

29 March 2011

Artilium plc

("Artilium" or the "Company")

Interim results for the six months ended 31 December 2010

Artilium plc (LSE/AIM: ARTA), the AIM quoted provider of innovative telecommunication software and solutions, announces its interim results for the six months ended 31 December 2010.

Financial Highlights

- Revenue for the six months to 31 December 2010 was € 1.8 million (2009: € 1.4 million)
- Underlying operating loss excluding exchange rate results of € 1.6 million (2009: € 2.0 million), an improvement of 20%
- Underlying Administrative expenses excluding unrealised exchange rate results were € 3.0 million (2009: € 3.1 million)
- Imminent launch of two new MVNEs in Belgium (Interfon on Mobistar) and the Netherlands (NarrowMinds on T Mobile)
- Loss before tax excluding fair value movements (non-cash items) and unrealised exchange rate results at the end of the period of € 1.8 million (2009: € 1.9 million)
- According to recent market research the global market for service delivery platforms, which deliver and manage data services for telecoms network is to rise from c. € 2.7bn in 2009 to c. € 5.4bn by 2014.

Commenting on the results, Adrie Reinders, Executive Chairman of Artilium said:

"We are trading in line with market expectations. We are focused on delivering on existing projects, securing the contracts currently under negotiation and rolling out further technological advancements under the ARTA family of products."

Earlier this year we announced the launch of our Continuous Location Client technology ("CLC"). We are currently in the process of finalising a contract with an international telecom operator for provision of this technology. Implementation of the MVNE systems for Interfon on Mobistar's network in Belgium and Narrowminds on T-Mobile's network in the Netherlands have progressed according to expectations. Once these MVNE's go live, we will benefit from subscriber growth on these systems as our revenue model is amongst others based on recurring subscriber revenues. While Artilium is still a company in transition, we are not far away from delivering on the undoubted potential of the business."

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Chief Executive's Statement

Introduction

Our focus continues to be on delivering a high quality service to our customers whilst also extending the potential and scope of our ARTA software. At the end of the last financial year we were successful in winning 2 key contracts, both of which were agreed under our new OPEX revenue model and form part of building a base of long-term sustainable revenues. We are also being asked to tender for a number of projects in the next few months and are confident we will be successful on some if not all of these opportunities. The business is trading in line with our business plan set out at the beginning of 2009 and we will reach cash flow breakeven before 30 June 2011.

Operations

Operationally, we have been very focused on delivering the new projects won at the end of last financial year. We are confident in the next few months the announced MVNE systems in Belgium (Interfon on Mobistar) and the Netherlands (NarrowMinds on T Mobile) will be ready for service.

At the moment we are discussing with several existing MVNO's a possible migration to these new MVNE's, implying more subscribers on ARTA based platforms and a move away from the competitors' solutions. In addition, there are ongoing negotiations between the MVNEs using our platform and large retail brands to launch their mobile communities on these platforms. As the commercial model for the delivery of these platforms is based on subscriber growth, this feeds our positive expectations concerning our revenue in the near future.

A key element of our strategy is to ensure the cost base is in line with the Company's revenue generation but not at the expense of R&D. Software innovation represents the future growth of the business and we have continued to invest in ensuring that the ARTA family of products continues its record of bringing new technology to market. So while we have continued to reduce the overall cost base since 2009, we have also continued to invest in new technology.

At the moment we are discussing cooperation models with several potential partners. At the same time we have kept up to speed with our existing customers and we see a clear move towards usage of our standard product rather than specific developments that was the case in the past proving the product is coming to maturity.

All Artilium's technology is implemented through the ARTA platform which effectively bridges the traditional gap between telecom operators, service providers and end-users. ARTA allows users to create and operate products incorporating services including mobile communities through branded mobile network, location aware services, intelligent real time routing and personalized apps through a developer ecosystem.

Artilium is targeting the creation of new MVNEs since this is the platform on which further ARTA services can be sold to customers. Historically, Artilium set up two MVNEs which it then managed. It is pleasing to report that contracts have been signed to set up and manage the two further MVNE platforms which will be ready for service shortly, thereby doubling the number of MVNEs using ARTA technology.

Location Based Services

ARTA's Tri-cell Intelligent Location System (TILS) provides a low cost, low energy use mobile phone based movement tracking solution that can be rolled out via the mobile operator. This service can operate on non-smart phones, within buildings and has minimal battery drain, so can be enabled permanently. A key event coming up shortly will be the launch of our Continuous Location Client technology ("CLC") which will enable this technology to bypass the operator and be downloaded directly onto individual handsets.

Both solutions are connected and accessible via the ARTA Presence Platform which collates information on movement from any technology including but not limited to ARTA's own CLC and any GPS device so this information can be used by developers in providing location based solutions. We are currently in the process of finalising a contract for provision of this platform.

Market Dynamics

We continue to receive significant interest in our software from a range of Operators who are looking to increase their share of revenues from data services. All tests and pilots we have executed so far have been successful and have proven the ability of our products. A key issue has always been the length of time it takes for the sales cycle to complete. We understand the challenges and market pressures and will continue to work closely with Operators but it is also the reason why we are excited by the launch of our Continuous Location Client technology next month when we open up our technology directly to the Smartphone app world, thus avoiding the long sales cycles.

Financial Results

Reported Revenue for the six months to 31 December 2010 of €1.8 million (2009: €1.4 million) was generated primarily from maintenance and professional services rendered to existing customers. The Company generated a gross profit of €1.4 million or 79.2% of reported revenue (2009: €1.0 million or 74.3% of reported revenue) and incurred an operating loss of €1.9 million (2009: €1.6 million), inclusive of administrative expenses of €3.4 million (2009: €2.8 million).

The administrative expenses are impacted by unfavourable exchange rate fluctuations of €0.3 million while in 2009 there was a positive impact of €0.3 million. Stripping these from the administrative expenses shows that the strict plan of the Company to control its admin expenses since 2009 is still very much on track. When excluding the unrealised exchange rate results, the administrative expenses remained at €3.1 million (2009: €3.1 million) despite increased investment in developing the business.

The loss before tax includes the fair value in relation to the embedded derivative amounting to €0.3 million while in 2009 there was a gain as a result of the fair value in relation to the embedded derivative amounting to €0.5 million. Therefore, the underlying loss before tax of the business before unrealised exchange rate results and fair value calculations is €1.8 million (2009: €1.9 million). This represents an improvement of another 5.3% over the same period last year in which the most important savings were realised.

In the six month period to 31 December 2010, reported revenues were in line with management expectations. At the same time and without any negative impact on client service levels, (both with regard to maintenance side and delivery), the most significant cost savings have proved to be sustainable over the medium to long term, which we announced before. This implies the Company is still very much on track to successfully complete its transition as set forth in its plan.

Outlook

We are trading in line with market expectations. We are focused on delivering on existing projects, securing the contracts currently under negotiation and rolling out further technological advancements under the ARTA family of products. While this is still a business in transition, we are also not very far away from delivering on the undoubted potential of the business.

The next stage of our strategy will be the development and roll out of our existing operator based technology toward smartphone enabled technology. The CLC is just a first step. Shortly, our routing and communication community creation services will be transformed into smartphone based solutions, enabling us to deliver services to end users independently from the operator.

Management continues to focus on high margin business and extend the company's business model internationally. As a result, we will accelerate our marketing and sales efforts towards potential clients outside our current markets. We also take the view that unlocking the full potential of our products and services may require a global strategic partnership with an industry player. The directors are actively investigating funding options and there is a reasonable expectation that further funding will be secured shortly. Going concern is further discussed in note 2 of these condensed consolidated half-yearly financial statements.

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ARTILIUM PLC
HALF-YEARLY FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	6 months ended 31 December 2010 Unaudited €'000	6 months ended 31 December 2009 Unaudited €'000	Year ended 30 June 2010 Audited €'000
Continuing Operations				
Revenue		1.829	1.368	3.183
Cost of sales		(380)	(351)	(1.016)
Gross profit		1.449	1.017	2.167
Other operating income		61	119	173
Administrative expenses		(3.359)	(2.774)	(6.246)
Restructuring costs		(62)	-	(7)
Operating loss		(1.911)	(1.638)	(3.913)
Finance costs		(324)	(118)	(303)
Other gains and losses		(191)	656	597
Loss before tax		(2.426)	(1.100)	(3.619)
Tax		230	64	110
Loss for the period from continuing operations		(2.196)	(1.036)	(3.509)
Basic and diluted loss per share from continuing operations (cents)	4	(2,43)	(1,14)	(3,88)

ARTILIUM PLC
HALF-YEARLY FINANCIAL STATEMENTS
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 31 December 2010 Unaudited €'000	6 months ended 31 December 2009 Unaudited €'000	Year ended 30 June 2010 Audited €'000
Loss for the period	(2.196)	(1.036)	(3.509)
Other comprehensive income:			
Exchange differences on translation of foreign operations	346	(300)	(492)
Total comprehensive income for the period	(1.850)	(1.336)	(4.001)

ARTILIUM PLC
HALF-YEARLY FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	6 months ended 31 December 2010 Unaudited €'000	6 months ended 31 December 2009 Unaudited €'000	Year ended 30 June 2010 Audited €'000
Notes			
Non-current assets			
Goodwill	10.571	10.571	10.571
Intangible assets	304	877	585
Property, plant and equipment	256	380	323
Deferred tax asset	156	52	58
	11.287	11.880	11.537
Current assets			
Inventories	65	-	-
Trade and other receivables	1.566	1.102	1.160
Cash and cash equivalents	31	2.607	1.441
Embedded derivative	-	394	153
	1.662	4.103	2.754
Total assets	12.949	15.983	14.291
Non-current liabilities			
Borrowings	-	22	-
Embedded derivative	2.134	2.093	2.288
Obligations under finance leases	-	5	-
Deferred tax liabilities	84	256	216
Long term provisions	38	978	342
Deferred Income	2.073	2.073	2.073
	4.329	5.427	4.919
Current liabilities			
Trade and other payables	2.681	2.169	2.406
Obligations under finance leases	1	5	5
Borrowings	84	97	172
Provisions	576	235	1.110
Financial instruments	6	394	266
Total liabilities	9.326	8.327	8.878

ARTILIUM PLC
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		6 months ended 31 December 2010 Unaudited €'000	6 months ended 31 December 2009 Unaudited €'000	Year ended 30 June 2010 Audited €'000
	Notes			
Equity				
Share capital	5	6.639	6.639	6.639
Share premium account		40.783	40.783	40.783
Capital redemption reserve	5	6.503	6.503	6.503
Share based payment reserve		3.202	2.720	3.142
Translation reserve		(1.962)	(2.116)	(2.308)
Own shares		(2.336)	(2.336)	(2.336)
Retained deficit		(47.010)	(43.501)	(43.501)
Result of the period		(2.196)	(1.036)	(3.509)
Total equity		3.623	7.656	5.413
Total liabilities and equity		12.949	15.983	14.291

ARTILIUM PLC
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital €'000	Share premium account €'000	Capital redemption reserve €'000	Share based payment reserve €'000	Translation reserve €'000	Own shares €'000	Retained deficit €'000	Total €'000
Balance at 1 July 2010	6.639	40.783	6.503	3.142	(2.308)	(2.336)	(47.010)	5.413
Unaudited:								
Share based payment charge	-	-	-	60	-	-	-	60
Transaction with owners	-	-	-	60	-	-	-	60
Loss for the period	-	-	-	-	-	-	(2.196)	(2.196)
Exchange differences on translation of foreign exchange	-	-	-	-	346	-	-	346
Total comprehensive income for the period	-	-	-	-	346	-	(2.196)	(1.850)
Balance at 31 December 2010	6.639	40.783	6.503	3.202	(1.962)	(2.336)	(49.206)	3.623

	Share capital €'000	Share premium account €'000	Capital redemption reserve €'000	Share based payment reserve €'000	Translation reserve €'000	Own shares €'000	Retained deficit €'000	Total €'000
Balance at 1 July 2009	6.639	40.783	6.503	2.462	(1.816)	(2.336)	(43.501)	8.734
Unaudited:								
Share based payment charge	-	-	-	258	-	-	-	258
Transaction with owners	-	-	-	258	-	-	-	258
Loss for the period	-	-	-	-	-	-	(1.036)	(1.036)
Exchange differences on translation of foreign exchange	-	-	-	-	(300)	-	-	(300)
Total comprehensive income for the period	-	-	-	-	(300)	-	(1.036)	(1.336)
Balance at 31 December 2009	6.639	40.783	6.503	2.720	(2.116)	(2.336)	(44.537)	7.656

ARTILIUM PLC
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	6 months ended 31 December 2010 Unaudited €'000	6 months ended 31 December 2009 Unaudited €'000	Year ended 30 June 2010 Audited €'000
Net cash used in operating activities	3	(2.381)	(1.766)	(3.002)
Investing activities				
Purchases of property, plant and equipment		-	(2)	(15)
Net cash used in investing activities		-	(2)	(15)
Financing activities				
Repayments of obligations under finance leases		(4)	(4)	(8)
Proceeds from swap		44	27	298
Proceeds from issue of convertible loan		800	2.500	2.500
New bank loan received		100	-	150
Interest paid		(127)	-	(45)
Bank loan repayment		(188)	(173)	(270)
Net cash from financing activities		625	2.350	2.625
Net (decrease)/increase in cash and cash equivalents		(1.756)	582	(392)
Cash and cash equivalents at beginning of the period		1.441	2.325	2.325
Effect of foreign exchange rate changes		346	(300)	(492)
Cash and cash equivalents at the end of the period		31	2.607	1.441

ARTILIUM PLC
HALF-YEARLY FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

1. Nature of operations and general information

Artilium plc and its subsidiaries (together 'the group') operates in the business to business communications sector delivering innovative software solutions which layer seamlessly over disparate fixed, mobile and IP networks to enable the deployment of converged services and applications. Artilium plc is incorporated and domiciled in the United Kingdom. The address of its registered office is Citypoint, One Ropemaker Street, London EC2Y 9AW. The Group's principle place of business is Belgium.

Artilium's condensed consolidated interim financial statements are presented in round thousand Euro's because that is the principal currency the Group operates in. These condensed consolidated interim financial statements have been approved for issue by the directors on 29 March 2011. The financial information for the year ended 30 June 2010 set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 30 June 2010 have been filed with the Registrar of Companies. The auditor's report on those financial statements was qualified and did contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006.

2. Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the 30 June 2010 annual consolidated financial statements. These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the last financial statements for the year ended 30 June 2010.

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.

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

The accounting policies have been applied consistently throughout the group for the purposes of preparation of these condensed consolidated interim financial statements.

Going concern

The Directors have adopted the going concern basis in preparing the condensed consolidated interim financial statements, having carried out a going concern review. The Board has reviewed the performance for the year to date and forecasts for future periods. These forecasts contain assumptions about both the revenue that will be generated in the financial years ending 30 June 2011 and 2012 based on its pipeline and a reasonable expectation that further funding will be secured in the short term.

In order to reach the breakeven point in 2011, the company has now already secured more than 60% of its expected revenue for the year to June 2011 either as recurring revenue included within concluded contracts or in the form of proposals to existing and new customers weighted as an estimated probability of winning these. This is the first result of the Company's strategy to move to a recurring revenue based business model. The incoming cash flows will as such be spread over the total life of the contract as opposed to licence sales where the cash is paid up front. This is giving the Company greater visibility and predictability of its revenues. However, as this future revenue is not fully supported by sales contracts or confirmed orders yet, there is material uncertainty as to the amount of revenue that the Group will generate. The directors are actively investigating funding options and there is a reasonable expectation that further funding will be received shortly.

The Company also adjusted its cost base in the accounting year ended 30 June 2009 to reflect and fit with the new business model. The real effect of these changes has since last year come in full effect and is continued in the current year, clearly proving the sustainability of the cost level reductions.

As highlighted above, there is a material uncertainty related to events or conditions, related to revenues and securing further funding, which may cast significant doubt on the entity's ability to generate sufficient cash flows to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making enquiries and considering these uncertainties, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the interim financial information.

Carrying value of long-term assets

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

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

amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other intangible assets and finally to Property, Plant and Equipment.

Cash flows for the impairment test have been forecast for five years and a terminal value has been calculated for the years beyond that. The terminal value is based on the year five net cash flows forecast to perpetuity using a discount rate of 15%, which is appropriate for the industry. Based on these assumptions the recoverable amount exceeds the carrying amount by €5.1 million. If the net present value of forecast future cash flows decreased by 32.15% the recoverable amount will be less than the carrying amount.

3. Notes to the consolidated statement of cash flows

	6 months ended 31 December 2010 Unaudited €'000	6 months ended 31 December 2009 Unaudited €'000	Year ended 30 June 2010 Audited €'000
Loss from continuing operations	(2.196)	(1.036)	(3.509)
Adjustments for:			
Taxation	(231)	(64)	(110)
Depreciation of property, plant and equipment	67	71	142
Amortisation of intangible assets	281	310	602
Share based payment expense	60	258	680
Increase / (decrease) in provisions	(837)	(865)	(1.125)
Finance costs	324	118	303
FVTPL for financial instruments	306	(523)	(597)
Other	40	(18)	(31)
Operating cash flows before movements in working capital	(2.186)	(1.749)	(3.645)
Increase in inventories	(64)	-	-
(Increase)/decrease in receivables	(406)	784	727
Increase/(decrease) in payables	275	(801)	(84)
Cash used by operations	(2.381)	(1.766)	(3.002)
Net cash outflow from operating activities	(2.381)	(1.766)	(3.002)

4. Loss per share

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

	6 months ended 31 December 2010 Unaudited €'000	6 months ended 31 December 2009 Unaudited €'000	Year ended 30 June 2010 Audited €'000
Losses			
Losses from continuing operations for the purposes of basic and diluted loss per share being net losses attributable to owners of the parents	(2,196)	(1,036)	(3,509)
	No.	No.	No.
Number of shares			
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	90,446,964	90,446,964	90,446,964
Loss per share (cents)	(2,43)	(1,14)	(3,88)

5. Share capital

	6 months ended 31 December 2010 Unaudited €'000	6 months ended 31 December 2009 Unaudited €'000	Year ended 30 June 2010 Audited €'000
Fully paid ordinary shares:			
Authorised: 300,000,002 (31 December 2009: 300,000,002) ordinary shares of 5p each	18.523	18.523	18.523
Issued and fully paid:			
90,446,964 (31 December 2009: 90,446,964) ordinary shares of 5p each	6.639	6.639	6.639
Deferred ordinary shares:			
Authorised: 900,447 (31 December 2009: 900,447) deferred ordinary shares of £4.99 each	6.503	6.503	6.503

	6 months ended 31 December 2010 Unaudited		6 months ended 31 December 2009 Unaudited		Year ended 30 June 2010 Audited	
	No. '000	€'000	No. '000	€'000	No. '000	€'000
Fully paid ordinary shares:						
Balance at beginning and end of financial year	90.447	6.639	90.447	6.639	90.447	6.639
Issued and fully paid:	90.447	6.639	90.447	6.639	90.447	6.639

6. Convertible loan notes

The company issued a further €0.8 million 10% coupon convertible secured loan notes on 18 October 2010 at an issue price of €1 per note. Each note entitles the holder to convert to one ordinary share at an exercise price of 8.50p per share (£sterling). The loan notes are convertible at the option of holders at any time between the date of issue and up to and including 30 June 2012 into Artium plc ordinary shares.

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

Given that the redemption amount, the exercise price and some of the holders of the loan notes have changed, the company has decided to adopt extinguishment accounting to the €2.5 million 10% coupon convertible loan notes on 18 October 2010.

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

The profit and loss impact on the application of extinguishment accounting was a gain of €42.727 which is recognised under other gains and losses. The fair value of the embedded derivative element on initial recognition was €1.218.865 and €1.654.659 at 31 December 2010.

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

7. Status of half-yearly financial statements

The condensed set of half-yearly financial statements for the six months ended 31 December 2010 is unaudited and does not constitute statutory accounts as defined by The Companies Act 2006. The comparative figures for the period to 31 December 2009 are also unaudited. The comparative figures for the year to 30 June 2010 are extracted from the statutory accounts to that date. A copy of those statutory accounts has been filed with the Registrar of Companies.

8. 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.

Report on review of the condensed consolidated interim financial statements to Artillum plc

Introduction

We have been engaged by the company to review the condensed consolidated interim financial statements for the six months ended 31 December 2010 which comprises condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related notes.

We have read the other information contained in the condensed consolidated interim financial statements which comprise only the financial highlights and the chief executive's statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a 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 conclusion we have formed.

Directors' responsibilities

The condensed consolidated interim financial statements are the responsibility of, and have been approved by, the directors. The AIM rules of the London Stock Exchange require that the accounting policies and presentation applied to the financial information in condensed consolidated interim financial statements are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting,' as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated interim financial statements 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 enquiries, 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.

Basis for qualified conclusion

With respect to deferred revenue of €2.073m at 31 December 2009, 30 June 2010 and 31 December 2010 disclosed in the condensed consolidated statement of financial position, the evidence available to us was limited because we were unable to ascertain, for a material contract of the group, whether management's estimate of the fair value of both the delivered and undelivered elements of the contract were reasonable. As a result of this we have been unable to obtain sufficient appropriate evidence concerning both revenue and deferred revenue balances in respect of this individual contract. Had sufficient information been available to us in respect of this contract, matters might have come to our attention indicating that adjustments might be necessary to the condensed consolidated interim financial statements.

Qualified conclusion

Except for the adjustments to the condensed consolidated interim financial statements that we might have become aware of had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Emphasis of matter

We draw your attention to the following matters:

Going concern

Notwithstanding our qualified opinion above, we draw attention to the disclosures made in note 2 concerning the Group's ability to continue as a going concern. The group incurred a net loss of €2.2 million during the six month period ended 31 December 2010.

As explained in note 2, the Group is reliant on its ability to meet revenue targets during the next 12 months and future revenues includes an expectation which is only partially supported by sales contracts and confirmed sales orders, and as such is inherently uncertain. The Group is also reliant on securing further funding to provide sufficient finance to continue in operation. These conditions indicate the existence of a material uncertainty to generate sufficient cash flows to pay debts which may cast significant doubt about the Group's ability to continue as a going concern.

We also draw attention to the disclosures in note 2 concerning the carrying value of the Group's goodwill of €10.6 million and other intangible assets of €0.3 million included in the condensed consolidated statement of financial position. As explained in note 2, in determining the carrying amounts of the Group's goodwill and intangible assets, the Directors have made assumptions

about future revenues which are not supported by sales contracts, and as such is inherently uncertain.

The condensed consolidated interim financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern. Our review conclusion is not qualified in respect of this matter.

GRANT THORNTON UK LLP
AUDITOR
SLOUGH

28 MARCH 2011