

20 March 2008

Artidium plc

("Artidium" or the "Company")

Interim Results for the six months ended 31 December 2007

Three-year agreement with KPN Mobile also announced

Artidium plc (LSE/AIM: ARTA), the AIM listed provider of mobile telecoms software, announces its interim results for the six months ended 31 December 2007.

Financial Highlights

- Revenue for the six months to 31 December 2007 was £907,000 (2006: £1.7 million)
- The Company recorded a loss in the period of £3.3 million (2006: £1.4 million), which includes a £615,000 non-cash, share-based payment
- Cash at the end of the period was £4.0 million (30 June 2007: £3.2 million) including a cash inflow of £3.0 million received during the period on the exercise of share warrants

Operational Highlights

- The Company announces today that it has signed a software licensing deal with KPN Mobile International, estimated to be worth €15 million over the 3-year term of the agreement
- After the end of the period under review, and as announced on 11 February 2008, the Company acquired Trisent Communications Limited for up to £1.7 million
- The Company has disposed of its 31 percent stake in Seattle-based Chinook Hosting Corporation to Implement.com Corporation in exchange for Implement's investment in software development and related activities
- The Company continues to invest heavily in R&D and the expansion of its development capacity with related quality-control systems and processes
- The Company has made significant progress in advancing the quality and depth of its engagement with Microsoft

Commenting on the results Robert Marcus, Chief Executive Officer of Artidium said:

"The Board believes the agreement announced today with KPN marks an inflection point for Artidium. It brings significant new revenue and serves as a proof-point for our Artidium Real-Time Architecture (ARTA) Connected Mobile Services technology as an activation platform that opens mobile networks to application development and innovation.

The Board is pleased by the opportunities open to the Company and believes that trading for the current year will be in line with market expectations, albeit weighted more heavily towards the second half of the year. During the first half of this fiscal year we focused our energy and resources on R&D together with a complete overhaul of our sales processes. We are delighted that we can now report the first fruits of success in this strategy with today's announcement of the agreement with KPN which will underpin our revenue expectations for the full year."

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About Artilium

Artilium develops carrier-grade software that unifies communications and opens mobile networks to third-party application development and innovation.

Artilium's Real-Time Architecture (ARTA) for Connected Mobile Services facilitates rapid creation of new mobile applications, packaged as services. ARTA is an open, modular and highly extensible Service-Oriented Architecture that includes a Service Creation Environment, a real-time Service Delivery Platform with an Intelligent Network, and a Mobile Presence Server. The Mobile Presence Server combines highly accurate, continuous real-time location and state awareness to enable a vast range of new mobile commerce, advertising and social networking services based on the company's Tri-Cell Intelligent Location System (TILS).

Founded in 1995 and recognized for advanced and innovative engineering, Artilium has completed more than 40 installations serving tens of millions of end-users in 11 countries.

Artilium plc is a publicly listed company with AIM on the London Stock Exchange (LSE/AIM: ARTA). The company is based in Belgium. For more information, please visit: www.artilium.com

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Chief Executive's Statement

Overview

During the period under review, the Company has invested heavily in and been primarily focused on research and development, the expansion of its software developer workforce, and the implementation of software development disciplines, processes and systems.

Strategy

Artilium develops carrier-grade software that unifies communications and opens mobile networks to third-party and user-generated applications packaged as services that are able to interface with the mobile network in real-time.

The wave of innovation inspired by the Internet has created an empowered consumer and a community of developers dedicated to personalising and enhancing the Web experience. Moving forward, the Directors believe that mobile operators have the opportunity to open their networks to the same degree of innovation as seen online, whilst also exploiting the unique location-based and user interactivity assets of the mobile phone environment. The Board believes that this innovation will create an unprecedented level of business model originality and value-chain diversity.

Artilium's ARTA is an open, modular and highly extensible Service-Oriented Architecture that includes a Service Creation Environment, a real-time Service Delivery Platform with an Intelligent Network, and a Mobile Presence Server that combines highly accurate, continuous real-time location and state awareness to enable a wide range of new mobile commerce, advertising and social networking services based on the company's Tri-Cell Intelligent Location System (TILS).

Key developments during the period

The Company has been focused primarily on research and development, the expansion of its software developer workforce and the implementation of software development disciplines, processes and systems. In October 2007, Artilium unveiled its technology roadmap and vision for the future: a mobile services framework built entirely on Microsoft's .NET Framework, running on the Windows Server operating system, using Microsoft SQL Server database technology.

In order to further accelerate innovation, Artilium announced on 11 February 2008 the acquisition of Trisent Communications Limited for up to £1.7 million. The consideration was satisfied by cash of £460,000 and the issue of 1.24 million ordinary shares in Artilium plc, 301,875 of which have been deferred and are subject to performance conditions. Trisent is an expert in the delivery of geospatial "Location Aware Services," a key enabling technology for Mobile Presence, and the new wave of mobile Internet innovation, particularly around mobile commerce, advertising and social networks. The Trisent technology is unique, has patents pending and delivers significantly improved accuracy over traditional 'cell-ID' location awareness. It also delivers this at a fraction of the cost of GPS services and also through the consumption of less battery power. The technology is already being used successfully by MAX Telecom, a mobile operator in Bulgaria.

Following Microsoft's announcement that it intends to deliver its own end-to-end hosted unified communications solution to small-and-midsize businesses, the Company discontinued that part of its R&D activities and has since disposed of its 31 per cent stake in Seattle-based Chinook Hosting Corporation to its majority shareholder, Implement.com Corporation in exchange for Implement's investment in software development and related activities to build an end-to-end (mobile voice, data, email, voicemail) Artilium service designed for small-and-midsize companies.

KPN agreement

Artium announces today that it has entered into a software licensing and technology agreement with KPN Mobile International. The software license allows KPN to deploy ARTA as a platform for next-generation converged services across its entire growing subscriber base of over 27 million subscribers. It is estimated that the agreement will generate revenues of €15 million for the Company during the initial license period of three years in license, hardware and services fees.

KPN will pay Artium €5 million for a three-year license to utilise ARTA. In addition, KPN will pay the Company additional amounts in respect of hardware, maintenance and professional services. The initial term of the license is three years. Upon expiry of the initial term and any subsequent terms, KPN Mobile will have the option to extend the arrangement for a further three-year period. A new license fee will be payable by KPN, the quantum of which may be increased by no more than 20 per cent upon any extension.

To allow for the development of services, KPN has the right to connect or permit third-parties to connect to ARTA. If KPN seeks to deploy a service developed by Artium itself then it will have the exclusive right to deploy such a service in the Benelux and Germany and non-exclusively in other jurisdictions. Artium will receive three percent of any revenues derived by KPN from services developed by Artium.

If KPN exercises its options to renew, the deal is estimated to be worth between €30 and €50 million to the Company over the next 10 years.

Financial Results

As stated, revenue for the six months to 31 December 2007 was £907,000 (2006: £1.7 million). The Company recorded a loss in the period of £3.3 million (2006: £1.4 million) including a £615,000 non-cash, share-based payment. The reason for the reduced revenue and increased loss is, as alluded to above, the investment in and focus on research and development activities during this period.

Cash at the end of the period was £4.0 million (30 June 2007: £3.2 million) including £3.0 million received during the period on the exercise of outstanding share warrants. A further £1.0 million in share warrants payment is due from Cold Investments and has been included in receivables. The Company has received assurances from the solicitors to Cold Investments that the £1 million will be paid out of the sale of assets that it owns.

Operational restructuring

In order to consolidate and streamline the Company's operations, the Board has decided to relocate its corporate function, currently based in London, to its existing office in Belgium, which is where the majority of the Company's workforce is currently based and therefore makes for greater operational efficiency. The Chief Executive will operate out of Belgium. The Company will retain a reduced UK PLC presence in London and will expand its product development group in Edinburgh.

Board changes

On 14 January 2008 Tony Lynch stepped down from the Board and as Chief Financial Officer of the Company and was replaced by Chris Ogle. Chris has over 15 years' experience in managing the finance functions of companies in the technology and media arenas, including eight years of public company experience. He joins Artium from AIM-listed software solutions provider, Flomerics Group plc, where he was Group Finance Director. We thank Tony Lynch for his contribution.

Outlook

As stated above, the Board believes the agreement announced today with KPN marks an inflection point for the Company. It brings significant new revenue and serves as a proof-point for our Artilium Real-Time Architecture (ARTA) Connected Mobile Services technology as an activation platform for mobile application development and innovation.

The Board is pleased by the opportunities open to the Company and believes that trading for the current year will be in line with market expectations, albeit weighted more heavily towards the second half of the year. During the first half of this fiscal year we focused our energy and resources on R&D together with a complete overhaul of our sales processes. We are delighted that we can now report the first fruits of success in this strategy with today's announcement of the agreement with KPN which will underpin our revenue expectations for the full year.

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ARTILIUM PLC
INTERIM ACCOUNTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

CONSOLIDATED INCOME STATEMENT

	6 months ended 31 December 2007 Unaudited £'000	6 months ended 31 December 2006 Unaudited £'000	Year ended 30 June 2007 Audited £'000
<u>Continuing operations</u>			
Revenue	907	1,712	4,549
Cost of sales	<u>(125)</u>	<u>(900)</u>	<u>(1,295)</u>
Gross profit	782	812	3,254
Other gains and losses	-	-	7
Administrative expenses	(4,213)	(2,339)	(6,222)
Share of results of associate	<u>(36)</u>	<u>-</u>	<u>(30)</u>
Operating loss	(3,467)	(1,527)	(2,991)
Investment revenues	94	45	124
Finance costs	<u>-</u>	<u>(5)</u>	<u>(5)</u>
Loss before tax	(3,373)	(1,487)	(2,872)
Tax	<u>30</u>	<u>44</u>	<u>(24)</u>
Loss for the period from continuing operations	<u><u>(3,343)</u></u>	<u><u>(1,443)</u></u>	<u><u>(2,896)</u></u>
<u>Discontinued operations</u>			
Loss for the period from discontinued operations	<u>-</u>	<u>(1,337)</u>	<u>(1,885)</u>
Loss for the period	<u><u>(3,343)</u></u>	<u><u>(2,780)</u></u>	<u><u>(4,781)</u></u>
Attributable to:			
Equity holders of parent	(3,343)	(2,641)	(4,671)
Minority Interest	<u>-</u>	<u>(139)</u>	<u>(110)</u>
	<u><u>(3,343)</u></u>	<u><u>(2,780)</u></u>	<u><u>(4,781)</u></u>

CONSOLIDATED INCOME STATEMENT (continued)

	Notes	6 months ended 31 December 2007	6 months ended 31 December 2006	Year ended 30 June 2007
Loss per share in pence from continuing operations	(3)	<u>(6.10)</u>	<u>(3.35)</u>	<u>(6.12)</u>
Loss per share in pence from discontinued operations	(3)	<u>-</u>	<u>(3.45)</u>	<u>(4.14)</u>
Total loss per share in pence	(3)	<u>(6.10)</u>	<u>(6.80)</u>	<u>(10.26)</u>

The Company's shareholders approved a 1 for 5 share consolidation at the AGM on 5 January 2007. Five old 1p shares were replaced by one new 5p share. As a result the comparative loss per share figures above have been restated using the number of issued new shares. Loss per share in pence for 2006 using the number of issued old shares was 0.67p from continuing operations and 0.69p from discontinued operations.

ARTILIUM PLC
INTERIM ACCOUNTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

CONSOLIDATED BALANCE SHEET

	31 Dec 2007 Unaudited £'000	31 Dec 2006 Unaudited £'000	30 June 2007 Audited £'000
Non-current assets			
Goodwill	6,211	2,697	6,211
Intangible assets	886	808	774
Property, plant and equipment	703	496	634
Deferred tax asset	51	161	51
Interest in associate	363	-	401
	<u>8,214</u>	<u>4,162</u>	<u>8,071</u>
Current assets			
Inventories	42	21	58
Trade and other receivables	2,603	7,395	2,208
Cash at bank and in hand	3,987	1,075	3,162
	<u>6,632</u>	<u>8,491</u>	<u>5,428</u>
Total assets	<u><u>14,846</u></u>	<u><u>12,653</u></u>	<u><u>13,499</u></u>
Current liabilities			
Trade and other payables	1,932	2,486	1,884
Obligations under finance leases	25	-	25
Provisions	477	410	458
	<u>2,434</u>	<u>2,896</u>	<u>2,367</u>
Non-current liabilities			
Obligations under finance leases	49	-	52
Deferred tax liabilities	193	140	226
	<u>2,676</u>	<u>3,036</u>	<u>2,645</u>
Total liabilities	<u><u>2,676</u></u>	<u><u>3,036</u></u>	<u><u>2,645</u></u>
Net assets	<u><u>12,170</u></u>	<u><u>9,617</u></u>	<u><u>10,854</u></u>

CONSOLIDATED BALANCE SHEET (continued)

		6 months ended 31 Dec 2007	6 months ended 31 Dec 2006	Year ended 30 June 2007
	Note			
Equity				
Share capital	(4)	2,893	2,452	2,625
Share premium account		23,731	16,385	19,770
Capital redemption reserve		4,493	4,493	4,493
Option to acquire minority interest		-	(1,611)	-
Share warrant reserve		-	336	216
Share option reserve		1,320	-	707
Share of equity of associate		97	-	97
Translation reserve		49	249	16
Own shares		(2,550)	-	(2,550)
Retained deficit		(17,863)	(12,629)	(14,520)
		<hr/>	<hr/>	<hr/>
Equity attributable to equity holders of parent		12,170	9,675	10,854
Minority interest		-	(58)	-
Total equity		<hr/> 12,170 <hr/>	<hr/> 9,617 <hr/>	<hr/> 10,854 <hr/>
Total liabilities and equity		<hr/> 14,846 <hr/>	<hr/> 12,653 <hr/>	<hr/> 13,499 <hr/>

ARTILIUM PLC
INTERIM ACCOUNTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

CONSOLIDATED CASH FLOW STATEMENT

	Notes	6 months ended 31 December 2007 Unaudited £'000	6 months ended 31 December 2006 Unaudited £'000	Year ended 30 June 2007 Audited £'000
Net cash used in operating activities	(5)	(1,956)	(8,286)	(5,051)
Investing activities				
Interest received		94	44	124
Purchases of property, plant and equipment		(358)	(541)	(712)
Proceeds from disposal of property, plant and equipment		-	-	30
Purchase of investments		-	-	(334)
Acquisition of subsidiary		-	-	(1,414)
Net cash used in investing activities		(264)	(497)	(2,306)
Financing activities				
Repayments of obligations under finance lease		-	-	73
Proceeds on issue of shares		3,012	8,035	11,071
Loan to employee benefit trust		-	-	(2,550)
Net cash from financing activities		3,012	8,035	8,594
Net increase in cash and cash equivalents		792	(748)	1,237
Cash and cash equivalents at beginning of period		3,162	1,911	1,911
Effect of foreign exchange rate changes		33	(88)	14
Cash and cash equivalents at end of period		3,987	1,075	3,162

ARTILIUM PLC
INTERIM ACCOUNTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

NOTES TO THE CONSOLIDATED ACCOUNTS

1. Significant accounting policies

Basis of accounting

The condensed set of financial statements in the half-yearly financial report has been prepared in accordance with accounting policies the group intends to use in preparing its next annual financial statements and is represented in an IFRS format, however, is not in compliance with IAS 34 'Interim Financial Reporting'.

The condensed set of financial statements has been prepared on the historical cost basis.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Artilium plc ("the Company") and the entities controlled by the Company (together "the Group"). 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.

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 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.

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

2. Discontinued Activities

During the year ended 30 June 2007, the Company disposed of its retail unified communication operation. Trading activity and cashflows relating to this discontinued operation have been separately disclosed on the face of the income statement and notes to the cashflow statement for the six months ended 31 December 2006 and the year ended 30 June 2007.

There were no results from discontinued operations included in the period to 31 December 2007.

3. Loss per share

The warrants and share options on issue do not have a dilutive effect as the market price of ordinary shares exceeded the exercise price of the warrants during the financial period. As a result, diluted loss per share is the same as basic loss per share.

	Six months ended 31 December 2007 Unaudited £'000	Six months ended 31 December 2006 Unaudited £'000	Year ended 30 June 2007 Audited £'000
Losses			
Losses from continuing operations for the purposes of basic loss per share being net loss attributable to equity holders of the parent	<u>(3,343)</u>	<u>(1,304)</u>	<u>(2,786)</u>
Losses from discontinued operations for the purposes of basic loss per share being net loss attributable to equity holders of the parent	<u>-</u>	<u>(1,337)</u>	<u>(1,885)</u>
	Number	Number	Number
Number of shares			
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>54,799,528</u>	<u>38,788,458*</u>	<u>45,525,727</u>

* The Company's shareholders approved a 1 for 5 share consolidation at the AGM of 5 January 2007. Five old 1p shares were replaced by one new 5p share. As a result these new shares are equivalent to 193,942,290 old shares.

4 Share capital

	31 December 2007 Unaudited £'000	31 December 2006 Unaudited £'000	30 June 2007 Audited £'000
Fully paid ordinary shares:			
Authorised:			
1,050,676,947 (31 December 2006 and 30 June 2007: 1,050,676,947) old ordinary shares of 1 pence each now replaced by new shares as outlined above	<u>10,507</u>	<u>10,507</u>	<u>10,507</u>
210,135,390 (31 December 2006 and 30 June 2007: 210,135,390) ordinary shares of 5 pence each	<u>10,507</u>	<u>10,507</u>	<u>10,507</u>
Issued and fully paid:			
289,249,000 (31 December 2006: 245,249,000, 30 June 2007: 262,499,000) ordinary shares of 1 pence each now replaced by new 5p shares as outlined above	<u>2,893</u>	<u>2,452</u>	<u>2,625</u>
57,849,800 (31 December 2006: 49,049,800, 30 June 2007: 52,499,800) ordinary shares of 5p each	<u>2,893</u>	<u>2,452</u>	<u>2,625</u>

4 Share capital (Continued)

Old 1p Shares	31 December 2007		31 December 2006		30 June 2007	
	Unaudited		Unaudited		Audited	
	No. '000	£'000	No. '000	£'000	No. '000	£'000
Fully paid ordinary shares:						
Balance at beginning of period:	262,499	2,625	176,900	1,769	176,900	1,769
Shares issued by placement	-	-	-	-	15,000	150
Shares issued for acquisition consideration	-	-	-	-	2,000	20
Series 1 warrant conversion	-	-	53,349	533	53,349	533
Series 2 warrant conversion	26,750	268	15,250	153	15,250	153
Issued and fully paid at end of period:	<u>289,249</u>	<u>2,893</u>	<u>245,499</u>	<u>2,455</u>	<u>262,499</u>	<u>2,625</u>

New 5p Shares	31 December 2007		31 December 2006		30 June 2007	
	Unaudited		Unaudited		Audited	
	No. '000	£'000	No. '000	£'000	No. '000	£'000
Fully paid ordinary shares:						
Balance at beginning of period:	52,500	2,625	35,380	1,769	35,380	1,769
Shares issued by placement	-	-	-	-	3,000	150
Shares issued for acquisition consideration	-	-	-	-	400	20
Series 1 warrant conversion	-	-	10,670	533	10,670	533
Series 2 warrant conversion	5,350	268	3,050	153	3,050	153
Issued and fully paid at end of period:	<u>57,850</u>	<u>2,893</u>	<u>49,100</u>	<u>2,455</u>	<u>52,500</u>	<u>2,625</u>

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

There remains an amount due to the Company of £1 million following the exercise of the share warrants. These shares have been treated as fully paid and the amount owed has been included in debtors. The Company has received confirmation from the solicitors acting for Cold Investments that they have received an irrevocable instruction to pay £1 million to the Company out of the proceeds of the sale of a property.

5 Notes to the consolidated cash flow statement

	Six months ended 31 December 2007 Unaudited £'000	Six months ended 31 December 2006 Unaudited £'000	Year ended 30 June 2007 Audited £'000
Loss from continuing operations	(3,343)	(1,443)	(2,896)
Loss from discontinued operations	-	(1,337)	(1,885)
Adjustments for:			
Investment revenues	(94)	(44)	(124)
Share of results of associate	38	-	-
Tax	-	-	-
Depreciation of property, plant and equipment	76	156	102
Amortisation of intangible assets	101	90	179
Share based payment expense	615	-	707
Gain on disposal of property, plant and equipment	-	-	30
Decrease in provisions	(14)	(15)	(68)
Operating cash flows before movements in working capital	(2,621)	(2,593)	(3,955)
Decrease in inventories	16	97	60
Decrease/(increase) in receivables – continuing operations	604	(6,337)	(989)
Decrease in receivables – discontinued operations	-	825	825
Increase/(decrease) in payables – continuing operations	45	409	(305)
Decrease in payables – discontinued operations	-	(687)	(687)
Cash used in operations	(1,956)	(8,286)	(5,051)
Income taxes paid	-	-	-
Net cash used in operating activities	(1,956)	(8,286)	(5,051)

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.

6 Events after the balance sheet date

The Company completed the acquisition of 100% of the share capital of Trisent Communications Limited on 8 February 2008. Trisent is based in Scotland and Management believe that its technology will effectively complement Artilium's own ARTA Service Delivery Platform. The consideration for the acquisition was £1.7million, which was satisfied via a cash element of £460,000 and via the issue of 1.24 million ordinary shares of Artilium to the previous Trisent shareholders. The issue of 301,875 of these shares has been deferred and are subject to performance conditions.

The Company has sold its investment in Chinook Hosting Corporation to the majority shareholder in the company, in return for development and other sales and marketing work related to the launch of a new product. The Board believe that the fair value of this work is at least equal to the cost of the investment (£363,000) and that no impairment of this asset is required.

7 Related party transactions

The Company did not have any related party transactions during the period.

8 Status of these accounts

The condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2007 is unaudited. The comparative information for the year ended 30 June 2007 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985. The annual financial statements for the year ended 30 June 2007 were prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements in the half-yearly financial report has been prepared in accordance with accounting policies the group intends to use in preparing its next annual financial statements and is represented in an IFRS format, however, is not in compliance with IAS 34 'Interim Financial Reporting'.

9 Further Copies

Copies of the half-yearly financial report are available from the Company's registered office at 7th Floor, City Point, One Ropemaker Street, London, EC2Y 9AW.

INDEPENDENT REVIEW REPORT TO ARTILIUM PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2007 which comprises the income statement, the balance sheet, the cash flow statement and related notes 1 to 9. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 8, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the group intends to use in preparing its next annual financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2007 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

Matters of emphasis – uncertainty relating to asset carrying values

Without qualifying our opinion we draw attention to Note 4 and Note 6 to the financial statements concerning the carrying value of a debtor and an interest in associate on the Group's balance sheet.

On 7 November 2007, 3,250,000 warrants were exercised by Cold Investments Limited ("Cold Investments") for consideration of £2.4 million. The shares were issued as fully paid for admission to AIM, satisfied by cash of £1.4 million and an undertaking to satisfy a debt of £1 million. As at the date of this report the debt has yet to be satisfied, however the Company has been assured by solicitors acting for Cold Investments that this debt will be paid through the sale of a property that it owns and the directors are pursuing this debt. Significant uncertainty surrounds the ultimate outcome of this matter.

After the balance sheet date the Company disposed of its investment in Chinook Hosting Corporation ("Chinook") to Chinook's majority shareholder Implement.com Corporation ("Implement"). No cash consideration will be received for this disposal. However under the proposed agreement the Company will receive services in kind to develop, engineer and market a Hosted Messaging and Collaboration platform for Artiliium. The directors believe that upon the platform being successfully developed the fair value of the services in kind will support the carrying value of the investment in Chinook, however, as with any investment of this nature, there is some uncertainty regarding the ultimate value of this platform to the business.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
20 March 2008
London, UK