	–	1,039	–	–	(2,419)
Net Assets	4,319	1,611	(394)	8,317	(3,311)	10,542

Notes:

1. The net assets of FIT have been extracted without material adjustment from the audited historical information in Part IV. These have been adjusted in accordance with the notes set out below. The basis of applying the accounting policies of FIT in the pro forma statement of net assets is in accordance with the accounting policies to be adopted in the financial statements for FIT's next financial year.
2. The net assets of FIT as at 30 June 2006 included an amount of £1,611,000 representing the value of the option owned by FIT to acquire the remaining 51 per cent. of Artilium it did not already own. Upon exercise of this option, goodwill is adjusted. The remaining goodwill adjustment required pursuant to the Settlement Agreement is identified in Note 5.
3. On 11 September 2006, the Company agreed to the sale of certain assets and associated liabilities to Flasktent Limited, details of which are set out in paragraph 13 of Part VIII of this document.
4. Adjustment for cash and cash equivalents:

	£'000
Proceeds of Placing	3,000
Proceeds of Warrant Conversion	4,326
Proceeds of other warrants converted since 30 June 2006	1,584
Less: total transaction costs	(593)
Cash and cash equivalents	8,317

5. Adjustment for purchase of remaining 51 per cent. of Artilium, based on fair value of net assets at date of acquisition.

	£'000	*£'000*
Cash		(1,451)
Cash consideration element of Acquisition	1,451	
Share consideration element of Acquisition being the issue of 400,000 New Ordinary Shares	400	
		1,851
Fair value of option to acquire remaining 51 per cent. of Artilium		(3,711)
Goodwill adjustment		(1,860)

The value attributable to the New Ordinary Shares is based on the Placing Price of £1 per New Ordinary Share.

6. No adjustment has been made to reflect the trading or other transactions of FIT or Artilium since 30 June 2006 other than in relation to note 3.
7. This pro forma financial information does not constitute financial statements within the meaning of Section 240 of the Companies Act.
8. Total transaction costs are stated exclusive of VAT payable, if any.

PART VIII

ADDITIONAL INFORMATION

1. Responsibility

1.1 The Directors, whose names business addresses and functions appear on page 4 of this document, accept responsibility for all the information contained in this document including collective and individual responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure this is the case) the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

2.1 The Company is registered and domiciled in England and Wales, having been incorporated on 6 January 2000 under the Act with registered number 3904535 as a public company limited by shares with the name Griff-Tech.com plc. On 2 June 2000, the Company changed its name to Future Internet Technologies plc. The liability of members is limited.

2.2 On 6 January 2000, the Registrar of Companies issued a certificate to the Company entitling it to do business under section 117 of the Act.

2.3 The principal legislation under which the Company operates is the Act and the regulations made thereunder.

2.4 The Company's registered office is MoFo Notices Limited, CityPoint, One Ropemaker Street, London EC2Y 9AW. The Company's telephone number is 020 7099 7225.

2.5 Following the Acquisition, the Company's main activity will be that of a holding company and the main activity of the Enlarged Group will be as described in Part I under the heading "Intentions Regarding the Company".

2.6 As at the date of this document, the Company had no subsidiaries.

2.7 Following the Acquisition, the Company will have the following subsidiaries and other investments:

Artilium N.V.

3. Share capital

3.1 The following table sets out the authorised, issued and fully paid share capital of FIT as at 12 December 2006 (being the latest practicable date prior to publication of this document) and as it is expected to be immediately following Re-Admission:

	As at 12 December 2006		*Following Re-Admission*	
	Number	*Nominal value (£)*	*Number*	*Nominal value (£)*
Authorised Existing Shares	1,050,676,940	10,506,769.40	0	0
Issued and fully paid Existing Shares	245,249,000	2,452,490.00	0	0
Authorised New Ordinary Shares	0	0	210,135,388	10,506,769.40
Issued and fully paid up New Ordinary Shares	0	0	52,449,800	2,622,490.00

In addition, the Company has 29,134,333 outstanding Series 1 Warrants and 27,000,000 Series 2 Warrants.

3.2 In the three years ended 30 June 2004, 2005 and 2006 and for the period between 1 July 2006 and 12 December 2006 (being the latest practicable date prior to the publication of this document), the following changes have occurred to FIT's share capital:

3.2.1 Between 28 February 2003 and 4 July 2003, 14,800,000 Existing Shares were issued, credited as fully paid, for cash subscriptions at 5 pence per share.

3.2.2 On 22 November 2005 the Company completed a placing of 160,000,000 Existing Shares at 5 pence per share.

3.2.3 On 22 December 2005 the Company purchased all issued Deferred Shares for 1 pence per share.

3.2.4 On 22 December 2005 the Company executed a warrant instrument relating to the issue of the Series 1 Warrants and the Series 2 Warrants.

3.2.5 On 13 March 2006 850,000 Existing Shares were issued, credited as fully paid, for cash subscriptions at 12 pence per share pursuant to the conversion of certain Series 1 Warrants.

3.2.6 On 8 July 2006 5,000,000 Existing Shares were issued, credited as fully paid, for cash subscriptions at 12 pence per share pursuant to the conversion of certain Series 1 Warrants.

3.2.7 On 8 July 3,250,000 Existing Shares were issued, credited as fully paid, for cash subscriptions at 12 pence per share pursuant to the conversion of certain Series 1 Warrants.

3.2.8 On 10 August 2006 200,000 Existing Shares were issued, credited as fully paid, for cash subscriptions at 12 pence per share pursuant to the conversion of certain Series 1 Warrants.

3.2.9 On 16 August 2006 4,000,000 Existing Shares were issued, credited as fully paid, for cash subscriptions at 12 pence per share pursuant to the conversion of certain Series 1 Warrants.

3.2.10 On 16 August 2006 750,000 Existing Shares were issued, credited as fully paid, for cash subscriptions at 12 pence per share pursuant to the conversion of certain Series 1 Warrants.

3.2.11 On 27 November 2006 two extraordinary general meetings of holders of its Series 1 Warrants and Series 2 Warrants were held in order to modify the exercise terms of the Series 1 Warrants. The modification in relation to the Series 1 Warrants, brought forward the last date for their exercise to 27 December 2006. No modifications were made to the Series 2 Warrants.

3.2.12 On 6 December 2006 3,850,000 Existing Shares were issued credited as fully paid, for cash subscriptions at 12 pence per share pursuant to the conversion of certain Series 1 Warrants.

3.2.13 On 8 December 2006 issued ordinary shares in the capital of the Company were consolidated on the basis of 1 ordinary share of 20 pence each in nominal value for every 20 Existing Shares. All fractions resulting from the consolidation being aggregated, and sold in the market for the benefit of the Company.

3.2.14 On 8 December 2006 each new ordinary share was divided into 20 Existing Shares of 1 pence each.

3.2.15 On 8 December 2006 250,000 Existing Shares were credited as fully paid, for cash subscriptions at 12 pence per share pursuant to the conversion of certain Series 1 Warrants.

3.2.16 On 8 December 2006 5,000,000 Existing Shares were credited as fully paid, for cash subscriptions at 12 pence per share pursuant to the conversion of certain Series 1 Warrants.

3.2.17 On 8 December 2006 1,000,000 Existing Shares were credited as fully paid, for cash subscriptions at 12 pence per share pursuant to the conversion of certain Series 1 Warrants.

3.2.18 On 12 December 2006 100,000 Existing Shares were credited as fully paid, for cash subscriptions at 12 pence per share pursuant to the conversion of certain Series 1 Warrants.

3.2.19 On 12 December 2006 15,000,000 Existing Shares were credited as fully paid, for cash subscriptions at 15 pence per share pursuant to the conversion of certain Series 2 Warrants.

3.2.20 A total of 28,949,000 Existing Shares will be credited as fully paid, for cash subscriptions at 12 pence per share pursuant to the conversion of certain Series 1 Warrants conditional on Admission.

3.3 The authorised but unissued share capital of the Company immediately following Re-Admission will be £7,884,279 divided into 157,685,587 New Ordinary Shares (representing approximately 300 per cent. of the issued New Ordinary Shares).

3.4 At the AGM a Resolution will be proposed that every five Existing Shares of 1 pence each in the capital of the Company be consolidated into one New Ordinary Share of 5 pence each.

3.5 Save as disclosed above and in relation to the Placing and the Acquisition:

3.5.1 no shares or loan capital of FIT or its subsidiaries have been issued or agreed to be issued or are proposed to be issued fully or partly paid, either for cash or for a consideration other than cash;

3.5.2 no shares or loan capital of FIT or its subsidiaries are under option or agreed conditionally or unconditionally to be put under option; and

3.5.3 no commissions, discounts, brokerages or other special terms have been granted by FIT or its subsidiaries in connection with the issue or sale of any of its share or loan capital.

3.6 Save as described in paragraph 11.1 of Part VIII of this document, the Directors are not aware of any person who, immediately following the Re-Admission, will be interested directly or indirectly (within the meaning of Part VI of the Act) in three per cent. or more of the issued share capital of the Company or who could, directly or indirectly, jointly or severally exercise control over the Company.

4. Memorandum and Articles of Association

4.1 The memorandum of association of the Company provides that the Company's principal object is to act as a holding company and as a general trading company. The objects of the Company are set out in full in clause 4 of its memorandum of association.

The Articles of Association of the Company provide, amongst other things:

(i) ***Rights attaching to Ordinary Shares***

(a) *Voting rights of members*

Subject to disenfranchisement in the event of (a) non-payment of any call or other sum due and payable in respect of any share or (b) any non-compliance with any statutory notice requiring disclosure of the beneficial ownership of any shares and subject to any special rights or restrictions as to voting for the time being attached to any shares (as to which there will be none following Re-Admission), on a show of hands every member who, being an individual, is present in person or by proxy or being a corporation, is present by a duly authorised representative who is not himself a member entitled to vote, on a show of hands shall have one vote and on a poll shall have one vote for every share of which he is a holder. In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote is accepted to the exclusion of any votes tendered by any other joint holders.

(b) *Dividends*

Subject to the rights attached to any shares issued on any special terms and conditions (as to which there will be none at Re-Admission), dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid, but no amount paid up on a share in advance of a call shall be regarded as paid up on the share.

(c) *Return of capital*

Subject to the rights attaching to any shares issued on any special terms and conditions (as to which there will be none at Re-Admission), on a winding-up the surplus assets remaining after payment of all creditors of the Company will be divided amongst the members of the Company according to their respective holding of shares. The liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by statute (a) divide amongst the members in specie the whole or any part of the assets of the Company, or (b) vest the whole or any part of the assets in trustees on such trusts for the benefit of members as the liquidator shall determine, and the liquidation may be closed and the Company dissolved but no member shall be compelled to accept any assets upon which there is any liability.

(ii) ***Restrictions on shareholders***

Subject to the AIM Rules, if a member or any other person appearing to be interested in shares, has been given notice under section 212 of the Act and has failed to give information of their interest in any shares (the "**Default Shares**") within a prescribed time, the member shall not be entitled in respect of the Default Shares to attend or vote (either personally or by proxy) at a general meeting of the Company or a meeting of the holders of any class of shares or to exercise any other right in relation to general meetings of the Company or meeting of the holders of any class of shares.

Where the Default Shares represent 0.25 per cent. or more (in nominal value) of the issued shares of a class, then the Company shall be entitled to (a) withhold any dividend (or part thereof) and (b) no transfer of the Defaults Shares shall be registered unless the shareholder is not himself in default as regards supplying the information required and provides evidence, to the satisfaction of the directors, that no person in default as regards supplying such information is interested in any of the shares which are the subject of the transfer; or registration is required by the CREST Regulations.

(iii) ***Transfer of shares***

A member may transfer all or any of his uncertificated shares and the Company shall register the transfer of any uncertificated shares in accordance with any applicable statutory provision. The Directors may refuse to register the transfer of an uncertificated share or any renounceable right of allotment of a share which is a participating security held in uncertificated form in accordance with the CREST Regulations to the extent that the Company is permitted to do so by the CREST Regulations, provided that where the uncertificated shares are admitted to AIM, such a refusal would not prevent dealings in the shares of that class taking place on an open and proper basis. If the board of directors refuses to register a transfer of an uncertificated share it shall, within two months of the

date on which the operator instruction relating to such a transfer was received by the Company, send to the transferee notice of the refusal.

A member may transfer all or any of his certificated shares by an instrument in writing in any usual form, or in any other form which the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, where the share is not fully paid by or on behalf of the transferee. The Directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a certificated share which is not fully paid up but shall not be bound to specify the grounds upon which such registration is refused provided that, where any such shares are admitted to AIM, such a refusal would not prevent dealings in the shares of that class taking place on an open and proper basis. The Directors may also refuse to register a transfer of a certificated share or a renunciation of a renounceable letter of allotment, whether or not fully paid, unless the instrument of transfer is lodged, duly stamped or adjudged or certified as not chargeable to stamp duty, at the transfer office, or such other place as the Directors may appoint and is accompanied by the certificate(s) for the share(s) to which it relates (except where the shares are registered in the name of a market nominee and no certificate has been issued for them) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer or the person renouncing to effect the renunciation. If the Directors refuse to register a transfer of a certificated share they shall, within two months after the date on which the transfer was lodged with the Company, send to the transferee notice of the refusal.

The Directors may refuse to register any transfer unless it is in respect of only one class of share and is in favour of not more than four transferees or renouncees.

(iv) ***Changes in capital***

The Company may by ordinary resolution:

(a) increase its share capital by a sum to be divided into shares of such amounts as the resolution shall prescribe;

(b) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;

(c) sub-divide its shares, or any of them, into shares of a smaller amount than is fixed by the Memorandum of Association; and

(d) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

Subject to the provisions of the statutes and the AIM Rules and to the rights attaching to existing shares, the Company may:

(a) by extraordinary resolution purchase, or enter into a contract under which it will or may purchase, its own shares; and

(b) by special resolution reduce its share capital, any capital redemption reserve share premium account or other undistributable reserve in any manner.

(v) ***Variation of rights***

Subject to the provisions of the statutes, if at any time the capital of the Company is divided into different classes of shares (which it will not be following Re-Admission), the rights attached to any class may be varied or abrogated in such manner (if any) as may be provided by these rights or in the absence of any such provisions, with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class. At any separate general meeting, the necessary quorum shall be two persons holding or representing by proxy at least one-third in nominal amount of the issued shares of the class in question or, at any adjourned meeting of such holders, shall be one person holding shares of the class in question in person or by proxy whatever his holding. Every holder of the shares of the class shall, on a poll, have one vote in respect of every share of the class held by them respectively and a poll may be demanded in writing by any holder of shares of the class present in person or by proxy.

(vi) ***Directors***

(a) The number of directors (other than alternate directors) shall not be less than two. There shall be no more than twelve directors.

(b) A Director shall not be required to hold any shares of the Company by way of qualification.

(c) There shall be no age limit for Directors.

(d) At each annual general meeting one-third of the Directors for the time being shall retire from office by rotation. The Directors to retire by rotation shall include, firstly, any Director who wishes to retire at the meeting and not offer himself for re-election and, secondly, those Directors who have been longest in office since their last appointment or reappointment, provided always that each director shall be required to retire and offer himself for re-election at least every three years. The retiring Director shall, if willing to act, be deemed to have been reappointed, unless at the general meeting it is resolved not to fill the vacancy or a resolution for the reappointment of the director is put to the meeting and not passed.

(e) The Directors (other than alternate directors) shall be entitled to such remuneration by way of fees for their services in the office of a director as the Directors may determine (not exceeding £1,500,000 in aggregate per annum or such larger sum as the Company may, by ordinary resolution, decide). Such fee shall be divided between the Directors as they agree or, failing agreement, equally. The fees shall be distinct from any salary, remuneration or other amount payable to a Director.

(f) The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Directors or of committees of the Directors or general meetings or separate meetings of the holders of any class of shares of the Company.

(g) The Directors may provide benefits, whether by the payment of gratuities or pensions or by purchasing and maintaining insurance or otherwise, for the benefit of any persons who are or were at any time Directors or the holders of any executive or comparable office of employment with the Company or any other company or undertaking which is or has been (a) a subsidiary of the Company or (b) otherwise allied to or associated with the company or a subsidiary of the Company or (c) a predecessor in business of the Company or of any such subsidiary, or (d) for any member of his family (including a spouse and a former spouse) or any person who is or was dependent on him, and may (as well before or after he ceases to hold such office or employment) establish, maintain, subscribe and contribute to any fund and pay premiums for the purchase or provision of any such benefit.

(h) Subject to the provisions of the statutes a Director may be a party to or otherwise interested in any contract, transaction, arrangement or proposal with the Company or in which the Company is otherwise interested either in regard to his tenure of any office or place or profit or as vendor purchaser or otherwise. A Director may hold any other office or place of profit under the Company (except that of auditor or auditor of a subsidiary of the Company) in conjunction with the office of director and may act by himself or through his firm in such professional capacity to the Company and in any such case on such terms as to remuneration and otherwise as the Directors may arrange. Any remuneration shall be in addition to any remuneration provided for by any other article.

(i) A Director who to his knowledge is in any way (directly or indirectly) interested in a contract, transaction, arrangement or proposal with the Company shall declare the nature of his interest at the meeting of the Directors at which the question of entering into such contract, transaction, arrangement or proposal is first considered if he knows his interest then exists or in any other case at the first meeting of the directors after he knows that he is or has become so interested.

(j) A Director shall not vote or be counted in the quorum on any resolution of the directors concerning his own appointment (including the fixing and varying of terms of appointment) as the holder of any office or place of profit with the Company or any other company in which the Company is directly or indirectly interested. Where proposals are under consideration concerning the appointment (including the fixing or varying of terms of appointment) of two or more Directors to offices or employment with the Company or any body corporate in which the Company is interested the proposals may be divided and considered in relation to each director separately and (provided he is not under the Articles of Association or for any other reason precluded from voting) each of the directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.

(k) A Director shall not vote or count in the quorum in relation to a resolution or meeting of the Directors in respect of any contract or arrangement or any other proposals whatsoever in which he has an interest which (together with any interest of a connected person) to his knowledge is material interest. Notwithstanding the above, a Director shall be entitled to vote (and be counted in the quorum) on: (a) any contract in which he is interested by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company;

(b) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings; or the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security; (c) any matter relating to an offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate; (d) any contract, transaction, arrangement or proposal to which the Company is or is to be a party relating to another company, including any subsidiary of the Company, in which he and any persons connected with him do not to his knowledge (directly or indirectly) hold an interest in shares (as that term is used in sections 198 to 211 of the Act) whether as an officer, shareholder, creditor or otherwise representing one per cent. or more of any class of the equity share capital, or the voting rights, in that company or of any other company through which his interest is derived; (e) any contract, transaction, arrangement or proposal for the benefit of employees of the Company or any of its subsidiary undertakings (including in relation to a pension fund, retirement, death or disability benefits scheme or personal pension plan) which does not award him any privilege or benefit not generally awarded to the employees to whom the arrangement relates; and (f) any contract, transaction, arrangement or proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons including directors.

(vii) ***Borrowing powers***

The board of Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (both present and future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The board of Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (as regards subsidiary undertakings only so far as by such exercise it can secure) that the aggregate principal amount outstanding at any time in respect of all borrowings by the Enlarged Group (exclusive of any borrowings which are owed by one company within the Enlarged Group to another Enlarged Group company) after deducting the amount of cash deposited will not, without the previous sanction of the Company in general meeting, exceed £1,000,000,000.

(viii) ***Meetings***

Subject to the provisions of the Act, an annual general meeting and any extraordinary general meeting called for the passing of a special resolution or a resolution appointing or reappointing a person as a Director or, a resolution of which special notice has been given to the Company, shall be called by at least twenty-one clear days' notice, and all other extraordinary general meetings shall be called by at least fourteen clear days' notice. The notice should specify the place, the date and the time of meeting and the general or special nature of business to be transacted. A general meeting shall, notwithstanding that it has been called by shorter notice than that specified above, be deemed to have been duly called if it is so agreed the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and in the case of any other meeting, by a majority in number of the members having a right to attend and vote at that meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

(ix) ***Unclaimed dividends***

Any dividend which has remained unclaimed for twelve years from the date when it became due for payment shall, if the directors so resolve, be forfeited, revert to and cease to remain owing by the Company.

4.2 There is nothing in the Articles of Association which would have the effect of delaying, deferring or preventing a change of control of the Company.

4.3 Save as disclosed in paragraph 4.2 of this Part VIII, there is nothing contained in the Articles of Association which governs the ownership threshold above which shareholder ownership must be disclosed.

4.4 There are no conditions in the Articles of Association governing changes in capital which are more stringent than any required by law.

5. Mandatory bids, squeeze-out and sell-out rules relating to the New Ordinary Shares

Mandatory bid

The City Code applies to the Company. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquiror and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquiror and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the Ordinary Shares by the acquiror or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

Squeeze-out

Under the Act, if an offeror were to acquire or contract to acquire 90 per cent. of the Ordinary Shares to which the offer relates within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

Sell-out

The Act would also give minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares to which the offer relates, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

There have been no takeover offers by third parties in respect of the share capital of the Company since the date of its in corporation.

6. Warrants

The Warrants are be constituted by and issued subject to the terms and conditions contained in a deed (the "**Warrant Instrument**") executed by the Company on 22 December 2005. The principal terms and conditions of the Warrants are as follows:

6.1 *Series 1 Warrants and Series 2 Warrants*

The Warrant Instrument constitutes two series of warrants: Series 1 Warrants and Series 2 Warrants.

Save for the difference in exercise price and the potential to reduce the exercise period of the Series 1 Warrants as described below (which was sanctioned at the EGM of the Company held on 27 November 2006), the terms of the Series 1 Warrants and the Series 2 Warrants are substantially the same. As a result of the share consolidation proposed at the AGM, and subject to the passing of that resolution, the exercise price of a Series 2 Warrant will increase to 75 pence and the number of Series 2 Warrants will reduce from 27,000,000 to 5,400,000.

6.2 *Warrant rights*

The registered holder of a Warrant has the right to subscribe in cash for one ordinary share for each Warrant held. The exercise price of a Warrant depends upon whether the Warrant is a Series 1 Warrant or Series 2 Warrant. The Series 2 Warrants will be exercisable at any time after the issue of the Series 2 Warrants until 31 December 2007. The exercise period of the Series 1 Warrants was reduced to 30 days commencing upon 27 November 2006 following an EGM of the warrantholders held on that date. Accordingly the Series 1 Warrants will lapse on 27 December 2006. The Company was entitled to reduce the exercise period as it had, pursuant to the terms of the Warrant Instrument, entered into a transaction in which a business or businesses are acquired to a value in excess of £50 million (such value to be determined by adding together the cash and other consideration denominated in money value to an amount determined by multiplying the number of ordinary shares issued to the vendors multiplied by the per share cash received in respect of the issue of ordinary shares effected as part of the transaction) and as part of such transaction ordinary shares

are issued for cash subscriptions at a price of or in excess of 16 pence per share. The Warrant rights may be exercised in respect of all or some of the Warrants held. The maximum number of Warrants which may be issued under the Warrant Instrument is 100,000,000 Series 1 Warrants and 50,000,000 Series 2 Warrants.

6.3 ***Form of Warrants***

Warrants are issued in certified form. The Company will issue a Warrant Certificate to each registered holder. Joint holders will be entitled to only one certificate in respect of their joint holding of Series 1 Warrants and one certificate in respect of their joint holding of Series 2 Warrants. A form of notice of exercise, and the full terms and conditions of the Warrants, will be attached to each Certificate. Provision may be made by the Directors in the future allow Warrants to be alternatively held in uncertificated form. It is not the Directors present intention to apply for the Warrants to be admitted to trading on any investment exchange.

6.4 ***Conditions attaching to exercise***

The Directors may require, as a condition of exercise of any Warrant, that the registered holder of the Warrant certifies that such exercise is not by or on behalf of a person resident in certain overseas territories, or made with a view to the transfer of the ordinary shares to which the Warrant relates to persons resident in such territories.

The registered holder is liable to reimburse the Company in respect of any taxes or duties referable to the holder, as a result of the exercise of the Warrant and for which the Company is liable to account.

6.5 ***Allotment of ordinary shares***

On the due exercise of any Warrant, the Company will allot the number of ordinary shares for which subscription is made to the registered holder of the Warrant. As soon as practicable after the issue of ordinary shares following exercise of the Warrants, the Company will apply for those ordinary shares to be admitted to dealing on any recognised investment exchange on which the Company's ordinary shares are then traded. The Company undertakes to keep available for issue sufficient authorised but unissued ordinary shares to enable it to perform its obligations under the Warrants, without the need for the passing of any resolutions of its shareholders. Ordinary shares allotted on exercise of Warrants will rank *pari passu* in all respects with the fully paid ordinary shares of the Company then in issue, except that the ordinary shares so allotted will not rank for any dividend or other distribution which has previously been announced, declared, recommended or resolved, if the record date for such dividend or other distribution is prior to the date of exercise of the Warrants.

6.6 ***Adjustment of Warrant Rights***

If the Company's ordinary shares are consolidated or subdivided, the number of Warrants to which each holder is entitled will be adjusted accordingly, the adjustment to be made by the auditors of the Company for the time being.

6.7 ***Takeovers***

If a takeover offer is made for the Company, and the Company becomes aware as a result of the offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror (or persons associated or acting in concert with the offeror) the Company will give notice to all registered holders Warrants then outstanding within 14 days of its becoming so aware. Each registered holder of Warrants will then be entitled, for a period of 30 days following the date of the notice (but not in any event later than the expiry date of the Warrants) to exercise his Warrants; failing such exercise, the right to exercise the Warrants will lapse on expiry of the 30 day period.

6.8 ***Liquidation***

If the Company commences liquidation (whether voluntary or compulsory) (except for the purposes of a reconstruction, amalgamation or unitization on terms sanctioned by extraordinary resolution of the Warrant holders) it shall give notice thereof to the Warrant holders who shall be entitled to participate in the distribution of any available surplus as though he had, immediately before the date of passing of the winding up resolution, exercised his Warrants, and to receive the distribution which he would have received had he done so, less the subscription price payable.

6.9 ***Transfer of Warrants***

Warrants may be transferred by a written transfer or, in the case of Warrants held in uncertificated form (to the extent applicable), in accordance with the Uncertificated Securities Regulation 2001.

6.10 ***Modification of Warrant rights***

The rights attaching to the Warrants may from time to time be altered or abrogated, with the sanction of an extraordinary resolution of the holders of the Warrants (save that where such alternation varies the rights attaching to a particular series of Warrants in a manner different to other series of Warrants, then such variation must be approved by separate meetings of the holders of Series 1 Warrants and Series 2 Warrants).

For the purposes of the Warrant conditions, "extraordinary resolution" means a resolution proposed at a meeting of the holders of the Warrants (or series thereof) duly convened and held, and passed by a three quarters majority of the votes cast, whether on a show of hands or on a poll. Meetings of the holders of Warrants may be convened by the Company at any time. The same procedures as are applicable to the general meetings of shareholders of the Company will apply to meetings of the holders of Warrants. A holder will be entitled to attend any such meeting in person, or to appoint a proxy to attend on his behalf.

6.11 ***Governing law***

The Warrant Instrument and the Warrants are governed by and construed in accordance with English Law.

7. Directors

7.1 The Directors and their functions are set out on page 4 of this document. The Directors are:

7.1.1 *Paul Robert Gratton, Executive Chairman and acting Chief Executive Officer, age 47*

Mr Gratton joined the Company in June 2006 from Egg plc where he held the position of CEO from 2001. Mr Gratton has enjoyed an extensive career in retail banking and was one of the founding members of First Direct, the leading UK telephone bank and of Egg, the world's largest online direct bank boasting over 3.5 million customers.

7.1.2 *Kieran Anthony Lynch, Chief Financial Officer, age 36*

Mr Lynch joined the Company in June 2006 from Aspect Capital, a specialist hedge fund manager where he held the position of Director of Finance. Mr Lynch's previous positions include Chief Operating Officer and Company Secretary at Select Asset Management in Sydney and Group Financial Controller at Egg plc. Previously, Mr Lynch was an audit manager within the Financial Markets Division at Arthur Andersen.

7.1.3 *Tom Jan Hugo Casaer, Non-Executive Director, age 39*

Mr Casaer was appointed to the Board in September 2006. Mr Casaer has 15 years' experience in business development and sales and marketing in the IT and communications sector, most notably as channel manager for "Software as a Service", where he managed hoster relationships in the communications sector group at Microsoft EMEA. Before joining Microsoft in 2000, he held various management positions at Hilti N.V. until 1996, and was involved in the European launch of Firstmark Communications Inc. in 1998 and the start up of an applications service provider, Intellimus.com, in 1999.

7.1.4 *Paul Nicholas Thornton, Senior Non-Executive Director, age 59*

Mr Thornton is a management consultant with over 30 years experience. Mr Thornton held a number of senior positions at PA Consulting during his time there from 1975 to 1994. In 1994 he founded his own consultancy French Thornton which in 2000 he exited from when the firm was sold to ITNET plc. He was formerly president of the Management Consultancies Association. Mr Thornton graduated from Liverpool University in 1967 with a B.Sc (Hons) in mathematics and in 1969 gained a Certificate of Advanced Study, in Operational Research from Brunel University.

7.1.5 *Richard James Armstrong, Non-Executive Director, age 59*

Mr Armstrong is currently an associate of Fiske plc, an AIM-listed stockbroking firm, where he specialises in floating smaller companies, raising funds for such companies and initiating corporate transactions. He is currently a director of Fortfield Investments plc, which is quoted on AIM and also of Crescent Technology Ventures Plc and BWA Group plc.

Details of the Executive Directors service agreement and the Non-executive Directors letters of appointment are set out in paragraph 8.1 of Part VIII of this document.

7.2 It is intended that following Re-Admission, Paul Gratton, Tony Lynch, Tom Casaer, Paul Thornton and Richard Armstrong will remain as Directors.

7.3 In addition to their directorships of Enlarged Group companies, the Directors hold or have held the following directorships and or were members of the following partnerships in the past 5 years:

Director	*Current directorships/partnerships*	*Previous directorships/partnerships*
Mr Gratton	Edeus Mortgage Creators Limited Clearstart Limited Gasbox Limited Direct Valuations Limited JV Limited Evocell Limited Trent College Limited Trent College Trading Limited	Egg plc (and its subsidiaries)
Mr Lynch	None	Egg Jersey Limited
Mr Casaer	Apotheek Godelaine N.V. Casago Invest bvba	None
Mr Thornton	Thornton Associates LLP Thornton Associates LLP (Partner)	FlyingSPARK B.V. Lighting Technology Group Employee Benefit Trust The French Thornton Partnership Limited Lighting Technology Group Limited(1) VAL LPS Limited American Lamps & Lighting Limited V.I.D. Engineering Operations Limited Lighting Technology Limited Promagica Limited
Mr Armstrong	BWA Group Plc Crescent Technology Ventures Plc Fortfield Investments plc Stageworx plc Belisarius Limited Camvaxxe Limited Safevax Limited Voipnetwork Limited Alphaworx Limited	Holroyd Consultants Limited Parallel Media Group plc Briar Abbey Services Limited Bella Media plc Zoa Corporation plc Victoria Oil & Gas Central Asia Limited Crescent Hydropolis Resorts plc Merchant House Group plc

(1) An administration order was made on 5 July 2002 in respect of Lighting Technology Group Ltd at a time when Paul Thornton was a director of that company. Lighting Technology Group Ltd is currently active and no longer in administration.

7.4 None of the Directors has any unspent convictions in relation to indictable offences nor any convictions in the five years preceding the date of this document in relation to fraudulent offences.

7.5 None of the Directors has been the subject of any public criticism by any statutory or regulatory authority.

7.6 Save for Paul Thornton who was a director of Lightning Technology Group Limited when it went into administration on 5 July 2002, none of the Directors has been a director of a company at the time of, or within the preceding 12 months of, that company being the subject of a receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors.

7.7 None of the Directors has been a partner of a partnership at the time of, or within the 12 months preceding the date of, that partnership being placed into compulsory liquidation or administration or being entered into a partnership voluntary arrangement nor in that time have the assets of any such partnership been the subject of a receivership.

7.8 No asset of any Director has at any time been the subject of a receivership.

7.9 None of the Directors is or has been bankrupt nor made at any time an individual voluntary arrangement.

7.10 None of the Directors is or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

7.11 The business address of each of the Directors is 65 North Wharf Road, London, W12 1LA.

8. Directors' service agreements and letters of appointment

8.1 The following are particulars of the Director's service agreements or letters of appointment with the Company:

Executive Directors:

Paul Gratton

Mr Gratton's services are provided to the Company pursuant to a service agreement dated 8 June 2006. Under the service agreement Mr Gratton agreed to be employed as Executive Chairman of the Company. The appointment carries a salary of £150,000 per annum. Mr Gratton is also entitled to participate in the Company's Executive Share Option Scheme, Cash Bonus Scheme and LTIP. The terms of his engagement as Executive Chairman is for an indefinite period but terminable by either party giving 12 months' notice in writing.

Tony Lynch

Mr Lynch's services are provided to the Company pursuant to a service agreement dated 8 June 2006. Under the service agreement Mr Lynch agreed to be employed as Chief Financial Officer of the Company. The appointment carries a salary of £150,000 per annum. Mr Lynch is also entitled to participate in the Company's Executive Share Option Scheme, Cash Bonus Scheme and LTIP. The terms of his engagement as Chief Financial Officer is for an indefinite period but terminable by either party giving 12 months' notice in writing.

Non-Executive Directors:

Paul Thornton

A letter of appointment from the Company dated 23 November 2006 pursuant to which Mr Thornton was appointed as senior non-executive director of the Company effective from 1 April 2006 for an initial three year term. Mr Thornton is entitled to an annual directors fee of £25,000. The appointment is terminable by either party on 3 months' written notice.

Richard Armstrong

A letter of appointment from the Company dated 23 November 2006 pursuant to which Mr Armstrong was appointed as non-executive director of the Company effective from 1 April 2006 for an initial three year term. Mr Armstrong is entitled to an annual directors fee of £20,000. The appointment is terminable by either party on three months' written notice.

Tom Casaer

A letter of appointment from the Company dated 26 September 2006 pursuant to which Mr Casaer was appointed as non-executive director of the Company effective from 26 September 2006 for an initial three year term. Mr Casaer is entitled to an annual directors fee of £25,000. The appointment is terminable by either party on three months' written notice.

8.2 Save as disclosed above, there are no agreements between any Director and any member of the Enlarged Group providing for benefits on termination of employment.

8.3 Save as disclosed below, no further service agreements or letters of appointment have been entered into or amended within 6 months of the date of this document with the Company:

Mr Caesar is a self-employed person who provides his services to Casago Invest BVBA (the "Consultant"). The Consultant and the Company entered into a Consultancy Agreement dated 28 June 2006 under which the Consultant is paid a fixed consideration of €13,000 per month (excluding VAT), plus expenses. After 12 months' good service a one off bonus of €36,000 is payable to the Consultant. In addition the Consultant may be entitled to a further annual performance bonus on the approval of the Board.

9. Share incentive arrangements

9.1 ***The FIT Unapproved Share Option Plan (the "Unapproved Plan")***

The Company intends to adopt an unapproved plan, pursuant to which it will grant options to qualifying employees to acquire shares in the Company. The key provisions of the Unapproved Plan are as follows:

(i) *Eligibility*

Options may be granted to a director or employee of any member of the Group, as selected by the remuneration committee.

(ii) *Grant of Options*

The price per share at which options may be granted will not be less than the market value of the share at the date of grant. Options will normally be granted within the period of 42 days commencing on the day after any of the following:

(a) the date the Unapproved Plan is adopted by the Company; or

(b) the date on which the Company releases its quarterly, half-yearly or final results.

If the remuneration committee considers that exceptional circumstances apply, options may be granted outside of these periods. Options may also be granted during the period of 28 days immediately after the eligible person becomes an employee of a Group company. The remuneration committee may require an objective performance criteria to be satisfied before an option may be exercised. The remuneration committee can amend these conditions if they consider they are no longer appropriate. An option may not be transferred, assigned, charged or otherwise alienated other than to the participant s personal representative on death. Any other transfer, assignment, charge, disposal or dealing with the rights and interest of the option will render the option void.

(iii) *Limit on Grants*

The Unapproved Scheme is subject to the following limits on overall number of shares which may be issued:

(a) in any 10 year period, not more than 10 per cent. of the issued ordinary share capital of the Company may in aggregate be placed under option under the Unapproved Plan and any other executive option scheme adopted by the Company; and

(b) in any 10 year period not more than 15 per cent. of the issued ordinary share capital of the Company may in aggregate be placed under option under the Unapproved Plan and any other employee's share scheme adopted by the Company where participation is extended to all employees on similar terms or limted to of executive status only.

(iv) *Exercise of Options*

Options will be subject to a vesting period and cannot be exercised 10 years after their initial date of grant. Options subject to performance conditions may only be exercised if and to the extent that the performance conditions are met. If an optionholder ceases to be an employee in circumstances including death, redundancy, injury or disability, the option will be exercisable within a specified period from the date of the event causing such termination or employment to the extent that such conditions of exercise have been satisfied. The remuneration committee also has discretion to allow the options to be exercised on cessation of employment in other circumstances to the extent that any performance condition has been satisfied. Options may be exercised on a change of control in the Company to the extent determined by the remuneration committee.

(v) *Adjustment*

Following an adjustment of the share capital of the Company, the remuneration committee may adjust the number of shares under option and/or the option exercise price.

(vi) *Tax Indemnity*

Optionholders will be required to indemnify the Company in respect of any income tax and employer's and employee's national insurance contribution which may arise on the exercise of an option.

(vii) *Alterations to the Rules*

The directors may amend the Unapproved Plan by resolution, but where an alteration affects the subsisting rights of an optionholder the consent of the optionholder is required for the alteration to be effective.

9.2 ***The FIT Long Term Incentive Plan (the "LTIP")***

The Company intends to adopt the LTIP, which will be designed to be a discretionary long-term incentive plan under which the Company may make different types of awards depending on its requirements. The LTIP will be administered by the Board of Directors acting on the recommendation of the remuneration committee. The Company will establish an employee benefit trust which will holds shares that will be the subject of awards made under the LTIP. The main types of awards that may be awarded under the LTIP are as follows:

(a) LTIP Incentive Award – a participant receives shares or nil cost options which will be exercisable at the end of a performance period (typically 3 years) provided stretching performance targets (set by the remuneration committee) have been reached and the participant is still employed.

(b) The Basic Award – a participant is invited to accept an award of shares in substitution for the whole or part of any discretionary cash bonus. The trustee of the employee benefit trust may lso grant an employee who accepts the Basic Annual Award the right to receive additional shares ("Matching Shares").

(i) *Eligibility*

Awards may be given to all eligible employees, being any person who at the date of the award is an employee or an executive director of the Company of any Group Company. The current intention of the Company is that the LTIP will only be available to executive directors.

(ii) *Grant of Awards*

An award under the LTIP will only normally be granted within the period of 42 days from:

(a) the date in which the LTIP is adopted;

(b) the day after the Company announces its interim or final accounts.

If the Remuneration Committee considers that exceptional circumstances apply, an award may be made outside these periods. An award may also be made within 28 days after a person commences employment with the Company or a person is promoted to a grade in respect of which an award may be made.

(iii) *Limits on Grants of Awards*

The number of shares in respect of which an award which may result in the issue of shares under the LTIP shall not, when added to the number of shares issued or capable of being issued by way of subscription on the exercise of an option granted by the Company during the previous 10 years with the number of shares issued by way of subscription out of profits during the previous ten years, both under the LTIP and any other plan exceeds 10 per cent. of the Company's shares in issue from time to time.

(iv) *Exercise/Satisfaction of Awards*

LTIP Incentive Awards – an LTIP Incentive Award will be subject to the satisfaction of performance conditions determined by the remuneration committee. The participant will be entitled to retain shares awarded or exercise an option to have shares issued or transferred if and to the extent the performance condition has been satisfied.

Basic Annual Awards – a participant will be entitled to exercise a basic annual award on the first anniversary of the date of grant. A Matching Award can be exercised on or after the first anniversary of the date of grant. The option must be exercised within 6 months from the date it becomes exercisable otherwise it will lapse. On a change of control, a proportion of the award will vest notwithstanding that any performance conditions attached to the awards have not been satisfied. The proportion vesting will reflect the number of months of the applicable performance period which have elapsed at the date of the change of control.

(v) *Tax Liability*

The participant will be responsible for any income tax and employee's national insurance contributions arising on the award. The LTIP rules provide that any liability may be satisfied by selling some of the shares acquired on the vesting of an award. In addition, it is the intention of the Company to transfer to the participant the employers' national insurance contribution liability in respect of an award.

(vi) *Termination of Employment*

If a participant causes to hold office or employment with the Company or any Group Company before the end of a performance period, in the case of an LTIP Incentive Award if the participant ceases to hold office or employment within the first 12 months of the performance period, the LTIP Incentive Award will lapse. If the participant ceases to hold an office or employment in circumstances that he qualifies as a "good leaver" in accordance with the LTIP rules, the remuneration committee shall have the direction as to whether and to what extent the awards vest. In cases where the participant is a "bad leaver" and/or the remuneration committee do not exercise their discretion, the award will lapse. In the case of Basic Annual Awards, a participant may exercise the award within 3 months from the date of cessation. A participant will only be entitles to exercise a Matching Award if cessation of employment occurs more than one year from the date of the award.

(vii) *Amendment to the LTIP*

The remuneration committee may amend the rules of the LTIP for the implementation and administration of the plan. Any amendment which will prejudice the existing rights of a participant must be agreed by the participant. No amendments may be made to the advantage of participants without the prior approval of shareholders in general meeting.

10. Directors' shareholdings and other interests

10.1 *FIT*

The interests of each of the Directors and those of any person connected with them within the meaning of section 346 of the Companies Act (each a "Connected Person"), all of which are beneficial unless otherwise stated, in the share capital of the Company which have (a) been notified to the Company pursuant to section 324 or section 328 of the Companies Act or (b) are required to be entered in the register maintained under Section 325 of the Companies Act or (c) are interests of Connected Persons which would, if the Connected Person were a Director, be required to be disclosed under (a) or (b) above, insofar as the latter are known to, or could with reasonable diligence be ascertained by, that Director are as at 12 December 2006 (being the latest practicable date prior to the publication of the document) and will, immediately following Re-Admission, be as follows:

	As at 12 December 2006		*Following Re-Admission*	
Directors	*No. of Existing Shares*	*% of ordinary share capital*	*No. of New Ordinary Shares*	*% of ordinary share capital*
Mr Gratton	0	Nil	0	Nil
Mr Lynch	0	Nil	0	Nil
Mr Casaer	0	Nil	0	Nil
Mr Thornton	1,698,000	0.69	339,600	0.65
Mr Armstrong	1,900,000	0.77	380,000	0.72
Total	3,598,000	1.47	719,600	1.37

In addition to the interests set out above, Richard Armstrong holds 500,000 Series 1 Warrants which will lapse on 27 December 2006. He also holds 1,000,000 Series 2 Warrants which will remain exercisable until 31 December 2007, subject to an adjustment to reflect the share consolidation proposed at the AGM.

The interests of the Directors together represent approximately 1.47 per cent. of the issued share capital of the Company as at 12 December 2006 (being the latest practicable date prior to publication of this document). The interests of the Directors are expected to represent approximately 1.37 per cent. of the Enlarged Share Capital of the Company after the Acquisition and the Placing.

10.2 Save as disclosed above, neither the Directors or any member of their families hold any related financial product (as defined in the AIM rules) referenced to the ordinary shares.

10.3 Save as disclosed above, none of the Directors will have any interest in the share capital or loan capital of the Company following Re-Admission nor will any person connected with the Directors have such interest, whether beneficial or non-beneficial.

10.4 Save as disclosed in this document, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which has been effected by the Company since its incorporation and remains in any respect outstanding or unperformed.

10.5 No loans have been made or guarantees granted or provided by the Company to or for the benefit of any Director.

10.6 No Director has, or has had, any interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Enlarged Group and which was effected by FIT in the current or immediately preceding financial year or during an earlier financial year and which remains in any respect outstanding or unperformed.

10.7 No outstanding loans or guarantees have been granted or provided to or for the benefit of any Director of FIT or any of its subsidiaries.

10.8 There are no family relationships between any Directors or any persons disclosed under paragraph 10.1 above.

10.9 Save as disclosed in this document, there are no potential conflicts of interest between any of the duties of the Directors to FIT, the Group or the Enlarged Group and their private interests and/or other duties.

10.10 There are no restrictions on Directors in respect of the disposal of their New Ordinary Shares.

11. Substantial Shareholdings

11.1 ***FIT***

As at 12 December 2006 (being the latest practicable date prior to publication of this document), in so far as it is known to FIT, the name of any person, other than a Director, who, directly or indirectly, was and/or is anticipated to be interested in three per cent. or more of FIT's share capital, and the amount of such person's interest and their expected interest following Re-Admission are set out below:

	As at 12 December 2006		*Following Re-Admission*	
	Number of Existing Shares	*Percentage of issued share capital*	*Number of New Ordinary Shares*	*Percentage of issued share capital*
Robert Bonnier/Cold Investments Limited(1)	42,700,000	17.41	9,970,000	19.01
John Morley	40,000,000	16.31	8,000,000	15.25
Credit Agricole Chevreux International Limited(2)	26,000,000	10.60	5,200,000	9.91
Merrill Lynch	21,690,000	8.84	5,338,000	10.18
Gabem Management	14,225,000	5.80	2,845,000	5.42
Lykke Capital/Tom Kristensen(3)	13,792,500	5.62	2,758,500	5.26

(1) Cold Investments Limited is a company in which Mr Robert Bonnier is interested.

(2) Credit Agricole Chevreux International Limited holds shares underlying open CFD positions. Mr Robert Bonnier is a counterparty to a CFD position comprising 15,000,000 Existing Shares (equal to 3,000,000 New Ordinary Shares) and Mr Ronald Zimmet is a counterparty to a CFD position comprising 11,000,000 Existing Shares (equal to 2,200,000 New Ordinary Shares).

(3) Lykke Capital Limited and Tom Kristensen are connected persons, with Mr Kristensen being interested in Lykke Capital Limited.

11.2 The Shareholders referred to in paragraph 11.1 above do not have different voting rights from those of other holders of ordinary shares.

11.3 FIT is not aware of any person who does or could following the Acquisition, Placing and Warrant Conversion, directly or indirectly, jointly or severally, exercise control over FIT.

11.4 There are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which a Director was selected as a Director.

11.5 ***Disclosure of interests in shares***

Pursuant to section 198 of the Act, persons acquiring an interest in Ordinary Shares such that the aggregate number of Ordinary Shares in which they are interested (as determined in accordance with the Act) increases to 3 per cent. or more of the nominal value of the Company's issued share capital are required to notify their interest in writing to the Company. To the extent that persons already hold an interest in Ordinary Shares the Act further requires that such persons notify the Company in writing in certain circumstances where there is a change in such interest in Ordinary Shares, in particular a person which has an interest in more than 3 per cent. of the issued share capital of the Company must notify the Company in writing where there is a change in the percentage level of such person's interest.

Pursuant to section 212 of the Act, the Company may by notice in writing require a person whom the Company knows or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the notice is issued, to have been interested in shares comprised in the Company's issued share capital, to confirm that fact or (as the case may be) to indicate whether or not it is the case, and where that person holds, or has during that time held an interest in shares so comprised, to give such further information as may be required in accordance with section 212(2) of the Act.

12. Employees

12.1 As at 30 June 2006, the Company had nine employees.

12.2 Following the Acquisition, the Company will have 30 employees of which five will be based in the United Kingdom and 25 in Belgium. Artilium currently has 25 employees.

13. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company in the two years immediately preceding the date of this document and are, or may be, material:

13.1. A deed of assignment of claims dated 7 March 2006 between (1) the Company and (2) Vlaamse Investerings Groep, N.V. ("VIG") pursuant to which VIG agreed to assign and transfer all its right, title and interest in

all claims which it had against Luc Verlinde in relation to the sale by Mr Verlinde of his interest in Artilium to VIG;

13.2. An option agreement dated 7 March 2006 between (1) the Company (2) VIG and (3) Artilium (the "Artilium Option Agreement") pursuant to which VIG granted to the Company a call option (the "Call Option") over the remaining issued and outstanding shares in Artilium in consideration for the issue by the Company of 6,000,000 Existing Shares such shares to rank *pari passu* with, and be admitted to trading on AIM on the same basis as, all other Existing Shares. The Call Option is exercisable by the Company within one year of the Initial Completion Date as that term is defined in the Option Agreement;

13.3. A sale and purchase agreement dated 7 March 2006 between (1) the Company and (2) VIG (the "Artilium Sale Agreement") whereby the Company agreed to purchase 49 per cent. of the shares in the capital of Artilium, from VIG, for a consideration of €7,500,000. The final price to be paid is subject to any adjustment which may be required in the event of a breach of any warranties given by VIG. The warranties include a restriction on VIG from operating a similar business (that of fax and data technologies for the fixed, mobile and VoIP markets) for a period of two years, as well as usual warranties with respect to the proper and lawful operation of Artilium's business. Any claim which could potentially be made by the Company are limited by the agreement to €5 million and any claim under these may only be made where the liability of VIG exceeds €7,500 for any individual claim, and a total of €500,000 in respect of all claims made under the warranties;

A time limit of 18 months is imposed for making claims against the general warranties, and a longstop date of 28 February 2012 in the case of any claims made under the tax warranties. The agreement is governed by Belgian law.

13.4. A compromise agreement dated 10 September 2006 between (1) the Company and (2) Robert Bonnier. Pursuant to the agreement Mr Bonnier agreed to waive his right to be paid his expenses owing to him by the Company in lieu of the Company making any cash payment on the exercise of 5 million of Mr Bonnier's Series 1 Warrants with a 12p exercise price into 5,000,000 fully paid Existing Shares within 14 days of the date of the agreement. The agreement is governed by English law;

13.5. A sale and purchase agreement dated 11 September 2006 between (1) the Company and (2) Flasktent Limited ("Flasktent"), a company ultimately controlled by Robert Bonnier who resigned as Chief Executive Officer and director of the Company on 11 September 2006, relating to the sale of certain of the Company's intellectual property and physical assets pertaining to a potential consumer offering and the rights related thereto (the "Assets"). Pursuant to the agreement Flasktent assumed approximately £3 million of existing FIT obligations as consideration for the Assets (which were not at that time revenue generating and had a capitalised value of approximately £1.3 million). Furthermore, pursuant to the agreement the Company may receive up to £15 million of deferred consideration, which is contingent upon a realisation of equity in Flasktent for value within three years of the transaction date. Certain personnel also transferred to Flasktent from the Company pursuant to the agreement. The Company also agreed to make a further payment in respect of the development costs of Flasktent's proposition, the net effect to the Company being approximately £0.1 million. Flasktent was to assume the future commitments relating to the Assets thereby removing any further obligations from the Company. The agreement is governed by English law;

13.6. An agreement dated 24 November 2006 between (1) the Company (2) VIG (3) Artilium N.V. and (4) Gery Pollet (the "Revised Agreement"). Pursuant to the Revised Agreement the parties agreed a settlement of a dispute between the parties in relation to the Artilium Option Agreement. By way of such settlement the parties agreed, *inter alia*, that (a) Artilium sell its shareholding in Aquanta to VIG for the sum of one Euro (b) the Artilium Option Agreement be terminated (but that the Artilium Sale Agreement remains in full force and effect); (c) Mr Pollet resigns as a director of and consultant to Artilium; and (d) at completion of the Revised Agreement (which shall be the day following the date of the AGM) the Company agreed to procure the allotment and issue of 400,000 New Ordinary Shares to VIG credited as paid up as to nominal value of five pence per share and pay €2,100,000 to VIG; and

13.7. An orderly market agreement to be dated 3 January 2007 between (1) the Company and (2) VIG pursuant to which VIG agrees not to dispose of any of the Consideration Shares other than through the Company's stockbrokers during the 12 months from the date of the agreement.

13.8 An orderly market agreement dated 11 December 2006 between the Company (1), Ambrian Partners Limited (2) and Robert Bonnier (3) pursuant to which Mr Bonnier agreed, for a period of six months following Admission, not to dispose of any of 30,000,000 of the Existing Shares (equal to 6,000,000 New Ordinary Shares) held by him or persons connected with him other than through Ambrian Partners Limited and, in respect of CFD positions held by him and persons connected with him to notify Ambrian Partners Limited at least 2 days in advance of closing out, unwinding or otherwise disposing of any CFD position.

13.9 Agreements dated 12 December 2006 between the Company and each of Cold Investments Limited ("Cold") (a company with which Robert Bonnier is connected) and IC Partners Limited ("IC") pursuant to which the Company purchased 7,500,000 Series 2 Warrants from each of Cold and IC for a price of 2 pence per Series 2 Warrant. The consideration of £300,000 is payable to Cold and IC on Admission. The Company exercised the 15,000,000 Series 2 Warrants it acquired on 12 December 2006 and they are held for the Company's employee benefit trust.

There were no contracts, not being contracts entered into in the ordinary course of business, that have been entered into by Artilium in the two years immediately preceding the date of this document that are, or may be, material.

14. United Kingdom taxation

14.1 *Introduction*

The information in this section is based on the Directors' understanding of current tax law and HMRC. The following should be regarded as a summary and should not be construed as constituting advice. Prospective shareholders are strongly advised to take their own independent tax advice but certain potential tax benefits are summarised below in respect of an individual resident in the UK for tax purposes.

On issue, the Ordinary Shares will not be treated as either "listed" or "quoted" securities for tax purposes. Provided that the Company remain one which does not have any of its shares quoted on a recognised stock exchange (which for these purposes does not include AIM) and assuming that the Company remains a trading company or the holding company of a trading group for UK tax purposes, the Ordinary Shares should continue to be treated as unquoted securities qualifying for certain reliefs from UK taxation.

The following information is based upon the laws and practice currently in force in the UK and may not apply to persons who do not hold their Ordinary Shares as investments.

14.2 *Capital Gains Tax ("CGT")*

14.2.1 *Disposals*

Changes were made to the rules relating to the holdings of shares from 6 April 1998 so that the "pooling" of shares (i.e. treating them as one asset) no longer applies. Therefore, any disposal of shares is treated on a last in, first out basis for the purposes of calculating gains which are chargeable to tax.

14.2.2 *Taper Relief*

On 5 April 1998, "taper relief" was introduced which applies to individual investors and trustees (but not t corporate investors). Taper relief reduces the chargeable gain assessable to CGT in relation to the period the investment is held and the scales of relief depend upon whether the investment is a "business" or "non-business" asset. The scale of relief is enhanced for those assets which qualify as "business" assets. Business assets include shares in qualifying unquoted trading companies. For these purposes, companies admitted to trading on AIM are regarded as unquoted. However, shares in the Company do not currently qualify as business assets as the Company is not a trading company and, therefore, the reduced levels of taper relief currently apply.

14.2.3 *CGT Gift Relief*

If shares in an AIM company which is a trading company, are transferred, other than at arm's length, the deemed capital gain can be "held over", i.e. the CGT liability is postponed until a subsequent arm's length disposal by the transferee, who effectively inherits the transferor's base cost. CGT gift relief will not apply since the Company is not a trading company.

14.3 *Inheritance Tax ("IHT")*

Shares in qualifying trading companies can attract 100 per cent. business property relief from IHT provided that the shares are held for at least two years before a chargeable transfer for IHT purposes. As the Company does not currently trade, business property relief is not currently available.

14.4 *Income Tax*

14.4.1 *Taxation of Dividends*

The statements that follow assume that no dividends paid by the Company will be treated as foreign income dividends pursuant to the provisions of the Finance Act 1997 and that the Company will not elect to pay any foreign income dividends under the provisions contained in the Finance Act 1994. The Directors have no present intention of paying any dividends which are, or may be treated as, foreign income dividends.

14.4.1.1 Under current UK tax legislation, no tax is now withheld from dividends paid by the Company. Advance Corporation Tax ("ACT") has been abolished which 6 April 1999.

14.4.1.2 UK resident individual shareholders are treated as having received income of an amount equal to the sum of the dividend and its associated tax credit, the tax credit for dividends paid from 6 April 1999 being 10 per cent. of the combined amount of the dividend and the tax rate (i.e. the tax credit will be one ninth of the dividend). The tax credit will effectively satisfy a UK resident individual shareholder's lower and basic rate (but not higher rate) income tax liability in respect of the dividend. UK resident individual shareholders who are subject to tax at the higher rate (currently 40 per cent.) will have to account for additional tax. The special rate of tax set for higher rate taxpayers who receive dividends is 32.5 per cent. After taking account of the 10 per cent. tax credit, such a taxpayer would have to account for additional tax of 22.5 per cent. In determining what tax rates apply to a UK resident individual shareholder, dividend income is treated as his top slice of income.

14.4.1.3 Prior to 6 April 1999, in appropriate cases, individuals and charities were table to reclaim all or part of the tax credit attaching to a dividend in cash from HMRC. From 6 April 1999 they are not longer able to do so.

14.4.1.4 A UK resident (for tax purposes) corporate shareholder will generally not be liable to UK corporation tax on any dividend received and will be entitled for tax purposes to treat any such dividend and the related tax credit as franked investment income.

14.4.1.5 A UK pension fund, as defined in Section 231A Income and Corporation Taxes 1988, is restricted from claiming a repayment of the tax credit.

14.4.1.6 Shareholders not resident in the UK, are generally not taxed in the UK on dividends received by them. By virtue of double taxation agreements between the UK and other countries, some overseas shareholders are able to claim payment of all or part of the tax credits carried by the dividends they receive from UK companies. Overseas shareholders should however be aware that as a result of recent changes to UK tax law, the amount of the tax credit that can be reclaimed has been substantially reduced. Persons who are not resident in the UK should consult their own tax advisers on the possible applicability of such provisions, the procedure for claiming repayment and what relief or credit may be claimed in respect of such tax credit in the jurisdiction in which they are resident.

14.4.2 *Loss Relief*

If a loss arises on the disposal of shares in a trading company, such shares being originally acquired on a subscription for new shares, the loss may be relieved against income of that year or the previous year (which priority for relief in the current year where income of both years is utilised). Any loss remaining after claiming relief against income, may be available for relief against capital gains in either the current or subsequent years. The Directors believe that losses will not be available to existing shareholders as the Company does not currently trade.

14.4 ***Stamp duty and stamp duty reserve tax***

Transfers or sales of Ordinary Shares will be subject to *ad valorem* stamp duty payable by the purchaser and generally at the rate of 0.5 per cent. of the value or amount of the consideration paid (rounded up to the next multiple of £5) and an unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form within two months of the day on which such agreement is made or becomes unconditional, will be subject to the SDRT (payable by the purchaser at a rate of 0.5 per cent. of the consideration paid rather than stamp duty). However, if within six years of the date of the agreement an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDT will be cancelled or repaid.

15. Working Capital

The Directors are of the opinion, having made due and careful enquiry, that, taking into account the net proceeds of the Placing and Warrant Conversion and the existing facilities available to the Company, the Company has sufficient working capital for its present requirements, that is at least 12 months from the date of Re-Admission.

16. Litigation

Since incorporation, neither the Company nor any member of the Enlarged Group has been engaged in, or is currently engaged in, any governmental, legal or arbitration proceedings which have had or may have a significant effect on the financial position or profitability of the Enlarged Group and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company or any other member of the Enlarged Group.

17. Related party transaction

The Company entered into a sale and purchase agreement dated 11 September 2006 with Flasktent Limited relating to the sale of certain consumer assets, details of which is set out at paragraph 13.5 of Part VIII of this document.

18. General

18.1 Save as disclosed in this document, there has been no material or significant change in the trading or financial position of the Company or any member of the Enlarged Group since the last published audited accounts of the Company to 30 June 2006 set out in Part V of this document and the audited accounting information on Artilium to 30 June 2006 set out in Part VI of this document.

18.2 It is estimated that the total expenses payable by the Company in connection with the Proposals (including professional fees, the costs of printing and the fees payable to the registrars) will amount to approximately £600,000 (excluding VAT).

18.3 Deloitte Corporate Finance, which is regulated by the Financial Services Authority, has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear. Deloitte Corporate Finance is acting exclusively for the Company in connection with the Placing and Re-Admission and not for any other persons. Deloitte Corporate Finance will not be responsible to any persons other than the Company for providing the protections afforded to customers of Deloitte Corporate Finance or for advising any such person in connection with the Placing and Re-Admission. Deloitte Corporate Finance is registered in England and Wales as a limited liability partnership under number OC303675 and its registered office is at Stonecutter Court, 1 Stonecutter Street, London, EC4A 4TR.

18.4 Ambrian Partners Limited has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.

18.5 Deloitte & Touche LLP has given and not withdrawn its written consent to the inclusion of its reports in this document.

18.6 Save as otherwise disclosed in this document, no person (excluding professional advisers as stated in this document and trade suppliers) has received directly or indirectly, from the Company, within the 12 months preceding the date of the Company's application for Re-Admission, and no persons have entered into contractual arrangements to receive, directly or indirectly from the Company on or after admission:

(i) fees totalling £10,000 or more;

(ii) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or

(iii) any other benefit with a value of £10,000 or more at the date of Re-Admission.

18.7 Save as set out in this document, there are no patents or intellectual property rights, licences or particular contracts which are of material importance to the Group's business or profitability.

18.8 The Company is not aware of the existence of any takeover bid pursuant to the rules of the Takeover Code, or any circumstances which may give rise to any takeover bid, and the Company is not aware of any public takeover bid by third parties for the ordinary shares.

18.9 The ordinary shares will be in registered form and may be held in uncertificated form in CREST. In the case of Shares held in uncertificated form, Capita Registrars will be in charge of keeping the records. CREST accounts are expected to be credited with entitlements to ordinary shares held in uncertificated form as soon as practicable after Re-Admission. For those Shareholders who elect to receive ordinary shares to be issued pursuant to the Placing or Acquisition in certificated form, definitive share certificates are expected to be despatched to such persons by post at their own risk within seven days of Re-Admission. Temporary documents of title will not be issued in connection with the Acquisition.

18.10 The Company's principal investments in progress and since incorporation are as set out in Part I of this document and, from Re-Admission, its investment in Artilium. Neither Artilium nor any member of the Enlarged Group has made any other firm commitment in respect of any other investments, including in relation to the Enlarged Group.

18.11 No company in the Enlarged Group has declared or paid a dividend since incorporation.

18.12 The Company's auditors for the years ended 30 June 2004 and 2005 was Orolus Limited of First Floor, Queen Insurance Buildings, 7 Queen Avenue, Liverpool, L2 4TZ. Deloitte & Touche LLP of Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR (Members of the Institute of Chartered Accountants for England and Wales) were appointed as auditors on 22 November 2006.

18.13 The Directors confirm that, to the extent that information in this document has been sourced from third parties, it has been accurately reproduced, and as far as the Directors are able to ascertain from the information published by the relevant third party, no facts have been omitted which would render that information inaccurate or misleading.

19. Availability of Re-Admission Document

Copies of the following documents will be available for inspection free of charge during normal business hours on any week day (Saturdays, Sundays and public holidays excepted) until the date falling one month after the date of Re-Admission at Morrison & Foerster MNP, CityPoint, One Ropemaker Street, London EC2Y 9AW:

19.1 the memorandum and articles of association of the Company and Artilium;

19.2 the material contracts referred to in Part VIII of this document;

19.3 the audited financial statements of FIT for the period ended 30 June 2006;

19.4 the audited financial statements of Artilium for the period ended 30 June 2006

19.5 the service and other agreements referred to in Part VIII of this document;

19.6 the written consents referred to in Part VIII of this document; and

19.7 this document.

Dated 13 December 2006

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

"Acquisition"	the proposed acquisition of the remainder of the equity share capital of Artilium pursuant to the Acquisition Agreement;
"Acquisition Agreement"	the sale and purchase agreement further details of which are set out in paragraph 13.6 of Part VIII of this document;
"Act"	the Companies Act 1985, as amended;
"AIM"	the AIM market operated by the London Stock Exchange;
"AIM Rules"	the AIM Rules for companies, published by the London Stock Exchange;
"Annual General Meeting" or "AGM"	the annual general meeting of the Company convened for 10.00 a.m. on 5 January 2007, or any adjournment thereof, a notice of which is set out on pages 146 and 147 of this document;
"Aquanta"	Aquanta Networks N.V.;
"Articles of Association"	means the articles of association of the Company as adopted by a special resolution of the Company passed on 22 December 2005;
"Artilium"	Artilium N.V.;
"Benelux"	Belgium, the Netherlands and Luxembourg;
"Board" or "Directors"	the Directors of the Company, whose names are set out on page 4 of this document;
"Board"	the board of directors of the Company;
"Company" or "FIT"	Future Internet Technologies plc;
"Combined Code"	the Combined Code on Corporate Governance effective from June 2006;
"Consideration Shares"	the 400,000 New Ordinary Shares to be allotted pursuant to the Acquisition Agreement;
"CREST"	the system of paperless settlement of trades and the holding of shares without share certificates administered by CRESTCo Limited;
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755);
"Deloitte Corporate Finance"	Deloitte Corporate Finance, a division of Deloitte & Touche LLP of Stonecutter Court, 1 Stonecutter Street, London, EC4A 4TR;
"Enlarged Group"	the Company and its subsidiary undertaking at the date of Admission;
"Enlarged Share Capital"	the issued ordinary share capital of the Company at Re-Admission comprising the New Ordinary Shares, the Consideration Shares and the Placing Shares;

"Euro" or "€"	the European common currency referred to in Article 2 of the Carried Regulation (EU) No 974/98 as amended from time to time;
"EU"	the European Union;
"Executive Directors"	Paul Gratton and Tony Lynch;
"Existing Shares"	the existing 245,249,000 ordinary shares of 1 pence each in issue at the date of this document;
"Existing Shareholders"	holders of Existing Shares;
"Form of Proxy"	the form of proxy accompanying this document to be used by Shareholders in respect of the AGM;
"FSA"	the Financial Services Authority;
"FSMA"	the Financial Services and Markets Act 2000 (as amended);
"Group"	the Company and its subsidiaries;
"HMRC"	Her Majesty's Revenue and Customs;
"London Stock Exchange"	London Stock Exchange plc;
"LTIP"	the FIT Long Term Incentive Plan or any replacement plan from time to time in force;
"Memorandum of Association"	means the memorandum of association of the Company dated 6 January 2000;
"New Ordinary Shares"	the new ordinary shares of 5 pence each in the capital of the Company following the Share Consolidation;
"Nominated Adviser"	Deloitte Corporate Finance;
"Notice of AGM"	notice of AGM which is set out on pages 146 and 147 of this document;
"Official List"	the Official List of the United Kingdom Listing Authority;
"Panel"	the Panel on Takeovers and Mergers;
"Placee"	a person who has agreed to subscribe for Placing Shares under the Placing;
"Placing"	the conditional placing of the Placing Shares at the Placing Price pursuant to certain placing letters sent to the Placees pursuant to the Placing;
"Placing Price"	£1 per Placing Share;
"Placing Shares"	the 3,000,000 New Ordinary Shares to be issued by the Company pursuant to the Placing;
"Proposals"	the Acquisition, Placing and Share Consolidation;
"Re-Admission"	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules;

"Re-Admission Document"	this document;
"Resolution" or "Resolutions"	one or more of the resolutions set out in the Notice of AGM;
"Series 1 Warrants"	the 80,333,333 warrants each of which entitles the holder to subscribe for one Existing Share at a price of 12 pence per share;
"Series 2 Warrants"	the 42,000,000 warrants each of which entitles the holder to subscribe for one Existing Share at a price of 15 pence per share;
"Shareholders"	holders of Shares;
"Share Consolidation"	the proposed share consolidation of the Company whereby every 5 Ordinary Shares will be consolidated into one New Ordinary Share pursuant to Resolution 5 to be passed at the AGM;
"Shares" or "ordinary shares"	ordinary shares in the share capital of the Company;
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland;
"UK Listing Authority" or "UKLA"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA;
"Unapproved Share Option Scheme"	the FIT Unapproved Executive Share Option Scheme or any replacement scheme from time to time in force details of which are set out at paragraph 9.1 of Part VIII of this document;
"US" or "USA" or "United States"	the United States of America (including the States and the District of Columbia), its territories, possessions and other areas subject to its jurisdiction;
"US person"	a US person as defined in Regulation S under the United States Securities Act of 1933 (as amended);
"Vendor" or "VIG"	Vlaamse Investerings Groep N.V. (an entity registered in Belgium);
"Warrant Conversion"	the conversion by certain holders of Series 1 Warrants; and
"Warrants"	means the Series 1 Warrants and the Series 2 Warrants.

Exchange rates

All references in this document to "€" are to Euros and all references to "£" are to British pounds sterling. Unless otherwise stated, this document converts figures in Euros into pounds sterling, or vice versa, at the exchange rate of £1.00 equals €1.48.

GLOSSARY OF TERMS

The following technical terms are used in this document:

"ARPU"	Average Revenue Per User;
"ATM"	Automated Teller Machine;
"CLEC"	Competitive Local Exchange Carrier;
"CRM"	Customer Resource Management;
"fixed-line"	a physical telecommunications connection between the network and a termination point at the end user's premises;
"FMC"	Fixed/Mobile Convergence;
"ILEC"	Independent Local Exchange Carrier;
"IP"	Internet Protocol;
"ISP"	Internet Service Provider;
"MNO"	Mobile Network Operator;
"MVNE"	Mobile Virtual Network Enabler;
"MVNO"	Mobile Virtual Network Operator;
"PIM"	Personal Information Management;
"PSTN"	Public Switched Telephone Network;
"SaaS"	Software as a Service;
"SSDP" or "Shared Service Delivery Platform"	a single technology platform offering a variety of services to the user;
"SMS"	Short Message Service;
"VoIP"	Voice over Internet Protocol, the two way transmission of phone conversations over an IP network, allowing audio to travel over the internet, intranets, or private LANs (local area networks) and WANs (wide area networks); and
"wireless"	telecommunications which are not wired.

NOTICE OF ANNUAL GENERAL MEETING

Future Internet Technologies plc

(Registered in England and Wales under registered number 3904535)

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the above named Company will be held at the offices of Morrison & Foerster MNP, CityPoint, One Ropemaker Street, London EC2Y 9AW on 5 January 2007 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions (the "Resolutions") which in the case of Resolutions 1 to 12 will be proposed as ordinary resolutions and in the case of Resolution 13 will be proposed as a special resolution.

RESOLUTIONS

1. To receive the annual accounts of the Company for the financial year ended 30 June 2006 and the reports of the directors and auditors thereon.

2. To re-appoint Deloitte & Touche LLP as auditors of the Company to hold office until the next general meeting at which accounts are laid before the Company and to authorise the directors to fix their remuneration.

3. THAT the acquisition of the shares in Artilium N.V. by the Company (the "Acquisition") be and is hereby approved in accordance with Rule 14 of the AIM Rules for companies published by the London Stock Exchange plc.

4. THAT in substitution for all existing authorities under the following section to the extent utilized, the directors be and are hereby generally and unconditionally authorized pursuant to Section 80 of the Companies Act 1985 (the "Act") to exercise all powers of the Company to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities within the meaning of that section in connection with the Acquisition, the Placing and, conditional upon Admission, otherwise to such persons at such times and on such terms as the directors think proper up to an aggregate nominal amount of £786,750 for a period expiring (unless duly renewed, varied or revoked by the Company in general meeting) on the earlier of the date falling fifteen months after the passing of this resolution and the conclusion of the annual general meeting of the Company to approve the annual accounts of the Company for the period ending 30 June 2007, but so that the Company may make an offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority and the directors may allot relevant securities in pursuance of that offer or agreement.

5. THAT every 5 ordinary shares of 1p each in the capital of the Company be consolidated into one new ordinary share of 5p each.

6. To reappoint as a Director Paul Gratton who is retiring in accordance with the Company's Articles of Association and who being eligible is offering himself for reappointment.

7. To reappoint as a Director Tony Lynch who is retiring in accordance with the Company's Articles of Association and who being eligible is offering himself for reappointment.

8. To reappoint as a Director Paul Thornton who is retiring in accordance with the Company's Articles of Association and who being eligible is offering himself for reappointment.

9. To reappoint as a Director Richard Armstrong who is retiring in accordance with the Company's Articles of Association and who being eligible is offering himself for reappointment.

10. To reappoint as a Director Tom Casaer who is retiring in accordance with the Company's Articles of Association and who being eligible is offering himself for reappointment.

11. To approve and adopt the Company's Unapproved Share Option Scheme.

12. To approve and adopt the Company's Long Term Incentive Plan.

13. THAT in substitution for all existing authorities to the extent unutilised, the directors be and are hereby generally empowered pursuant to section 95(1) of the Act to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred by resolution 4 above, as if section 89(1) of the Act did not apply to the allotment PROVIDED THAT this power:

    (i) expires on the earlier of the date falling fifteen months after the passing of this resolution and the conclusion of the annual general meeting of the Company to approve the annual accounts of the Company for the period ending 30 June 2007, but so that the Company may make an offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority and the directors may allot relevant securities in pursuance of that offer or agreement; and

    (ii) is limited to:

        (A) the allotment of equity securities in connection with the Acquisition and the Placing (each as defined and/or more fully described in the Admission Document);

        (B) the allotment of equity securities pursuant to options or warrants granted by the Company prior to the date hereof; and

        (C) the allotment (otherwise than pursuant to sub-paragraph (i) or (iii) above) of equity securities up to an aggregate nominal amount of £262,250.

Registered Office:
CityPoint
One Ropemaker Street
London EC2Y 9AW

By order of the Board
MoFo Secretaries Limited
Company Secretary

13 December 2006

Notes:

1. Holders of ordinary shares in the capital of the Company ("Ordinary Shares") present in person or (being a corporation) by a representative shall, upon a show of hands, each have one vote and, if present in person or by proxy or (being a corporation) by a representative shall, upon a poll, have one vote for every Ordinary Share held.
2. A holder of Ordinary Shares is entitled to appoint one or more proxies to attend and on a poll, vote on his behalf. The proxy need not be a holder of Ordinary Shares.
3. Completion and return of a form of proxy does not preclude a holder of Ordinary Shares from attending and voting at a meeting.
4. You will find enclosed a form of proxy for use by holders of Ordinary Shares which, to be valid, must be completed and signed, together with any power of attorney or other authority under which it is signed or a notarially certified or office copy thereof and received by the Company's registrar, Capita Registrars, The Registry, 34 Beckenham Road, Kent, BR3 4TU no later than 10.00 a.m. on 3 January 2007 being not less than 48 hours before the time of the Annual General Meeting.

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