Company Registration No. 03904535

Artilium plc

Annual Reports and Financial Statements

Year ended 30 June 2016

Artilium plc

Report and financial statements 2016

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Artilium plc

Company information

Directors

Mr J.P. Menke
Mr B. Weijermars
Mr. B. de Vries
Mr. G. Dorenbos

Secretary

Rosenblatt Solicitors

Registered Office

Rosenblatt Solicitors
9-13 St Andrew Street
London EC4A 3AF

Principal Bankers

HSBC Bank plc
8 Stephenson Place
Birmingham B2 4NH

Solicitors

Rosenblatt Solicitors
9-13 St Andrew Street
London EC4A 3AF

Nominated Advisor and Broker

FinnCap Ltd
60 New Broad Street
London EC2M 1JJ

Independent Auditor

PKF Littlejohn LLP
Statutory Auditor
1 Westferry Circus
Canary Wharf
London E14 4HD

Chairman's statement

I am pleased to report that the year to 30 June 2016 saw Artilium start to deliver significant revenue and earnings growth. Revenues increased by 26% to €9.6 million and the Company achieved an adjusted EBITDA margin of 3.3% compared to 0.5% in 2015. This was achieved as a result of adjusted EBITDA margin increasing to +10% in H2 compared to -5% in H1. Revenue growth was driven by our core telecom software business together with the acquisition of Comsys. We are starting to see the benefits of our acquisition of Livecom, our African partnership with Tritente Global Energy Group and our strategic alliance with Green IT Globe NV and are confident that the investments we have made in both technology and distribution will give us the platform to capitalise on the new opportunities that are available in a market where the cross-over between IT and telecoms is constantly growing.

The African continent has enormous appetite for our innovative, flexible telecom solutions in a cloud environment and we believe that our partnership with Tritente Global Energy Group will give us the access we need in this exciting and growing market. Together with our local distributors we are focused on capitalising on this opportunity and we expect to announce further progress on several contracts in the near future.

Our strategic alliance with Green IT Globe is off to a great start and both companies are working well together to satisfy the rapidly growing demand for big data telecom solutions. It is very motivating to see the combination of a unique set of telecom software and hardware products working so well and delivering the solutions required by very demanding clients.

We look forward to 2107 with confidence where we believe our focus on unique telecom software solutions in the cloud, together with strategic alliances for distribution, positions us well for further significant revenue and adjusted EBITDA growth as we convert the increasing order book and develop the potential of the opportunities we have developed over the last 12 months.

Jan Paul Menke

Executive Chairman

3 November 2016

Chief Executive's statement

Overview

Artilium plc is in the process of enhancing its offerings and geographical presence into an internationally active software group offering in (tele)communication services as well as cloud services for datacentre, messaging and storage services. We have increased our international presence and now have operational businesses in Belgium, the Netherlands, Indonesia and China and are moving into Africa. We see significant opportunity in growing internationally and our expanded portfolio of services is helping us to break into new markets and attract new business.

Operationally we have been integrating the acquired businesses and have started to capture the synergies available while developing mutual growth opportunities. New business development is starting to bear fruit (despite the significant lead times involved). Additional resources and attention have been deployed in this area and we are developing our commercial strength. Our solutions show strong and stable performance and are available on a flexible basis to help our customers to grow their business.

Our business line

Our mobile enablement platform business has delivered a consistent performance. Our cloud platform is growing and we are focusing on developing this further, both locally and internationally. New functionalities have been delivered to our customers in line with the newest developments in the market and we are expanding the range of available products and services such as prepaid identification (Know Your Customer) as well as new user interfaces and business intelligence solutions. We have also stepped up our efforts in security and controls on the platform to manage the expanded product suite.

Our MVNE (Mobile Virtual Network Enabler) and retail business in Belgium and the Netherlands is starting to see growth from new parties that have launched MVNO business on our platform and from new B2B contracts that we have signed in retail. We are expecting significant growth from this part of the business in the coming period.

Our call centre and customer interaction software solutions continue to grow internationally and are being integrated into our other offerings. We are investing in additional growth momentum and further development of the product to also address the SME market.

The next phase: continued international expansion and additional focus on cloud services

The investments in the commercial organisation as well as new initiatives are starting to show signs of reward. Further expansion in the range of services offered to customers is part of the strategy to deliver a total solution to our customers as well as taking the lead in transforming the mobile market where IT and telecoms are increasingly intertwined. As a software development company we can shape these developments and take advantage of the new opportunities that are arising.

Chief Executive's statement

Financial Results

	Notes	2016 Eur'000	2015 Eur'000
Continuing Operations			
Revenue	4	9,622	7,651
Cost of sales		(2,599)	(1,882)
Gross profit		7,023	5,769
Other operating income	10	-	73
Administrative expenses excluding depreciation, amortisation and redundancy costs		(6,710)	(5,807)
Adjusted EBITDA	9	313	35
Adjusted EBITDA margin		3.3%	0.5%

For the reconciliation between operating profit, net result and Adjusted EBITDA, refer to note 9.

Revenue

Consolidated revenue for the year ended 30 June 2016 amounted to € 9.6 million (2015: € 7.7 million). Revenue growth principally comprises increased license and subscriber fees. Fees from professional services relating to project management and implementation services have been somewhat less compared to previous years. Revenue from maintenance and support contracts, as well as call charges for fixed line and mobile, have been relatively stable despite further price reductions.

Gross profit

The Company generated a gross profit of € 7.0 million or 72.9% of revenues (2015: € 5.8 million or 75.4% of revenues).

Adjusted EBITDA and adjusted EBITDA margin

The adjusted EBITDA margin of the Group was 3.3% (2015: 0.5%). Refer to note 9 for a reconciling table between adjusted EBITDA, operating result and net result.

Bart Weijermars
Chief Executive

3 November 2016

Strategic report

The Directors present their strategic report on the affairs of Artilium plc and its subsidiaries (the "Group").

Principal activities

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

The Group has three main trading businesses:

Firstly Artilium NV, which provides advanced mobile telecommunications software to network operators and enablers (managed services providers, systems integrators etc.). Its core product is its ARTA Mobile Applications Platform which enables network operators to open networks to third party developers and launch new services which feature elements from the telecoms and web environments. Customers include Mobile Network Operators ("MNOs"), Mobile Virtual Network Operators ("MVNOs"), Mobile Virtual Network Enablers ("MVNEs"), Fixed and Alternative Operators, Hosting Providers, System Integrators and Managed Service Providers.

Artilium NV is headquartered in Bruges, Belgium.

The second division, United Telecom NV, is a service provider and reseller of telecommunications services in Belgium and the Netherlands and has been successful in building a loyal customer base. The business of United Telecom is telecom operating services including the development and sale of advanced "carrier grade" shared services for telecom services providers (including fixed, mobile and VOIP). United Telecom has been using the ARTA technology for many years.

United Telecom is headquartered in Rotselaar, Belgium.

The third division, Comsys Telecom & Media NB together with Livecom International BV, are specialists in interactive telephony services, call centre solutions and provide telecommunication products, solutions and hosted services in the converging arena of IN, SIP and VOIP networks for mobile and fixed line telephone operators.

Comsys and Livecom are headquartered in Soesterberg, the Netherlands.

Business review

A review of the year's activities, financial performance and future prospects is contained in the Chief Executive's statement on pages 3 and 4, which forms part of this strategic report. The Directors refer to the Chief Executive's statement for an explanation of the financial results of the Group.

Principal risks and uncertainties and risk management

There are a number of potential principal risks and uncertainties which could have a material impact on the Group's long term performance and cause actual results to differ materially from expected and historical results. The Group's financial risk management policies and procedures are also discussed in note 33 of the financial statements.

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

Strategic report

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

The Group's revenue is derived from a few key customers. Therefore there is a risk to the business from the loss of a key customer and if there is a delay in payment by customers. Many of the Group's customers are significant, well established companies with good credit ratings but the risk remains that the Group may not be paid or suffers from expensive delays in payment for its services which could lead to liquidity issues.

Going concern

As described in the directors' report, the current economic environment is challenging and the Group has reported an operating loss for the year.

The directors consider that the outlook and the expanded Group presents significant opportunities to increase our sales.

Furthermore, the directors want to emphasize that the Group has positive net assets of € 18.1 million. After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the annual reports and financial statements.

Financial Management

Reports are made to the Directors on a regular basis of the key performance indicators ("KPIs") which are used to monitor the Group. These indicators include key financial measures of revenue and costs compared to the prior year and the sales pipeline as well as other non-financial KPIs of development progress against plan, resolution of customer enquiries and bugs are also in place.

Information about the use of financial instruments by the Group is disclosed in note 33 to the financial statements and in the financial results in our CEO statement on pages 3 and 4.

Future developments

The transformation of the services and footprint of the Group have accelerated the momentum for the Group. Management believes that further acceleration in the growth of the business can be achieved. Growth will be achieved through our positioning in new growth segments (cloud and datacentre services) and our investments in commercial activities that enable growth. Further mergers and acquisitions in both distribution as well as technology companies will complement and accelerate that.

On behalf of the Board,

Jan Paul Menke
Executive Chairman
3 November 2016
Company No. 03904535

Directors' report

The Directors present their annual report on the affairs of Artilium plc and its subsidiaries (the "Group"), together with the financial statements and auditor's report, for the year ended 30 June 2016. Certain information required by the Companies Act 2006 relating to the information to be provided in the Directors' report is set out in the Strategic report and includes future developments and principal risks and uncertainties.

Directors

The Directors, who served during the year, were as follows:

Name	Particulars
Mr J.P. Menke	Executive Chairman
Mr B. Weijermars	Executive
Mr B. de Vries	Non- Executive (appointed 1 January 2015)
Mr G. Dorenbos	Non-Executive (appointed 1 October 2015)

Replacement of Directors

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

Jan Paul Menke was appointed as Executive Chairman as from 1 July 2014 having previously been a Non-Executive Director for a number of years. Bote de Vries was appointed as Non-Executive Director as from 1 January 2015.

Gerard Dorenbos was appointed as Non-Executive Director as from 1 October 2015.

Events since the balance sheet date

In July 2016 Artilium plc entered into a strategic alliance with Green IT Globe NV ("Green IT Globe") to launch the OneApp platform in order to enter the mobile data cloud market. Furthermore the Company has issued a loan note to Green IT Globe for a cash amount of €1,000,000. The loan note is repayable in full in July 2017 and bears interest at a rate of ten per cent per annum. The loan was financed by external parties up to an equal amount.

Capital Structure

The Company's capital consisted of ordinary shares on 30 June 2016. The voting rights of these shares are identical with each share carrying the right to one vote. The total number of voting rights in the Company is 297,853,104.

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

The Company's share structure is set out in Note 24 to the financial statements.

Directors' report

Dividends

The Directors do not recommend a dividend for the year (2015: nil).

Going concern

The Directors have adopted the going concern basis in preparing the consolidated financial statements, having carried out a going concern review. Given the nature of the Group, the challenging economic environment, and the way in which the business is managed, cash flow forecasts have been prepared for the Group's three trading companies, Artilium NV, United Telecom NV and Comsys Telecom & Media BV/Livecom International BV. These forecasts are considered by the directors to satisfy themselves that the going concern assumption is appropriate.

United Telecom NV

The directors have prepared and reviewed cash flow forecasts from the date of the financial statements approval to the end of December 2017. The directors do not consider there to be a material uncertainty in relation to the amount of revenue that the company will generate, or costs that it will incur. This is supported by historic data and experience of forecasting within the United Telecom business.

Artilium NV

A worst-case scenario cash flow forecast (which represents a significant downgrade compared to internal budgets and targets) has been prepared from the date of the financial statements approval to the end of December 2017. In carrying out the review the Directors have had to make significant assumptions about the revenue expected to be generated to the end of December 2017.

The company has currently secured 78% (€3.5m) of its expected revenue per the worst case scenario forecast. The remaining revenue for the forecast period is a combination of expected recurring revenue included within concluded contracts and proposals to existing and new customers. Based on the directors' assessment of the likelihood of winning these on a project by project basis, revenue has only been included in the forecasts where the directors are at least 80% certain that the revenue will be secured. Therefore the directors would like to highlight that 22 % (€1.0m) of forecast revenue per the worst case scenario is not yet committed or contracted.

Comsys

The directors have prepared and reviewed cash flow forecasts from the date of the financial statements approval to end of December 2017. The directors do not consider there to be a material uncertainty in relation to the amount of revenue that the company will generate, or costs that it will incur. This is supported by historic data and experience of forecasting within the Comsys business.

The directors consider that the assumptions made are appropriate and are satisfied that the Group and Company are going concerns. The directors monitor the cash position of the business on an ongoing basis and consider the various sources of finance available to the Group and Company. The directors would seek to access these sources of finance as necessary.

Directors' indemnities

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

Special business

The notice convening the AGM to be held at the offices of Rosenblatt Solicitors, 9-13 St Andrew Street, London EC4A 3AF on 20 January 2017 at noon has been despatched to shareholders under separate cover.

Directors' report

Provision of information to the auditor

The directors confirm that:

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

Auditor

PKF Littlejohn LLP was appointed as auditor during the year. A resolution to re-appoint PKF Littlejohn LLP will be proposed at the forthcoming Annual General Meeting. PKF Littlejohn LLP has indicated its willingness to continue in office.

On behalf of the Board,

Jan Paul Menke
Executive Chairman
3 November 2016
Company No. 03904535

Corporate Governance

The Directors are responsible for and committed to achieving a good standard of corporate governance of the Company.

Under the AIM rules the Company is not required to comply with the UK Corporate Governance Code. However, the Company, in so far as it can be applied practically, given the size and the nature of its operations, has taken appropriate steps to comply with the Corporate Governance guidelines published by the Quoted Companies Alliance ("QCA") and the UK Corporate Governance Code. This section sets out the main corporate governance practices of the Group, although it does not purport to be a full code compliance statement as set out within the guidelines.

For the financial year the Board comprised two Executive Directors and two Non-Executive Directors. The Board is satisfied that throughout the period it was appropriately constituted.

The Board of Directors

The Board has regular meetings to primarily discuss the Group strategy, current progress in achieving the Group's goals and future performance of the Group. 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 Group;
- ensure implementation of adequate internal controls;
- Executive remuneration and appointments; and
- Approval of acquisitions.

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 2016 the Board consisted of two Executive Directors and two 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.

Risk management and internal controls

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

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

Corporate Governance

Committees

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

Audit Committee

The Audit Committee comprises Jan Paul Menke (Chairman) and Bart Weijermars. Its terms of reference require at least two regular meetings per year and its formal meetings, to review the interim financial information and audit for the year ended 30 June 2016, took place on 28 March 2016 and 31 October 2016, which was attended by all members of the committee. The Committee received a copy of the auditor's report to management prior to the meeting and had an opportunity to comment. The meeting was attended by representatives of the external auditors. The head of finance and representatives of the external auditors are normally invited to attend meetings. Staff may be invited to attend, as considered beneficial by the Committee. The Audit Committee's primary responsibilities are to review the effectiveness of the Group's systems of internal control, to review with the external auditors the nature and scope of their audit and the results of the audit, and to evaluate and select external auditors.

Remuneration Committee

The Remuneration Committee comprises Jan Paul Menke (Chairman) and Bote De Vries. The Group's policy is to remunerate senior management fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Remuneration Committee agrees with the Board a framework for the remuneration of the chairman and the senior management of the Group. The principal objective of the Committee is to ensure that members of the senior management of the Group are provided incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group. Non-Executive fees are considered and agreed by the Board as a whole.

Nomination Committee

The Nomination Committee was established in 2010. The Nomination Committee is comprised of Jan-Paul Menke and Bart Weijermars. Its function is to consider the appointment and reappointment of Directors when appropriate.

Relations with shareholders

The Group encourages dialogue with its shareholders and responds to all enquiries verbally or in writing. The Chairman and Bart Weijermars (Group Chief Executive Officer) are the principal spokesmen for the Group. The Annual General Meeting is used as an opportunity to communicate with investors and all shareholders have at least 28 days notice of the Annual General Meeting.

Corporate Governance

Remuneration of Directors

Year ended 30 June 2016

	Basic salary/fee	Total remuneration
	Eur´000	Eur´000
Directors		
Jan Paul Menke	75	75
Bart Weijermars	182	182
Bote De Vries	30	30
Gerard Dorenbos	20	20
Total	307	307

Year ended 30 June 2015

	Basic salary/fee	Total remuneration
	Eur´000	Eur´000
Directors		
Jan Paul Menke	75	75
Bart Weijermars	245	245
Bote De Vries	15	15
Total	335	335

Directors' responsibilities statement

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

On behalf of the Board,

Jan Paul Menke
Executive Chairman
3 November 2016
Company No. 03904535

Independent auditors report to the members of Artilium plc

Independent Auditor's report to the members of Artilium plc

We have audited the financial statements of Artilium plc for the year ended 30 June 2016 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors report to the members of Artilium plc

Matters on which we are required to report by exception

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

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

David Thompson (Senior statutory auditor)

for and on behalf of PKF Littlejohn LLP, Statutory Auditor

London

3 November 2016

Consolidated income statement
Year ended 30 June 2016

	Notes	2016 Eur'000	2015 Eur'000
Continuing Operations			
Revenue	4	9,622	7,651
Cost of sales		(2,599)	(1,882)
Gross profit		7,023	5,769
Other operating income	10	-	73
Depreciation and amortisation	14,16	(1,411)	(620)
Administrative expenses before redundancy costs, depreciation and amortisation		(6,835)	(5,614)
Redundancy costs	8	(294)	(327)
Administrative expenses		(7,129)	(5,941)
Operating loss		(1,517)	(719)
Finance costs	7	(200)	(49)
Loss before tax		(1,717)	(768)
Tax credit	11	191	152
Loss for the year from continuing operations	5	(1,526)	(616)
Basic & diluted earnings per share in euro-cents from continuing operations	12	(0.54)	(0.27)

Consolidated statement of comprehensive income
Year ended 30 June 2016

	2016 Eur'000	2015 Eur'000
Loss for the year	(1,526)	(616)
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation	(10)	(253)
Total comprehensive income for the year attributable to owners of the parent	(1,536)	(869)

Artilium plc
Registered number: 03904535

Consolidated statement of financial position
As at 30 June 2016

	Notes	2016 Eur'000	2015 Eur'000
Non-current assets			
Goodwill	13	17,127	13,726
Other intangible assets	14	4,286	1,805
Property, plant and equipment	16	471	354
Deferred tax assets	20	-	270
		21,884	16,155
Current assets			
Inventories	18	131	38
Trade and other receivables	19	3,922	5,263
Cash and cash equivalents		422	735
		4,475	6,036
Total assets		26,359	22,191
Non-current liabilities			
Deferred tax liabilities	20	485	495
Bank loans	22	40	60
Other loans	23	1,539	-
		2,064	555
Current liabilities			
Trade and other payables	21	5,795	6,577
Bank loans	22	254	255
Other loans	23	161	-
		6,210	6,832
Total liabilities		8,274	7,387

Consolidated statement of financial position (continued)
As at 30 June 2016

	Notes	2016 Eur'000	2015 Eur'000
Equity attributable to owners of the parent			
Share capital	24	19,601	15,415
Share premium		47,379	46,748
Merger relief reserve		1,488	1,488
Capital redemption reserve		6,503	6,503
Translation reserve		(2,343)	(2,333)
Own shares	25	(2,336)	(2,336)
Retained deficit		(52,207)	(50,681)
Total equity		18,085	14,804
Total liabilities and equity		26,359	22,191

The financial statements were approved by the Board of Directors and authorised for issue on 3 November 2016. They were signed on its behalf by:

Jan Paul Menke
Director
Company No. 03904535

Consolidated statement of changes in equity
Year ended 30 June 2016

	Share capital Eur'000	Share premium Eur'000	Merger relief reserve Eur'000	Capital redemption reserve Eur'000	Share-based payment reserve Eur'000	Translation reserve Eur'000	Own shares Eur'000	Retained deficit Eur'000	Total Eur'000
Balance at 1 July 2014	14,181	46,586	1,488	6,503	3,246	(2,080)	(2,336)	(53,311)	14,277
Nominal value of shares issued	1,234	-	-	-	-	-	-	-	1,234
Premium arising on issue of shares	-	162	-	-	-	-	-	-	162
Total transactions with owners, recognised directly in equity	1,234	162	-	-	-	-	-	-	1,396
Loss for the year	-	-	-	-	-	-	-	(616)	(616)
Other comprehensive income - currency translation differences	-	-	-	-	-	(253)	-	-	(253)
Total comprehensive income for the year	-	-	-	-	-	(253)	-	(616)	(869)
Reclassification from one caption to another	-	-	-	-	(3,246)	-	-	3,246	-
Balance at 30 June 2015	15,415	46,748	1,488	6,503	-	(2,333)	(2,336)	(50,681)	14,804
Nominal value of shares issued	4,186	-	-	-	-	-	-	-	4,186
Premium arising on issue of shares	-	631	-	-	-	-	-	-	631
Total transactions with owners, recognised directly in equity	4,186	631	-	-	-	-	-	-	4,817
Loss for the year	-	-	-	-	-	-	-	(1,526)	(1,526)
Other comprehensive income - currency translation differences	-	-	-	-	-	(10)	-	-	(10)
Total comprehensive income for the year	-	-	-	-	-	(10)	-	(1,526)	(1,536)
Balance at 30 June 2016	19,601	47,379	1,488	6,503	-	(2,343)	(2,336)	(52,207)	18,085

Consolidated cash flow statement
Year ended 30 June 2016

	Notes	2016 Eur'000	2015 Eur'000
Net cash used in operating activities	26	(1,261)	(623)
Investing activities			
Acquisition of subsidiaries, net of cash acquired	15	(143)	(31)
Purchase of intangible assets		(348)	(46)
Purchase of property, plant and equipment	16	(40)	(279)
Proceeds from disposal of property, plant and equipment		-	97
Net cash used in investing activities		(531)	(259)
Financing activities			
Proceeds on issue of shares		-	921
New borrowings/loans received	23	2,000	315
Interest paid		(200)	(33)
Repayment of borrowings	22	(321)	(150)
Net cash from financing activities		1,479	1,053
Net (decrease)/increase in cash and cash equivalents		(313)	171
Cash and cash equivalents at beginning of year		735	564
Cash and cash equivalents at end of year		422	735

Non-cash transactions

The principal non-cash transaction is the issue of shares as consideration for the acquisitions discussed in notes 15 and 24.

Notes to the consolidated financial statements
Year ended 30 June 2016

1. General information

Artilium plc is a Company incorporated in the United Kingdom. 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 Strategic report and Directors' report on pages 5 to 9. The Group's principal place of business is Belgium and the Netherlands. The ultimate parent Company of the Group is Artilium plc.

The consolidated financial statements were authorised for issue by the Board of Directors on 3 November 2016.

Standards adopted early by the Group

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

New and amended standards and interpretations

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

All new standards and amendments to standards and interpretations effective for annual periods beginning on or after 1 July 2015 are not material to the Group and therefore not applied in preparing these financial statements.

New and amended standards issued but not yet effective for the financial year beginning 1 July 2015 and not early adopted

Standard		Effective Date
IAS 1 (Amendments)	Presentation of Financial Statements: Disclosure Initiative	1 January 2016
IAS 7 (Amendments)	Disclosure Initiative	*1 January 2017
IAS 12 (Amendments)	Recognition of Deferred Tax	*1 January 2017
IAS 16 (Amendments)	Clarification of Acceptable Methods of Depreciation	1 January 2016
IAS 27 (Amendments)	Separate Financial Statements	1 January 2016
IAS 38 (Amendments)	Clarification of Acceptable Methods of Amortisation	1 January 2016
IFRS 9	Financial Instruments	*1 January 2018
IFRS 11 (Amendments)	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	*1 January 2016
IFRS 15	Revenue from Contracts with Customers	*1 January 2018
IFRS 16	Leases	*1 January 2019
Annual Improvements	2012 – 2014 Cycle	1 January 2016

*Subject to EU endorsement

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except for IFRS 15 which may have an impact on revenue recognition and related disclosures. It is not currently practicable to provide a reliable estimate of the potential effect of IFRS 15 until a detailed review has been undertaken.

Functional and presentation currency

The individual financial statements of each company within the Group is presented in the currency of the primary economic environment in which it operates (its functional currency). The consolidated financial statements are presented in EUR in order to reflect the economic substance the Group operates in (see also accounting policies - Note 2). These financial statements are presented in round thousand Euros.

Notes to the consolidated financial statements
Year ended 30 June 2016

2. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with IFRSs adopted by the European Union (EU) and the Companies Act 2006 that applies to companies reporting under IFRS as adopted by the EU and IFRIC interpretations.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or conformity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries) made up to 30 June each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of the subsidiaries acquired are included in the consolidated income statement from the effective date of acquisition. They are deconsolidated from the date that control ceases.

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. Inter-company transactions and balances between group companies are eliminated.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the acquisition date

Goodwill arising from a business combination is determined as the difference between (I) the consideration transferred plus the amount of any non-controlling interest plus the fair value of any previously held equity interest in the acquiree, and (II) the net of the acquisition-date fair values of the identifiable assets acquired and liabilities assumed. 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. Expenses incurred as part of a business combination are immediately expensed to the income statement.

Goodwill

Goodwill that arises from the acquisition of subsidiaries is presented as part of non-current assets in the statement of financial position. Goodwill is initially recognised as an asset measured at cost. We refer to the accounting policies about business combinations for further guidance.

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

Revenue recognition

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

Revenue from platform services arises from the sale of proprietary software, professional services, the re-sale of third party hardware and software, and after sale maintenance contracts.

Where the outcome of a contract can be estimated reliably, revenue and costs related to the sale of proprietary software and professional services are recognised by reference to the stage of completion on the contract activity at the reporting date. This is measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Sale of third party hardware and software is recognised when the goods are delivered and title has passed.

Maintenance revenue is recognised proportionally over the support term included in the platform contract.

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

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

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 statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

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

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

Foreign currencies

The individual financial statements of each Group company is presented in Euro, being the currency of the primary economic environment in which it operates (its functional currency), except for the parent Company and Artilium UK Limited whose functional currency is sterling. The consolidated financial statements are presented in Euro.

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 reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. 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 other comprehensive income and recognised in the 'Translation Reserve' 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 reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in Other Comprehensive Income and transferred to the Group's translation reserve. Such translation differences are recognised as income or as an expense in the period in which the operation is disposed of.

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. Exchange differences arising are recognised in other comprehensive income.

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 credit represents the sum of current and deferred tax.

The current tax is based on taxable profit or loss for the year. Taxable profit or loss differs from net profit or loss 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 reporting 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. Deferred tax liabilities are recognised on all taxable temporary differences with certain specific exceptions 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. However deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each reporting 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 in other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity, respectively.

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.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

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

Leasehold improvements	10%
Fixtures and equipment	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 profit or loss.

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

Assets under construction

Assets under construction are recognized for all intangible assets which are in process of development. Assets under development are measured at the amount of cash or cash equivalents paid or the fair value of any consideration given during the time of construction. No depreciation is recognized during period of commissioning. Assets under development are impaired whenever there are indications that an impairment loss may have occurred. When the asset is available for use it will be transferred to its appropriate classification, depending on the nature of asset.

Other intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and install the specific software. Customer portfolios and computer software acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in business combinations are reported at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

All intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. The following estimated useful lives are applied:

Software: 3 years

Customer portfolios: 5 years

Amortisation has been included within depreciation and amortisation under the heading administrative expenses. Subsequent expenditures on the maintenance of computer software are expensed as incurred. When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

Impairment of tangible and intangible assets excluding goodwill

At each reporting 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 smallest cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount 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. No reversal of impairment losses took place in the year.

Software development costs

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

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

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

Notes to the consolidated financial statements
Year ended 30 June 2016

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised from the statement of financial position 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 statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets

All financial assets (loans and receivables, trade and other receivables and cash and cash equivalents) are recognised and derecognised on trade date. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. The purchase or sale of a financial asset is initially measured at fair value, plus transaction costs.

Effective interest method

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

Trade and other receivables

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

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Financial liabilities and equity

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

Borrowings

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

Trade and other payables

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

Notes to the consolidated financial statements
Year ended 30 June 2016

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Exceptional items

Exceptional items, comprising redundancy costs, are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of expense that have been shown separately due to the significance of their nature or amount.

Equity

Equity reserves comprise:

<u>Share capital</u>

Share capital represents the nominal value of shares that have been issued.

<u>Share premium account</u>

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

<u>Merger relief reserve</u>

The merger relief reserve includes any premium on issue of share capital as part or all of the consideration in a business combination, where more than 90% of the issued share capital of the acquiree is obtained.

<u>Capital redemption reserve</u>

On 22 December 2005 the Company bought back all of its issued deferred share capital comprising 900,447 shares with a nominal value of £4.99 each for a total consideration of 1 pence. The effect of this transaction was to reduce issued share capital by €6,503,000 and create a capital redemption reserve of the same amount.

<u>Share-based payment reserve</u>

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

<u>Translation reserve</u>

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

<u>Own shares</u>

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

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 a significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

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

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Going concern

The directors have adopted the going concern basis in preparing the consolidated financial statements, having carried out a going concern review. Given the nature of the Group and the way in which business is managed, cash flow forecasts have been prepared for both of the Group's three trading companies, Artilium NV, United Telecom NV and Comsys. These forecasts are considered in conjunction for the directors to satisfy themselves that the going concern assumption is appropriate.

United Telecom NV

The directors have prepared and reviewed cash flow forecasts from the date of the accounts approval to the end of December 2017. Due to the nature of the Company's customer base, contracted income and cost base the directors do not consider there to be a material uncertainty in relation to the amount of revenue that the company will generate, or costs that it will incur. This is supported by the historic experience of forecasting within the United Telecom NV business.

Artilium NV

A worst-case scenario cash flow forecast (which represents a significant downgrade compared to internal budgets and targets) has been prepared from the date of the accounts approval to end of December 2017. In carrying out the review the Directors have had to make significant assumptions about the revenue that will be generated to end of December 2017.

The Group has now secured 78% (€3,5m) of its expected revenue per the worst case scenario forecast, the remaining revenue for the forecast period is a combination of expected recurring revenue included within concluded contracts and proposals to existing and new customers based on the directors' assessment of the likelihood of winning these on a project by project basis, revenue has only been included in the forecasts where the directors are at least 80% certain that the revenue will be secured. Therefore the directors would like to highlight that 22% (€1,0m) of forecast revenue per the worst case scenario is not committed or contracted.

Comsys

The directors have prepared and reviewed cash flow forecasts from the date of the financial statements approval to end of December 2017. The directors do not consider there to be a material uncertainty in relation to the amount of revenue that the company will generate, or costs that it will incur. This is supported by historic data and experience of forecasting within the Comsys business.

3. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies (continued)

The directors consider that the assumptions made are appropriate and are satisfied that the Group is a going concern. The directors monitor the cash position of the business on an ongoing basis and consider the various sources of finance available to the Group; the directors would seek to access these sources of finance as necessary.

Functional currency of parent Company

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

Key sources of estimation uncertainty

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

Carrying value of long-term assets

The Directors have carried out impairment tests on the carrying value of the Group's intangible assets and goodwill and concluded that these assets are not impaired. In arriving at this conclusion the Directors have used value-in-use calculations and made assumptions about revenue and gross margins in the near and longer term, together with the discount rate (notes 13 and 14).

Management has considered the recoverability of its internally generated intangible 'assets under construction' which are included in the Statement of Financial Position at €331,000. The development projects continue to progress in a satisfactory manner and management expects future anticipated revenues to exceed the carrying value and costs of completion.

Allowance for doubtful debts

The Directors have carried out an assessment on the recoverability of trade receivables and concluded on a value of the provision required. In arriving at this conclusion the Directors have used their knowledge of their customer base, the market condition and the age of the outstanding receivables.

Estimated value and life of intangible assets acquired in a business combination (note 15)

Useful lives are based on industry standards and historical experience which are subjected to yearly evaluation. Management review other intangible assets at each reporting date to determine whether there are any indications of impairment. If any such indication exists, an estimate of the recoverable amount is performed, and an impairment loss is recognised to the extent that the carrying amount exceeds the recoverable amount. The Directors have reviewed the estimated value and do not consider any impairment to be necessary.

4. Segmental information

Segment reporting

The Group identifies three reportable segments with different economic characteristics. The three reportable segments reflect the level at which the Group's Chief Operating Decision Maker ("CODM") reviews the financial performance of the business and makes decisions about the allocation of resources and other operational matters. The reportable segments are equal to the operating segments.

The three reportable segments "Artilium", "United Telecom" and "Comsys" correspond with the three trading activities of the Group.

Artilium provides advanced mobile telecommunications software to network operators and enablers (managed services providers, systems integrators etc). Its core product is its ARTA Mobile Applications Platform which enables network operators to open networks to third party developers and launch new services which feature elements from the telecoms and web environments.

The business of United Telecom consists of rendering telecom services to the Belgium corporate and consumer market as well as the development and sale of advanced "carrier grade" shared services for telecom service providers (including fixed, mobile and VOIP).

Comsys is a specialist in interactive telephony services and provides telecommunication products, solutions and hosted services in the converging arena of IN, 3G, SIP and VoIP networks for mobile and fixed line telephone operators, MVNOs and contact centres.

In line with the Group's internal reporting framework and management structure, the key strategic and operating decisions are made by the Board of Directors which is considered to be the CODM. The CODM reviews on a regular basis the following financial key data of each segment:

- Revenue;
- Recurring adjusted EBITDA = Operating result before depreciation, amortization, impairment of assets and non-recurring expenses;
- Recurring EBIT = Operating result before interests and taxes less non-recurring expenses;
- Non-recurring items;
- Segment profit/loss.

The accounting principles applied to the operating segments are the same as those described in note 2.

Notes to the consolidated financial statements
Year ended 30 June 2016

4. Segmental information (continued)

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

Refer to note 9 for a reconciliation of the operating result and net result to the adjusted EBITDA and above for the definition of the adjusted EBITDA.

Refer to 'Principal activities' within the strategic report for a description of revenue by type.

	Artilium		United Telecom		Comsys	Total	
	2016	2015	2016	2015	2016	2016	2015
	Eur'000	Eur'000	Eur'000	Eur'000	Eur'000	Eur'000	Eur'000
Revenue	3,881	4,276	4,108	3,374	1,633	9,622	7,650
Adjusted EBITDA	**119**	**(93)**	**(143)**	**128**	**336**	**312**	**35**
Depreciation, amortisation and impairments	(161)	(67)	(792)	(504)	(583)	(1,536)	(571)
Recurring EBIT	**(42)**	**(160)**	**(935)**	**(376)**	**(247)**	**(1,224)**	**(536)**
Non-recurring items	**(172)**	**(267)**	**(122)**	**(60)**	**-**	**(294)**	**(327)**
Redundancy costs	(172)	(267)	(122)	(60)	-	(294)	(327)
EBIT	**(214)**	**(427)**	**(1,057)**	**(436)**	**(247)**	**(1,518)**	**(863)**
Interest expense/other finance expense	(69)	(44)	(69)	(4)	(62)	(200)	(48)
Other finance expense including exchange differences	-	143	-	-	-	-	143
Income tax	-	**(8)**	94	160	97	191	152
Segment loss	**(283)**	**(336)**	**(1,032)**	**(280)**	**(212)**	**(1,526)**	**(616)**

Notes to the consolidated financial statements
Year ended 30 June 2016

4. Segmental information (continued)

An analysis of the Group's assets and liabilities is as follows:

	Artilium		United Telecom		Comsys	Total	
	2016	2015	2016	2015	2016	2016	2015
Total segment assets (Eur'000)	19,231	16,012	796	6,179	6,332	26,359	22,191
Total segment liabilities (Eur'000)	3,288	5,550	3,112	1,837	1,874	8,274	7,387

All assets and liabilities of the Group are allocated to the operating segments. Segment assets and liabilities are presented before intersegment balances. Intersegment sales and transfers are registered at arm's length as if the sales and transfers were executed with third parties.

Geographical information

The Group revenue and location of non-current assets is derived from and located in mainland Europe. An analysis by geographical destination is as follows:

		2016		2015
	Revenues	Non-current assets	Revenues	Non-current assets
	Eur'000	Eur'000	Eur'000	Eur'000
Belgium	7,182	5,167	6,950	5,584
UK	-	10,571	-	10,571
Holland	2,430	6,146	635	-
Germany	-	-	16	-
India	2	-	3	-
Hong Kong	8	-	8	-
Total	9,622	21,884	7,612	16,155

Information about major customers

25% of the consolidated revenue is generated by sales to an external customer within the segment "Artilium" (25% for the year ended 30 June 2015). There are no other sales to single external customers exceeding 10% of the consolidated revenue.

5. Operating loss

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

	2016	2015
	Eur'000	Eur'000
Net foreign exchange (gains)/losses	-	(143)
Operating lease rentals – land and buildings & other	678	533
Depreciation of property, plant and equipment	114	79
Amortisation of intangible assets	1,297	541
Staff costs	4,026	3,616
Employee benefits	67	72

Notes to the consolidated financial statements
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5. Operating loss (continued)

Reconciliation of operating loss before redundancy costs is provided below:

	2016 Eur'000	2015 Eur'000
Operating loss	(1,517)	(719)
Redundancy costs	294	327
Operating loss before redundancy costs	(1,223)	(392)

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

	2016 Eur'000	2015 Eur'000
- Fees payable to the Company's auditors and its associates for the audit of the Company and consolidated annual financial statements	42	64
- the audit of the Company's subsidiaries pursuant to legislation	45	38
Total audit fees	87	102
- Other services (*)	22	31
Total non-audit fees	22	31

(*) Other services are comprised of the auditor's review of the half-yearly interim financial information.

6. Staff costs

The average monthly number of employees was:

	2016 Number	2015 Number
Administrative and development	69	57
	Eur'000	**Eur'000**
Their aggregate remuneration comprised:		
Wages and salaries	3,179	2,753
Social security costs	741	768
Employee benefits	67	72
Other pension costs	106	95
Total included within administrative expenses	4,093	3,688

Notes to the consolidated financial statements
Year ended 30 June 2016

6. Staff costs (continued)

Remuneration of directors

The remuneration of directors is €0.3 million (2015: € 0.3 million). Refer to page 14. The only key management personnel are the directors.

7. Finance costs

	2016 Eur'000	2015 Eur'000
Interest on bank loans	16	9
Interest on other loans and other finance costs	184	40
	200	49

8. Redundancy costs

	2016 Eur'000	2015 Eur'000
Redundancy costs	294	327
	294	327

The redundancy costs for the years ended 30 June 2016 and 2015 relates to severance packages for personnel and contractors that were made redundant, or have had the terms of their redundancy communicated to them.

9. Reconciling table net result, operating result-adjusted EBITDA

	2016 Eur'000	2015 Eur'000
Loss for the year from continuing operations	(1,526)	(616)
Tax credit	(191)	(152)
Finance costs	200	49
Operating loss	(1,517)	(719)
Redundancy costs	294	327
Depreciation and amortisation	1,411	570
Impairment of receivables	125	-
Exchange differences	-	(143)
Adjusted EBITDA	313	35

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Artilium defines adjusted EBITDA as operating result before interests, exchange result, taxes, depreciation and impairments of property, plant and equipment and client's receivables and amortization and impairments of intangible assets.

10. Other operating income

	2016 Eur'000	2015 Eur'000
Other operating income - net	-	73
	-	73

Other operating income in prior year related mainly to the write off of old balances in accordance with Belgian law, held within the accounts receivable and accounts payable ledger of United Telecom NV and dated prior to 2013.

11. Tax

	2016 Eur'000	2015 Eur'000
Analysis of taxation credit for the year:		
Current tax:		
UK tax	-	-
Overseas tax	-	-
Total current tax	-	**-**
Deferred tax:		
Origination and reversal of temporary differences	296	152
Write-off deferred tax asset on fiscal losses carried forward	(105)	-
Total deferred tax	191	152
Total taxation credit in the income statement	191	152

Notes to the consolidated financial statements
Year ended 30 June 2016

11. Tax (continued)

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

	2016 Eur'000	2015 Eur'000
Loss before tax from continuing operations	(1,717)	(768)
Tax credit at domestic rates applicable to losses of taxable entities in the countries concerned	(104)	(254)
Effects of:		
Expenses not deductible for tax purposes	45	66
Tax losses brought forward utilised in the year	(857)	(332)
Tax losses carried forward unutilised in the year	916	520
Tax credit for current tax	-	-
Movement in deferred tax	(191)	(152)
Total taxation credit	(191)	(152)

The weighted average applicable tax rate was 6% (2015: 33%). The decrease is caused by the profitability of certain acquired subsidiaries during the year, giving rise to taxable profits, and offsetting the loss making entities.

Future

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and to 20% (effective from 1 April 2015) were substantively enacted. The UK corporation tax rate will reduce to 19% from 1 April 2017 and to 17% from 1 April 2020. The change in UK's corporate tax rate has no effect on any recognized deferred tax asset or liability.

12. Earnings per share

	2016 Eur'000	2015 Eur'000
Loss from continuing operations for the purposes of basic & diluted loss per share being net losses attributable to equity holders of the parent	(1,526)	(616)

	No.	No.
Number of shares		
Weighted average number of ordinary shares for the purposes of basic & diluted loss per share	282,348,087	228,658,004

12. Earnings per share (continued)

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

Issued ordinary shares	2016 No.'000	2015 No.'000
Start of period	228,658	218,608
Effect of shares issued in prior period	7,458	317
Effect of shares issued in the period	46,232	9,733
Accumulated weighted average basic and diluted number of shares	282,348	228,658

Basic and diluted earnings per share is calculated as follows:

Loss for the year attributable to the equity shareholders of the Company (Eur'000)	(1,526)	(616)
Basic and diluted loss per share (Euro cent)	(0.54)	(0.27)

Refer to note 15 regarding details of the future potential issue of dilutive shares in connection with the acquisition of Comsys.

13. Goodwill

	Eur'000
Cost	
At 1 July 2014	13,726
At 30 June 2015	13,726
Carrying amount	
At 1 July 2015	13,726
Acquisitions through business combinations (note 15)	3,401
At 30 June 2016	17,127

No goodwill is expected to be deductible for tax purposes.

The goodwill balance is allocated to the cash-generating units United Telecom (€3.1 million), Artilium (€10.6 million) and Comsys (including Livecom International) (€3.4 million).

The Directors have carried out impairment tests on the carrying value of the Group's intangible assets and goodwill and concluded that these assets are not impaired. In arriving at this conclusion the Directors have used value-in-use calculations and made assumptions about revenue and gross margins in the near and longer term. The Directors consider that the assumptions made are appropriate and are satisfied that the Group's non-current assets are not impaired.

Allocation of goodwill to cash-generating units

For the purpose of impairment testing the Group as a whole is considered as three cash-generating units 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 initially allocated to reduce the carrying amount of any goodwill. The cash generating units are Artilium NV, United Telecom NV and Comsys.

13. Goodwill (continued)

Artilium NV

Cash flows for the impairment tests have been formally forecast and management approved for five years and a terminal value has been calculated for the years beyond that. The terminal value is based on the average over the five year net cash flow forecast to perpetuity using a pre-tax discount rate of 16.0 % (2015: 18.57%), which is considered appropriate for the Company. The discount rate would need to increase to more than 18.9% for the goodwill to be impaired. The growth rate factor used in perpetuity in the discounted cash flow model is estimated to be 2.5% (2015:2.5%) in line with long-term forecasts for economic growth expected in Belgium, which is the company's principal market. The sales growth rate used during the five year forecast is estimated to be 5%-10% per annum (2015:5%-10%) based on management's best estimate of the market opportunities and the existing pipeline opportunities. Based on these assumptions the recoverable amount exceeds the carrying amount by €2.8 million (2015: €2.7 million). If the net present value of forecast future cash flows decreased by 21% the recoverable amount will be less than the carrying amount. The headroom is sensitive to reasonably possible changes in the key assumptions.

The Group's cost base is forecast to increase at the rate of 2% (2015:2%) per annum for the five year forecast period. This is based on management's historic experience of cost increases, and the forecast increases in revenue.

United Telecom NV

The goodwill arising on acquisition of United Telecom on 27 June 2012 amounts to €3.155 million and was tested for impairment. Cash flows for the acquired business, for the purpose of the impairment test, have been formally forecast and management approved for five years and a terminal value has been calculated for the years beyond that. The terminal value is based on the average over the five year net cash-flow forecast for perpetuity using a pre-tax discount rate of 16.0% (2015:22.67%) which is considered appropriate for the company. The discount rate would need to increase to more than 17.4% for the goodwill to be impaired. The growth rate factor used in perpetuity in the discounted cash flow model is estimated to be 2.5% in line with long-term forecasts for economic growth expected in Belgium as this is the company's principal market. The sales growth rate used during the five year forecast is estimated to be 3% - 11% per annum based on management's best estimate of the market opportunities. Based on these assumptions the recoverable amount exceeds the carrying amount of the goodwill and identified intangible assets by €0.4 million. If the net present value of forecast future cash flows decreased by 9.7% the recoverable amount will be less than the carrying amount. The headroom is sensitive to reasonably possible changes in the key assumptions.

Comsys

The goodwill arising on acquisition of Comsys on 25 September 2015 and Livecom on 1 January 2016 amounts to €3.4 million and was tested for impairment. Cash flows for the acquired business, for the purpose of impairment test, have been formally forecast and management approved for five years and a terminal value has been calculated for the years beyond that. The terminal value is based on the average over the five year net cash-flow forecast for perpetuity using a pre-tax discount rate of 16.0% which is considered appropriate for the company. The growth rate factor used in perpetuity in the discounted cash flow model is estimated to be 2.5% in line with long-term forecasts for economic growth expected in the Netherlands, which is the company's principal market. The sales growth rate used during the five year forecast is estimated to be 3% - 11% per annum based on management's best estimate of the market opportunities. Based on these assumptions the recoverable amount exceeds the carrying amount of the goodwill and identified intangible assets by €0.5 million. The headroom is sensitive to reasonably possible changes in the key assumptions.

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14. Other intangible assets

	Assets under construction	Telecommunications software platform	Customer portfolio	Other software	Total
	Eur'000	Eur'000	Eur'000	Eur'000	Eur'000
Cost					
At 1 July 2014	285	5,040	2,729	80	8,134
Additions	46	-	-	-	46
Acquired through business combinations	-	-	477	-	477
At 30 June 2015	331	5,040	3,206	80	8,657
Acquired through business combinations (note 15)	-	-	1,647	1,404	3,051
Asset acquisitions	-	-	519	207	726
At 30 June 2016	331	5,040	5,372	1,691	12,434
Amortisation					
At 1 July 2014	-	5,040	1,230	41	6,311
Charge in period	-	-	523	18	541
At 30 June 2015	-	5,040	1,753	59	6,852
Charge in period	-	-	962	335	1,297
At 30 June 2016	-	5,040	2,715	394	8,149
Carrying amount					
At 30 June 2016	331	-	2,657	1,297	4,285
At 30 June 2015	331	-	1,453	21	1,805
At 1 July 2014	285	-	1,499	39	1,823

15. Business Combinations

Talking Sense BVBA

On 1 July 2015 Artilium plc acquired 100% of the share capital of Talking Sense BVBA and thereby obtained 100% of the voting power. Talking Sense BVBA is a Belgian voice over internet protocol ("VoIP") telecom operator.

The following summarises the details about the acquisition.

Consideration transferred

	Eur'000
Settlement in equity instruments	80
Total consideration	80

The acquisition cost of Talking Sense BVBA of €0.08 million was settled by the issuance of 939,243 new ordinary shares at 6.0 pence per share, being the market share price on the acquisition date.

Valuation of customer base

On acquisition of Talking Sense BVBA customer lists with a fair value of €0.1 million were identified and separately recognised. The fair value of the customer lists was calculated using a value in use calculation based on cash flows directly associated with the customer base as at the date of acquisition. Cash flows from the customer lists were forecast for a period of five years with a 10% reduction in the customer base each year, which has been determined to be consistent with other similar entities in the industry. A pre-tax discount rate of 16% has then been applied to determine the fair value of the customer list acquired.

Assets acquired and liabilities recognized at date of acquisition

	Eur'000
Intangible assets customer portfolio	110
Total non-current assets	110
Trade and other receivables	6
Cash and cash equivalents	4
Total current assets	10
Deferred tax liabilities	(40)
Total non-current liabilities	(40)
Identifiable net assets	80

15. Business Combinations (continued)

Goodwill arising on acquisition

	Eur'000
Consideration transferred	80
Less fair value of identifiable net assets acquired	(80)
Goodwill arising on acquisition	-

The revenue included in the consolidated income statement since 1 July 2015 contributed by Talking Sense BVBA was €78,000. Talking Sense BVBA incurred a loss of €14,000 over the same period.

Comsys Telecom and Media BV, Comsys Connect BV and Portalis BV ("Comsys")

On 25 September 2015 Artilium plc acquired 100% of the share capital of Comsys Telecom & Media BV, Comsys Connect BV and Portalis BV and thereby obtained 100% of the voting power. Comsys is a Dutch specialist in interactive telephony services in the converging arena of IN, 3G, SIP and VoIP networks for mobile and fixed line telephone operators, MVNO's and contact centers.

The following summarises the details about the acquisition.

Consideration transferred

	Eur'000
Settlement in equity instruments	4,625
Total consideration	4,625

The acquisition of Comsys was settled as follows: €4.6 million was settled by the issuance of 59,332,460 new ordinary shares at 5.75 pence per share, being the market share price on the acquisition date. Under the terms of the sale and purchase agreement, additional shares up to a maximum of 41,896,673 ordinary shares will be issued to the vendors, dependent upon Comsys achieving certain revenue and gross margin targets over the next 3 financial years. No liability has been recognised in the financial statements in respect of these contingent additional shares on the basis that the targets were not expected to be met at the date of acquisition.

Valuation of customer base and acquired software

On acquisition of Comsys, customer lists with a fair value of €1.537 million were identified and separately recognised. The fair value of the customer lists was calculated using value in use calculation based on cash flows directly associated with the customer base as at the date of acquisition. Cash flows from the customer lists were forecast for a period of five years with a 20% reduction in the customer base each year, which has been determined to be consistent with other similar entities in the industry. A pre-tax discount rate of 15% has been applied to determine the fair value of the customer list acquired.

Software with a fair value of €1.25 million was identified and separately recognised. The fair value of the acquired software was calculated on an estimated replacement cost basis.

15. Business Combinations (continued)

Assets acquired and liabilities recognized at date of acquisition

	Eur'000
Intangible assets customer portfolio	1,537
Intangible assets software	1,250
Property, plant and equipment	190
Deferred tax asset	302
Financial assets	98
Total non-current assets	3,377
Inventories	53
Trade and other receivables	325
Cash and cash equivalents	44
Total current assets	422
Deferred tax liabilities	(697)
Total non-current liabilities	(697)
Trade and other payables	(1,528)
Total current liabilities	(1,528)
Identifiable net assets	1,574

Goodwill arising on acquisition

	Eur'000
Consideration transferred	4,625
Less fair value identifiable net assets acquired	(1,574)
Goodwill arising on acquisition	3,051

The goodwill is attributable to gaining instant access to this market and to the expertise of the existing workforce. The revenue included in the consolidated income statement since 25 September 2015 contributed by Comsys was €1,258,000. Comsys also contributed a loss of €302,000 over the same period. [please check these numbers as they differ from the segmental reporting in note 5]

Livecom International BV

On 10 February 2016 Artilium plc acquired 100% of the share capital of Livecom International BV ("Livecom") and thereby obtained 100% of the voting power. Livecom is a specialist in customer interaction management, providing a single web application that handles all customer contacts via chat, e-mail, voice as well as an expert knowledge base.

15. Business Combinations (continued)

The following summarizes the details about the acquisition.

Consideration transferred

	Eur'000
Settlement in cash	450
Settlement in equity instruments	62
Total consideration	512

The acquisition of Livecom was settled as follows: €0.45 million was settled in cash, €0.06 million was settled with the issuance of 880,460 new ordinary shares at 5.38 pence per share.

Assets acquired and liabilities recognized at date of acquisition

	Eur'000
Intangible assets software	154
Total non-current assets	154
Trade and other receivables	140
Cash and cash equivalents	260
Total current assets	400
Deferred tax liabilities	(40)
Total non-current liabilities	(40)
Trade and other payables	(352)
Total current liabilities	(352)
Identifiable net assets	162

Goodwill arising on acquisition

	Eur'000
Consideration transferred	512
Less fair value of identifiable net assets acquired	(162)
Goodwill arising on acquisition	350

The revenue included in the consolidated income statement since 10 February 2016 contributed by Livecom was €375,000. Livecom also contributed a profit of €90,000 over the same period.

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16. Property, Plant and Equipment

	Leasehold improvements Eur'000	Fixtures and equipment Eur'000	Total Eur'000
Cost			
At 1 July 2014	73	581	654
Additions	25	254	279
Acquired through business combinations	-	12	12
Disposals	-	(127)	(127)
At 30 June 2015	98	720	818
Additions	-	40	40
Acquired through business combinations (note 15)	-	190	190
At 30 June 2016	98	950	1,048
Accumulated depreciation			
At 1 July 2014	54	360	414
Disposals	-	(30)	(30)
Charge for the year	2	77	79
At 30 June 2015	56	407	463
Charge for the year	22	92	114
At 30 June 2016	78	499	577
Carrying amount			
At 30 June 2016	20	451	471
At 30 June 2015	42	331	355
At 1 July 2014	19	221	240

There were no impairment charges for the 2016 and 2015 financial years.

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17. Subsidiaries

Details of the Company's subsidiaries at 30 June 2016 are as follows:

	Place of incorporation ownership (or registration) and operation	Proportion of ownership interest and voting power held	Method used to account for investment	Principal activity
Artilium N.V	Belgium	100%	Acquisition accounting	Telecom
United Telecom N.V	Belgium	100%	Acquisition accounting	Telecom
Speak Up BVBA	Belgium	100%	Acquisition accounting	Telecom
Talking Sense BVBA	Belgium	100%	Acquisition accounting	Telecom
Artilium UK Limited	UK	100%	Acquisition accounting	Telecom
Artilium Trustee Company Limited	UK	100%	Acquisition accounting	Dormant
Comsys Telecom & Media BV	The Netherlands	100%	Acquisition Accounting	Telecom
Comsys Connect BV	The Netherlands	100%	Acquisition accounting	Telecom
Portalis BV	The Netherlands	100%	Acquisition accounting	Telecom
Livecom International BV	The Netherlands	100%	Acquisition accounting	Telecom
Comsys Connect GMBH	Germany	100%	Acquisition accounting	Telecom
Comsys Connect AG	Switzerland	100%	Acquisition accounting	Telecom
United Telecom BV	The Netherlands	100%	Acquisition accounting	Telecom

Unless otherwise stated all ownership relates to ordinary share capital.

18. Inventories

	2016 Eur'000	2015 Eur'000
Goods for resale	131	38

Inventories consist of Aculab boards and mobile simcards for resale to clients. The value of the inventories is based on the cost of purchase excluding VAT and stated at the lower of cost and resale value.

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19. Trade and other receivables

	2016 Eur'000	2015 Eur'000
Amounts receivable for the sale of goods and services	4,206	5,838
Allowance for doubtful debts	(1,136)	(1,128)
	3,070	4,710
Other receivables	120	124
Prepayments and accrued income	732	429
	3,922	5,263

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

The Directors consider that the carrying amount of trade and other receivables above approximates to their fair value. The average credit period taken on sales of goods is 53 days (2015: 65 days). No interest is charged on receivables.

Included within trade and other receivables is an amount of €335,000 (2015: €279,000) in respect of amounts that were past due at 30 June, but not impaired. The Group believes that the balances are ultimately recoverable based on a review of past payment history and the credit quality of those customers.

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

	2016 Eur'000	2015 Eur'000
Up to three months	335	279

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

19. Trade and other receivables (continued)

As at 30 June 2016 €1,136,000 of trade receivables were impaired (2015: €1,128,000). This allowance is specific and has been determined by reference to the age of the debt or where amounts are in dispute on a customer by customer basis. To the extent they have not been specifically provided against, the trade receivables are considered to be of sound credit rating. The ageing analysis of the allowance for doubtful debts is as follows:

	2016 Eur'000	2015 Eur'000
Up to three months	-	-
Up to six months	-	-
Older than six months	1,136	1,128
	1,136	1,128

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

	2016 Eur'000	2015 Eur'000
Opening balance as at 1 July	1,128	1,182
Usage for allowance for doubtful debt	(25)	(63)
Receivables provided for during the year	28	9
Doubtful debt acquired through business combinations	3	-
Closing balance as at 30 June	1,136	1,128

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

20. Deferred tax

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

	Total Eur'000
At 1 July 2014	(227)
Credit to income statement	164
Acquired through business combinations	(162)
At 30 June 2015	(225)
Acquired through business combinations - liabilities	(777)
Acquired through business combinations - assets	302
Credit to income statement	191
Other movement	24
At 30 June 2016	(485)

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20. Deferred tax (continued)

	2016 Eur'000	2015 Eur'000
Timing differences	(10)	(333)
Fair value adjustments on business combinations intangible assets	(475)	(162)
Total deferred tax liability	(485)	(495)
Deferred tax asset	-	270
Total deferred tax asset	-	270
	(485)	(225)

At the reporting date, the Group has UK unused tax losses of approximately €15,740,000 (2015: €13,132,000). No deferred tax asset has been recognised in respect of these items due to insufficient evidence of future available profits in the immediate future in the UK. The value of the deferred tax asset not recognized on the tax losses is €3,148,000 (2015: €2,626,000).

At the reporting date, the Group has Belgium tax losses carried forward of approximately €9,023,000 (2015: €10,389,000). No deferred tax asset has been recognised in respect of this due to insufficient evidence of future available profits in the immediate future. The value of the deferred tax asset not recognized on the tax losses is €3,067,000 (2015: €3,531,000).

The Company acquired Comsys on 1 October 2015. The tax losses carried forward at the end of June 2016 amount to approximately €357,000. No deferred tax asset has been recognised. The value of the deferred tax asset not recognized on the tax losses is €89,000.

Deferred tax liabilities of €415,000 (2015: €495,000) relate to intangible assets (customer portfolio) through a business combination in 2015 (Comsys) for a net amount of €321,000 at the end of June 2016, and to the net amount of the deferred tax liability of €36,000 recognized on the software and customer portfolio from the Livecom acquisition in January 2016. The remaining part relates intangible assets (customer portfolio) through a business combination in 2012 (United Telecom) and to the deferred tax liability recognized on the customer portfolio from the SpeakUp acquisition in June 2015.

21. Trade and other payables

	2016 Eur'000	2015 Eur'000
Trade payables	1,916	1,514
Accruals	298	168
Other payables	1,072	693
Deferred income	2,509	4,202
	5,795	6,577

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

22. Bank Loans

	2016 Eur'000	2015 Eur'000
Due within one year	254	255
Due after more than one year	40	60
	294	315

The different bank loans are mainly secured on the trade receivables of the Group. Two unsecured loans with an outstanding amount of €80,000 and €150,000 are repayable in 12 months on a monthly basis. Interest rates are fixed at 2.59% and 2.37% per annum respectively and are market conforming. The carrying amount approximates to fair values because of the short maturity of these loans. The third bank loan with a principal of €85,000 is repayable in 48 months on a monthly basis. The interest rate is fixed at 2.43% per annum.

23. Other loans

	2016 Eur'000	2015 Eur'000
Due within one year	161	-
Due after more than one year	1,539	60
	1,700	-

Other loans comprise loans from third parties at interest rates of between 7.5% and 8% and are repayable as follow:

€161,000 (repayable within one year)

€400,000 (repayable August 2018)

€300,000 (repayable March 2018)

€100,000 (repayable May 2018)

€739,000 (repayable between 2 to 5 years at €161,000 per annum)

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24. Share capital

	2016 Eur'000	2015 Eur'000
Fully paid ordinary shares:		
Authorised:		
300,000,002 (2015: 300,000,002) ordinary shares of 5p each	18,523	18,523
Issued and fully paid:		
297,853,104 (2015: 236,115,941) ordinary shares of 5p each	19,601	15,415
Deferred ordinary shares:		
Authorised:		
900,447 (2015: 900,447) deferred ordinary shares of £4.99 each	6,503	6,503

	2016 No. '000	2015 No. '000
Fully paid ordinary shares:		
Balance at beginning of financial year	236,116	218,925
Issued during the year	61,737	17,191
Issued and fully paid at end of financial year	297,853	236,116

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

The Company has issued 61,737,163 ordinary shares to acquire Talking Sense, *bliep, Comsys and Livecom. These shares were granted to the vendors of these entities as part of the purchase consideration.

The Company has issued the following shares during the financial year:

- 939,243 on 1 July 2015 for the acquisition of Talking Sense BVBA
- 585,000 on 6 July 2015 for the acquisition Bliep
- 59,332,460 on 26 September 2015 for the acquisition of Comsys
- 880,460 on 10 February 2016 for the acquisition of Livecom

Notes to the consolidated financial statements
Year ended 30 June 2016

25. Own Shares

	Own shares Eur'000
Balance at 1 July 2015	(2,336)
Balance at 30 June 2016	**(2,336)**

Own shares represents the cost of shares in Artilium plc purchased and held by the Artilium plc Employee Benefit Trust to satisfy options and share awards under the Group's Employee Share Schemes. 3,000,000 Series 2 warrants were purchased by the Trust at a price of 10p per warrant in December 2006. These warrants were then exercised at a price of 75p and converted into ordinary 5p shares by the Trust.

26. Notes to the cash flow statement

	2016 Eur'000	2015 Eur'000
Loss from continuing operations before tax	(1,717)	(780)
Adjustments for:		
Depreciation of property, plant and equipment	114	79
Amortisation of intangible assets	1,297	541
Impairment of trade receivables	(6)	(54)
Finance costs	200	-
Unrealized exchange differences	(28)	(230)
Operating cash flows before movements in working capital	**(140)**	**(444)**
Decrease/(increase) in receivables	1,016	(2,827)
(Increase)/decrease in inventory	(40)	5
(Decrease)/increase in payables	(2,991)	2,643
Cash used in operations	**(1,261)**	**(179)**
Income taxes paid	-	-
Net cash outflow from operating activities	**(1,261)**	**(623)**

27. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2016.

28. Operating lease arrangements

	2016 Eur'000	2015 Eur'000
Minimum lease payments under operating leases recognised as an expense for the year		
Land & buildings	292	212
Motor vehicles	386	321
	678	533

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

Land & buildings	2016 Eur'000	2015 Eur'000
Within one year	251	168
In the second to fifth years inclusive	382	199
	633	367

Motor vehicles	2016 Eur'000	2015 Eur'000
Within one year	362	321
In the second to fifth years inclusive	801	642
	1,163	963

Operating lease payments represent rentals payable by the Group for certain of its office properties and motor vehicles. Leases are negotiated for an average term of 3 years and rentals are fixed for an average of 3 years. The Group does not have an option to acquire the leased properties at expiry of the lease term.

29. Retirement benefit schemes

The Group makes payments to defined contribution retirement benefit schemes for all qualifying employees. As for all 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 an insurance company, the pension plan is accounted for as a defined contribution plan.

The total cost charged to income of €106,000 (2015: € 95,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 30 June 2016, all contributions due in respect of the current reporting period had been paid over to the scheme.

30. Events after the balance sheet date

In July 2016 Artilium plc entered into a strategic alliance with Green IT Globe NV ("Green IT Globe") to launch the OneApp platform in order to enter the mobile data cloud market. Furthermore, the Company has issued a loan note to Green IT Globe for a cash amount of €1,000,000. The loan note is repayable in full in July 2017 plus interest at a rate of ten per cent per annum. The loan was financed by external parties up to an equal amount.

31. Related party transactions

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

33. Transactions with Directors and key management

Other than those transactions disclosed on page 12, there were no other transactions with Directors and key management.

33. Financial instruments

Categories of financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies. The book value of the Group's financial instruments at the year -end is shown below:

	Notes	**2016 Eur'000**	**2015 Eur'000**
Financial assets:			
Loans and receivables:			
Trade and other receivables	19	3,190	4,834
Cash and cash equivalents		422	735
		3,612	5,569
Financial liabilities:			
Amortised cost:			
Trade and other payables	21	3,286	2,375
Bank loans	22	294	315
Other loans		1,700	-
		5,280	2,690

33. Financial instruments (continued)

Financial risk management

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

Credit risk

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

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

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

Of the trade receivables balance at the end of the year, €1.8 million is due from Telenet Group Belgium, the Group's largest customer. There are no other customers who represent more than 10 per cent of the total balance of trade receivables.

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

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

Liquidity and cash flow risk

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

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

As at 30 June 2016, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

30 June 2016

	Current		**Non-current**
	within 6 months	**6 to 12 months**	**1 to 5 years**
	Eur'000	**Eur'000**	**Eur'000**
Bank loans	169	85	40
Other loans	80	81	1,539
Trade and other payables	3,923	926	946
	4,172	1,092	2,525

33. Financial instruments (continued)

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

30 June 2015

	Current		Non-current
	within 6 months	6 to 12 months	1 to 5 years
	Eur'000	Eur'000	Eur'000
Bank loans	170	85	60
Trade and other payables	3,215	840	2,522
	3,385	925	2,582

Interest rate risk

At 30 June 2016, the Group had bank loans and other borrowings amounting to €1,994,000 (2015: €315,000). The Group's borrowings are at fixed rates of interest and there is, therefore, no exposure to movements in interest rates.

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

Foreign currency risk

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

Sensitivity analysis

The Group faces currency exposures on the translation of the trading results and the net assets of the British subsidiaries. The year end and average exchange rates used when translating the results for the year from Pound Sterling to Euro are 1.2061 (2015: 1.4067) and 1.3351 (2015: 1.3120) respectively.

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

	2016	2015
	Eur'000	Eur'000
Impact on equity		
10% increase in GBP fx rate against Euro	3,177	3,281
10% decrease in GBP fx rate against Euro	(3,177)	(3,281)
Impact on profit or loss		
10% increase in GBP fx rate against Euro	(284)	124
10% decrease in GBP fx rate against Euro	284	(124)

33. Financial instruments (continued)

Capital management

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

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

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

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

34. Safe harbour

This financial report contains a number of non-GAAP figures, such as adjusted EBITDA and Free cash flow. These non-GAAP figures should not be viewed as a substitute for Artilium's GAAP figures.

Artilium defines adjusted EBITDA as operating result before interests, exchange result, taxes, depreciation and impairments of property, plant and equipment and client's receivables and amortization and impairments of intangible assets.

Artilium defines free cash flow as follows: cash flows from operating activities minus capital expenditure. The notion is used as standard for the health of the company, by showing the ability of the company to generate cash to maintain the operations.

Artilium plc
Registered number: 03904535
Company statement of financial position
As at 30 June 2016

	Notes	2016 Eur'000	2015 Eur'000
Non-current assets			
Investments	38	27,106	26,146
		27,106	26,146
Current assets			
Trade and other receivables	39	3,263	3,123
Cash and cash equivalents		-	44
		3,263	3,167
Total assets		30,369	29,313
Current liabilities			
Trade and other payables	40	(4,712)	(2,136)
Borrowings		(400)	-
Net current (liabilities)/assets		(1,849)	1,031
Net assets		25,257	27,177
Equity			
Share capital		19,601	15,415
Share premium		47,379	46,748
Merger relief reserve		1,488	1,488
Capital redemption reserve		6,503	6,503
Translation reserve		(4.279)	(199)
Retained deficit		(45,435)	(42,778)
Total equity		25,257	27,177

The financial statements were approved by the Board of Directors and authorised for issue on 3 November 2016. They were signed on its behalf by:

Jan-Paul Menke
Director
Company No, 039045

Company statement of changes in equity
Year ended 30 June 2016

	Share capital Eur'000	Share premium account Eur'000	Merger relief reserve Eur'000	Capital redemption reserve Eur'000	Share-based payment reserve Eur'000	Translation reserve Eur'000	Retained deficit Eur'000	Total Eur'000
Balance at 1 July 2014	14,181	46,586	1,488	6,503	3,246	(3,362)	(44,292)	24,350
Nominal value of shares issued	1,234	-	-	-	-	-	-	1,234
Premium arising on issue of shares	-	162	-	-	-	-	-	162
Transaction with owners, recognised directly in equity	1,234	162	-	-	-	-	-	1,396
Gain for the period	-	-	-	-	-	-	1,218	1,218
Impairment losses on investments	-	-	-	-	-	-	(2,950)	(2,950)
Other comprehensive income - currency translation differences	-	-	-	-	-	3,163	-	3,163
Total comprehensive income for the period	-	-	-	-	-	3,163	(1,732)	1,431
Reclassification from one caption to another	-	-	-	-	(3,246)	-	3,246	-
Balance at 30 June 2015	15,415	46,748	1,488	6,503	-	(199)	(42,778)	27,177
Nominal value of shares issued	4,186	-	-	-	-	-	-	4,186
Premium arising on issue of shares	-	631	-	-	-	-	-	631
Transaction with owners, recognised directly in equity	4,186	631	-	-	-	-	-	4,817
Loss for the period	-	-	-	-	-	-	(2,657)	(2,657)
Other comprehensive income - currency translation differences	-	-	-	-	-	(4,080)	-	(4,080)
Total comprehensive income for the period	-	-	-	-	-	(4,080)	(2,657)	(6,737)
Balance at 30 June 2016	19,601	47,379	1,488	6,503	-	(4,279)	(45,435)	25,257

Company Cash Flow Statement
Year ended 30 June 2016

	Notes	2016 Eur'000	2015 Eur'000
Net cash used in operating activities	42	(186)	(904)
Investing activities			
Acquisition of subsidiary undertakings		(258)	-
Net cash used in investing activities		(258)	-
Financing activities			
Proceeds on issue of shares	23	-	921
New borrowings received		400	-
Net cash from financing activities		400	921
Net (decrease)/increase in cash and cash equivalents		(44)	17
Cash and cash equivalent at beginning of the year		44	27
Cash and cash equivalents at end of year		-	44

Notes to the Company financial statements
Year ended 30 June 2016

34. Significant accounting policies

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

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

No income statement or statement of comprehensive income for the Company alone is presented as permitted by Section 408 of the Companies Act 2006.

Functional currency of parent Company

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

Receivables and payables from Group companies

Balances receivable and payable from Group companies are classified as loans and receivables, and carried at amortised cost.

Investments in subsidiaries

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

Impairment losses recognised in comparative year

In the year ending 30 June 2015, the Group assessed the recoverable amount of the investment and receivable balance with Artilium NV, Artilium UK Limited and United Telecom NV and determined that the carrying value of the investments was impaired. The recognized impairment loss on the Artilium NV and United Telecom investment amounted to €2,950,000. The impairment on the Artilium UK Limited receivable has been increased by the amount at which the receivable itself increased over the year ended 30 June 2015. As a result the full receivable on Artilium UK Limited per 30 June 2015 has been impaired.

The recoverable amount of the investments in Artilium NV, Artilium UK Limited and United Telecom NV is determined based on a value in use calculation of these entities which uses cash flow projections based on financial budgets approved by the Directors covering a five-year period and a terminal value. The terminal value is based on the year five net cash flows forecast to perpetuity using a discount rate of 18.57% per annum, which is appropriate for the Company. The growth rate factor in the discounted cash flow model is estimated to be 2.5% (2014: 2.5%) in line with long term forecasts for economic growth. The sales growth rate used during the five year forecast is estimated to be around 5% based on management’s best estimate of the market opportunities.

Notes to the Company financial statements
Year ended 30 June 2016

34. Significant accounting policies (continued)

The recoverable amount of the investments in United Telecom NV is determined based on a value in use calculation of these entities which uses cash flow projections based on financial budgets approved by the Directors covering a five-year period and a terminal value. The terminal value is based on the year five net cash flows forecast to perpetuity using a pre-tax discount rate of 22.67%, which is appropriate for the Company. The growth rate factor in the discounted cash flow model is estimated to be 2.5% in line with long term forecasts for economic growth. The sales growth rate used during the five year forecast is estimated to be around 3%-5% based on management's best estimate of the market opportunities.

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

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

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

Going concern

The Directors have adopted the going concern basis in preparing the financial statements for the Company. The company and its subsidiaries have sufficient financial resources to continue for a period not less than one year from the date of approval of these accounts. The directors monitoring the cash position of the Group on a regular basis and consider the various sources of finance available to the Group. Further the Directors intend to use their control of subsidiary undertakings to ensure that intergroup payables are not recalled in a why which would result in the company not being able to meet their liabilities as they fall due.

35. Staff costs

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

	2016	**2015**
	Eur'000	**Eur'000**
Administration	1	1
Their aggregate remuneration comprised:		
Wages and salaries	79	79
	79	79

Notes to the Company financial statements
Year ended 30 June 2016

36. Tax

	2016	2015
Current tax	-	-

Current tax is calculated at 20% (2015: 21%) of the estimated assessable gain for the year.

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

	2016 Eur'000	2015 Eur'000
Loss before tax from continuing operations	(2,657)	(1,732)
Tax expense at the theoretical domestic rates applicable to profits of taxable entities in the country concerned of 20% (2015: 21%)	(531)	(364)
Effects of:		
Tax losses carried forward unutilized in the year	531	364
Tax credit for the year	-	-

At the balance sheet date, the Company has unused tax losses of €11,751,000 (2015: €9,299,000). No deferred tax asset has been recognised in respect of these items due to insufficient evidence of future available profits in the immediate future in the UK.

Notes to the Company financial statements
Year ended 30 June 2016

37. Subsidiaries

Details of the Company's subsidiaries at 30 June 2016 are as follows:

	Place of incorporation ownership (or registration) and operation	Proportion of ownership interest and voting power held	Method used to account for investment	Principal activity
Artilium N.V	Belgium	100%	Acquisition accounting	Telecom
United Telecom N.V	Belgium	100%	Acquisition accounting	Telecom
Speak Up BVBA	Belgium	100%	Acquisition accounting	Telecom
Talking Sense BVBA	Belgium	100%	Acquisition accounting	Telecom
Artilium UK Limited	UK	100%	Acquisition accounting	Telecom
Artilium Trustee Company Limited	UK	100%	Acquisition accounting	Dormant
Comsys Telecom & Media BV	The Netherlands	100%	Acquisition Accounting	Telecom
Comsys Connect BV	The Netherlands	100%	Acquisition accounting	Telecom
Portalis BV	The Netherlands	100%	Acquisition accounting	Telecom
Livecom International BV	The Netherlands	100%	Acquisition accounting	Telecom
Comsys Connect GMBH	Germany	100%	Acquisition accounting	Telecom
Comsys Connect AG	Switzerland	100%	Acquisition accounting	Telecom
United Telecom BV	The Netherlands	100%	Acquisition accounting	Telecom

Notes to the Company financial statements
Year ended 30 June 2016

38. Investments

	Investment in subsidiary Eur'000
At 1 July 2014	27,748
Exchange differences	3,514
At 30 June 2015	31,262
Additions	5,075
Exchange differences	(3,796)
At 30 June 2016	32,541
Provision	
At 1 July 2014	1,922
Impairment losses on investments	2,950
Exchange differences	244
At 30 June 2015	5,116
Exchange differences	319
At 30 June 2016	5,435
Carrying amount	
At 30 June 2015	26,146
At 30 June 2016	27,106

39. Trade and other receivables

	2016 Eur'000	2015 Eur'000
Prepayments and deferred expenses	6	6
Receivable from Group companies	3,257	3,117
	3,263	3,123

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

Notes to the Company financial statements
Year ended 30 June 2016

40. Trade and other payables

	2016 Eur'000	2015 Eur'000
Trade payables	48	56
Accruals	197	146
Payable to Group Companies	4,467	1,934
	4,712	2,136

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

41. Notes to the Company cash flow statement

	2016 Eur'000	2015 Eur'000
Loss for the year	(2,657)	(1,732)
Adjustments for:		
Provision for investments and receivable balances	-	3,016
Other	35	(107)
	(2,622)	1,177
Operating cash flows before movements in working capital		
Increase in receivables	(140)	565
Decrease in payables	2,357	(2,646)
Cash used in operating activities	(186)	(904)

Notes to the Company financial statements
Year ended 30 June 2016

42. Related party transactions

Trading transactions

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

	Amounts owed by related parties	
	2016	**2015**
	Eur'000	**Eur'000**
Artilium N.V	232	270
Artilium plc Employee Benefit Trust	1,749	2,055
United Telecom	1,276	792

The balance due from Artilium UK Limited of €3,080,000 (2015: €3,595,000) at 30 June 2016 has been fully provided for.

	Amounts payable to related parties	
	2016	**2015**
	Eur'000	**Eur'000**
Artilium N.V	4,467	1,934

Artilium NV is a subsidiary of the Company.

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

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

Remuneration of the Directors of the Company is disclosed on page 14.

Notes to the Company financial statements
Year ended 30 June 2016

43. Financial instruments

Financial risk management

The Group's risk management policies are set out in Note 34 to the consolidated financial statements. These are equally applicable to the Company.

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

	Notes	2016 Eur'000	2015 Eur'000
Financial assets:			
Loans and receivables:			
Trade and other receivables	41	3,263	3,123
Cash and cash equivalents		-	44
		3,263	3,167
Financial liabilities:			
Amortised cost:			
Trade and other payables	42	4,515	1,990
Other borrowings		400	-
		4,515	1,990

44. Events since the balance sheet date

In July 2016 Artilium plc entered into a strategic alliance with Green IT Globe NV ("Green IT Globe") to launch the OneApp platform in order to capture the mobile data cloud market. Furthermore, the Company has issued a loan note to Green IT Globe for a cash amount of €1,000,000. The loan note is repayable in full in July 2017 at a rate of ten per cent per annum and was financed by external parties.