

Financial Statements

Arieso Limited

For the year ended 31 December 2012



Registered number: 4515167

Arieso Limited

Company Information

Company number 4515167

Registered office Astor House
Newbury Business Park
London Road
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RG14 2PZ

Directors F S Dehghan
T M Vega
C Watts
D Tate
R Oliver

Solicitors Manches LLP
9400 Garsington Road
OXFORD
OX4 2HN

Auditor Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
3140 Rowan Place
John Smith Drive
Oxford Business Park South
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Directors' Report

For the year ended 31 December 2012

The directors present their report and the financial statements for the year ended 31 December 2012

Principal activities

The principal activity of the Group in the year under review was the development and marketing of geo-location software and services to mobile operators and partners

Business review

Performance

The key measures of performance used by the directors are

	2012	2011	Change
Turnover	£12,759,293	£9,016,688	42%
Gross Margin	£10,162,821	£7,481,877	36%
Profit Before Tax	£1,122,958	£1,078,982	4%

Aneso saw a third year of exceptional growth, with turnover up 42% and PBT up 4%. The growth resulted from continuing demand from existing customers and significant new wins with new accounts. Profitability was enhanced despite material investments across the group, notably in Sales, R&D, and Services.

Strategy

Aneso's strategy remains the analysis of data from billions of mobile connection events, giving mobile operators rich intelligence to optimise network performance, improve the user experience, and monetize unique insights. Aneso is the pioneer and global market leader of the geo-location sector.

The Group continues to invest in its geo-location software and complementary product suites, in order to maintain its market lead and to offer its customers a wide range of value added solutions.

Outlook

Aneso carries a backlog of orders under delivery into 2013 equal to almost half its 2012 revenue, and a strong pipeline of new business. Both reflect the growing demand for its products and its market leading position. The directors are confident of another year of strong growth.

Results

The profit for the year, after taxation, amounted to £1,058,394 (2011 - £1,468,213).

Principal risks and uncertainties

The Group is exposed to a variety of financial risks which result from its operating activities. The board is responsible for coordinating the Group's risk management and focuses on actively securing the Group's short to medium term cash flows.

The Group does not actively engage in the trading of financial assets and financial derivatives. The most significant financial risks to which the Group is exposed to are described below.

Credit risk

The Group's credit risk is primarily attributable to its trade debtors. The Group's customers are all tier 1 mobile operators, and together with a good track record of collections, the directors assessed that there is no requirement for an allowance for doubtful debtors.

Directors' Report

For the year ended 31 December 2012

Cashflow risk

The Group seeks to manage risks to ensure sufficient liquidity is available to meet foreseeable operational needs. It is profitable and supported by leading institutional investors.

Currency risk

The Group is exposed to translation and transaction foreign exchange risk. The Groups' receipts are principally in USD and EUR, and its costs in USD and GBP. While the Group does not hedge those risks, the directors periodically review the risks.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and the group and of the 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 estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

Directors

The directors who served during the year were

F S Dehghan

M M L Ng (resigned 7 September 2012)

T M Vega

R M Fuller (resigned 18 September 2012)

C Watts

D Tate (appointed 3 January 2012)

R Oliver (appointed 1 November 2012)

Directors' Report

For the year ended 31 December 2012

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditor in connection with preparing its report and to establish that the company and the group's auditor is aware of that information

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board and signed on its behalf



F S Dehghan
Director

Date 20 Feb 2013



Independent Auditor's Report to the Members of Arieso Limited

We have audited the financial statements of Arieso Limited for the year ended 31 December 2012, which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's and group's affairs as at 31 December 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



Independent Auditor's Report to the Members of Arieso Limited

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

Grant Thornton UK LLP

Tracey James (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Oxford
Date

21 February 2013

Consolidated profit and loss account

For the year ended 31 December 2012

	Note	2012 £	2011 £
Turnover	1	12,759,293	9,016,689
Cost of sales		<u>(2,596,472)</u>	<u>(1,534,877)</u>
Gross profit		10,162,821	7,481,812
Administrative expenses		<u>(9,052,238)</u>	<u>(6,411,353)</u>
Operating profit	2	1,110,583	1,070,459
Interest receivable and similar income	5	<u>12,375</u>	<u>8,523</u>
Profit on ordinary activities before taxation		1,122,958	1,078,982
Tax on profit on ordinary activities	6	<u>(64,564)</u>	<u>389,231</u>
Profit for the financial year	13	<u>1,058,394</u>	<u>1,468,213</u>

All amounts relate to continuing operations

The notes on pages 11 to 23 form part of these financial statements

Consolidated statement of total recognised gains and losses

For the year ended 31 December 2012

	Note	2012 £	2011 £
Profit for the financial year		1,058,394	1,468,213
Currency translation movement on foreign currency investments		<u>54,859</u>	<u>(20,018)</u>
Total recognised gains and losses relating to the year		<u>1,113,253</u>	<u>1,448,195</u>

The notes on pages 11 to 23 form part of these financial statements

Consolidated balance sheet

As at 31 December 2012

	Note	£	2012 £	2011 £
Fixed assets				
Tangible assets	7		495,316	619,946
Current assets				
Debtors	9	9,181,084	2,459,491	
Cash at bank		3,797,452	5,183,990	
		<u>12,978,536</u>	<u>7,643,481</u>	
Creditors: amounts falling due within one year	10	<u>(7,306,113)</u>	<u>(3,209,132)</u>	
Net current assets			5,672,423	4,434,349
Net assets			<u>6,167,739</u>	<u>5,054,295</u>
Capital and reserves				
Called up share capital	12		5,707	5,666
Share premium account	13		9,436,241	9,436,091
Foreign exchange reserve	13		(23,278)	(78,137)
Profit and loss account	13		<u>(3,250,931)</u>	<u>(4,309,325)</u>
Shareholders' funds	14		<u>6,167,739</u>	<u>5,054,295</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by

F S Dehghan
 Director



Date 20 Feb 2013

The notes on pages 11 to 23 form part of these financial statements

Company balance sheet

As at 31 December 2012

	Note	£	2012 £	£	2011 £
Fixed assets					
Tangible assets	7		484,094		604,420
Investments	8		500		500
			<u>484,594</u>		<u>604,920</u>
Current assets					
Debtors	9	12,043,207		4,363,339	
Cash at bank		602,491		2,829,081	
		<u>12,645,698</u>		<u>7,192,420</u>	
Creditors: amounts falling due within one year	10	(6,617,802)		(2,184,647)	
Net current assets			<u>6,027,896</u>		<u>5,007,773</u>
Net assets			<u><u>6,512,490</u></u>		<u><u>5,612,693</u></u>
Capital and Reserves					
Called up share capital	12		5,707		5,666
Share premium account	13		9,436,241		9,436,091
Profit and loss account	13		(2,929,458)		(3,829,064)
Shareholders' funds	14		<u><u>6,512,490</u></u>		<u><u>5,612,693</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by

F S Dehghan
 Director

Date 20 Feb 2013

The notes on pages 11 to 23 form part of these financial statements

Consolidated Cash Flow Statement

For the year ended 31 December 2012

	Note	2012 £	2011 £
Net cash flow from operating activities	15	(1,015,027)	1,872,702
Returns on investments and servicing of finance	16	12,375	8,523
Taxation		-	1,231
Capital expenditure and financial investment	16	(384,036)	(515,479)
Cash (outflow)/inflow before financing		(1,386,688)	1,366,977
Financing	16	150	2,778
(Decrease)/Increase in cash in the year		(1,386,538)	1,369,755

Reconciliation of Net Cash Flow to Movement in Net Funds

For the year ended 31 December 2012

	2012 £	2011 £
(Decrease)/Increase in cash in the year	(1,386,538)	1,369,755
Movement in net funds in the year	(1,386,538)	1,369,755
Net funds at 1 January	5,183,990	3,814,235
Net funds at 31 December	3,797,452	5,183,990

The notes on pages 11 to 23 form part of these financial statements

Notes to the Financial Statements

For the year ended 31 December 2012

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The principal accounting policies of the group have remained unchanged from the prior period and are set out below

The directors have drawn up the financial statements on the going concern basis of accounting as they believe that the group will continue to meet its liabilities as they fall due for payment following their review of forecasts

1.2 Going concern

The directors have considered the financial position of the Group and forecasts for a period of at least 12 months from the date of approval of these financial statements and are of the opinion that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore the directors continue to adopt the going concern basis in preparing the financial statements

1.3 Basis of consolidation

The financial statements consolidate the accounts of Arieso Limited and its subsidiary undertakings ('subsidiary')

1.4 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax

In accordance with FRS 5 'Reporting the substance of transactions' application note G, the company recognises income at the following times

- perpetually licensed software revenue is recognised upon delivery of the software to the customer,
- service revenue with a fixed term is recognised over the period to which it relates, and
- monthly rental income is recognised over the rental period

Where a warranty period is included in a contract to deliver perpetually licenced software, a proportion of the licence fee is deferred over the warranty period

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis

Managed computer services	- 33% straight line
Office equipment	- 20% straight line
Computer equipment	- 33% - 50% straight line
Computer software	- 33% straight line

Notes to the Financial Statements

For the year ended 31 December 2012

1. Accounting Policies (continued)

1.6 Investments

Investments in subsidiaries are valued at cost less provision for impairment

1.7 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term

1.8 Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured on an undiscounted basis using rates of tax that have been enacted or substantively enacted by balance sheet date.

1.9 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken through the profit and loss account.

1.10 Research and development

Research and development expenditure is written off in the year in which it is incurred.

1.11 Pensions

The group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contributions payable are charged to the profit and loss account.

1.12 Financial instruments

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

Notes to the Financial Statements

For the year ended 31 December 2012

2. Operating profit

The operating profit is stated after charging/(crediting)

	2012 £	2011 £
Depreciation of tangible fixed assets		
- owned by the group	508,666	541,924
Auditor's remuneration - audit of the financial statements	30,000	10,000
Auditor's remuneration - taxation fees	72,280	17,950
Movement on foreign exchange balances	9,664	(16,013)
Operating lease rentals - land and buildings	68,006	68,006
Auditor's remuneration - other	10,000	-
	<u>598,616</u>	<u>611,867</u>

3. Staff costs

Staff costs, including directors' remuneration, were as follows

	2012 £	2011 £
Wages and salaries	5,088,904	3,611,965
Social security costs	442,369	372,098
Other pension costs	131,942	112,598
	<u>5,663,215</u>	<u>4,096,661</u>

The average monthly number of employees, including the directors, during the year was as follows

	2012 No	2011 No
Research & development	26	21
Services	17	14
Sales	8	7
Administrative	8	5
	<u>59</u>	<u>47</u>

Notes to the Financial Statements

For the year ended 31 December 2012

4. Directors' remuneration

	2012	2011
	£	£
Emoluments	<u>650,592</u>	<u>307,680</u>

During the year retirement benefits were accruing to 3 directors (2011 - 2) in respect of defined contribution pension schemes

The highest paid director received remuneration of £192,893 (2011 - £182,362)

The total accrued pension provision of the highest paid director at 31 December 2012 amounted to £10,748 (2011 - £5,368)

5. Interest receivable

	2012	2011
	£	£
Bank interest receivable	<u>12,375</u>	<u>8,523</u>

6. Taxation

	2012	2011
	£	£
Analysis of tax charge/(credit) in the year		
Current tax (see note below)		
UK corporation tax charge/(credit) on profit for the year	64,564	(1,231)
Deferred tax (see note 11)		
Losses and other deductions	-	(388,000)
Tax on profit on ordinary activities	<u>64,564</u>	<u>(389,231)</u>

Notes to the Financial Statements

For the year ended 31 December 2012

6. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 24.5% (2011 - 26%). The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	1,122,958	1,078,982
Profit on ordinary activities multiplied by standard rate of corporation tax of 24.5% (2011 - 26%)	275,125	280,535
Effects of:		
Fixed asset timing differences	2,127	2,021
Expenses not deductible for tax purposes	35,549	4,973
Depreciation in excess of capital allowances	120,549	142,100
Utilisation of tax losses	(203,925)	(363,750)
Adjustment to brought forward balances	(6,369)	(1,231)
Other permanent differences	(15,789)	-
Adjustment in research and development	(216,576)	(69,058)
Foreign tax credits	64,451	-
Other short term differences	9,422	3,179
Current tax charge/(credit) for the year (see note above)	64,564	(1,231)

The parent company has further tax losses of approximately £1,529k (2011 £500k) available to offset against future taxable profits, subject to Her Majesty's Revenue and Customs approval. A deferred tax asset has been recognised for the proportion of the tax losses which is expected to be realised in the foreseeable future.

Notes to the Financial Statements

For the year ended 31 December 2012

7. Tangible fixed assets

Group	Computer software £	Computer equipment £	Office equipment £	Managed computer services £	Total £
Cost					
At 1 January 2012	35,372	1,330,666	72,224	52,636	1,490,898
Additions	26,361	290,798	-	66,877	384,036
Disposals	-	(18,249)	-	-	(18,249)
At 31 December 2012	61,733	1,603,215	72,224	119,513	1,856,685
Depreciation					
At 1 January 2012	30,244	763,190	25,888	51,630	870,952
Charge for the year	6,284	485,220	1,704	15,458	508,666
On disposals	-	(18,249)	-	-	(18,249)
At 31 December 2012	36,528	1,230,161	27,592	67,088	1,361,369
Net book value					
At 31 December 2012	25,205	373,054	44,632	52,425	495,316
At 31 December 2011	5,128	567,476	46,336	1,006	619,946
Company					
Cost					
At 1 January 2012	31,118	1,282,662	36,971	68,285	1,419,036
Additions	26,361	285,915	-	66,877	379,153
Disposals	-	(18,249)	-	-	(18,249)
At 31 December 2012	57,479	1,550,328	36,971	135,162	1,779,940
Depreciation					
At 1 January 2012	25,990	729,990	35,965	22,671	814,616
Charge for the year	6,284	476,731	1,006	15,458	499,479
On disposals	-	(18,249)	-	-	(18,249)
At 31 December 2012	32,274	1,188,472	36,971	38,129	1,295,846
Net book value					
At 31 December 2012	25,205	361,856	-	97,033	484,094
At 31 December 2011	5,128	552,672	1,006	45,614	604,420

The above assets (both for the group and the company) include assets purchased for the purpose of leasing to customers under operating leases with a cost of £1,250,116 (2011 £1,026,807) At 31 December 2012, these assets had a net book value of £202,464 (2011 £409,721)

Notes to the Financial Statements

For the year ended 31 December 2012

8. Fixed asset investments

Company	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2012 and 31 December 2012	500
Net book value	
At 31 December 2012	500
At 31 December 2011	500

Details of the principal subsidiaries can be found under note number 21

9. Debtors

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade debtors	7,021,438	1,833,554	3,296,394	1,400,341
Amounts owed by group undertakings	-	-	7,500,001	2,390,886
Other debtors	1,771,646	237,937	858,812	184,112
Deferred tax asset (see note 11)	388,000	388,000	388,000	388,000
	<u>9,181,084</u>	<u>2,459,491</u>	<u>12,043,207</u>	<u>4,363,339</u>

10. Creditors:**Amounts falling due within one year**

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade creditors	788,690	378,542	713,358	281,895
Amounts owed to group undertakings	-	-	2,381,668	-
Social security and other taxes	112,654	117,757	112,654	95,214
Accruals, deferred income and other creditors	6,404,769	2,712,833	3,410,122	1,807,538
	<u>7,306,113</u>	<u>3,209,132</u>	<u>6,617,802</u>	<u>2,184,647</u>

Notes to the Financial Statements

For the year ended 31 December 2012

11. Deferred tax asset

	2012	Group	2012	Company
	£	2011	£	2011
	£	£	£	£
At beginning of year	388,000	-	388,000	-
Recognised in the year	-	388,000	-	388,000
At end of year	<u>388,000</u>	<u>388,000</u>	<u>388,000</u>	<u>388,000</u>

The deferred tax asset is made up as follows

	2012	Group	2012	Company
	£	2011	£	2011
	£	£	£	£
Tax losses brought forward	<u>388,000</u>	<u>388,000</u>	<u>388,000</u>	<u>388,000</u>

12. Share capital

	2012	2011
	£	£
Allotted, called up and fully paid		
6,616,700 (2011 - 6,615,700) Ordinary shares of £0 0001 each	662	662
12,249,900 Ordinary A shares of £0 0001 each	1,225	1,225
36,078,952 Ordinary B shares of £0 0001 each	3,608	3,608
1,804,299 (2011 - 1,712,645) Ordinary Z shares of £0 0001 each	180	171
	<u>5,675</u>	<u>5,666</u>
Allotted, called up and unpaid		
324,670 Ordinary Z shares of £0 0001 each	<u>32</u>	<u>-</u>

Notes to the Financial Statements

For the year ended 31 December 2012

12. Share capital (continued)

The Ordinary A and Ordinary B shares will carry equal dividend rights, pari passu as if the shares were of the same class. Similarly the shares carry equal voting rights.

Any holder of Ordinary A shares or Ordinary B shares can convert their shares into Ordinary shares by giving notice in writing to the company. Any such conversion will then take place at the ratio of one to one.

On a sale of the company, the holders of the Ordinary B shares shall have the first entitlement to an amount equal to 150% of the subscription price of the relevant shares. The holder of Ordinary A shares shall have the second entitlement to an amount equal to the subscription price in respect of each such share. The holders of the Ordinary Z shares shall have the third entitlement, dependent on achieving a sales price hurdle in accordance with the companies' articles. Any remaining proceeds shall then be distributed equally amongst the holders of the Ordinary, Ordinary A and Ordinary B shareholders in amount equal to the proportion of the shares held.

In the event of a liquidation of the company or a capital reduction, any distribution shall be made first to the Ordinary Z shareholders in accordance with the company's article regarding the sales price hurdle. Secondly, any distribution will be allocated amongst the holders of the Ordinary, Ordinary A and Ordinary B shares in proportion to the shares held, pari passu as if the shares were of the same class.

13. Reserves

Group	Share premium account £	Foreign exchange reserve £	Profit and loss account £
At 1 January 2012	9,436,091	(78,137)	(4,309,325)
Profit for the year	-	-	1,058,394
Premium on shares issued during the year	150	-	-
Movement on foreign exchange	-	54,859	-
At 31 December 2012	<u>9,436,241</u>	<u>(23,278)</u>	<u>(3,250,931)</u>

Company	Share premium account £	Profit and loss account £
At 1 January 2012	9,436,091	(3,829,064)
Profit for the year	-	899,606
Premium on shares issued during the year	150	-
At 31 December 2012	<u>9,436,241</u>	<u>(2,929,458)</u>

Notes to the Financial Statements

For the year ended 31 December 2012

14. Reconciliation of movement in shareholders' funds

	2012	2011
Group	£	£
Opening shareholders' funds	5,054,295	3,603,321
Profit for the year	1,058,394	1,468,213
Shares issued during the year	41	173
Share premium on shares issued (net of expenses)	150	2,606
Other recognised gains and losses during the year	54,859	(20,018)
Closing shareholders' funds	<u>6,167,739</u>	<u>5,054,295</u>

	2012	2011
Company	£	£
Opening shareholders' funds	5,612,693	4,351,315
Profit for the year	899,606	1,258,599
Shares issued during the year	41	173
Share premium on shares issued (net of expenses)	150	2,606
Closing shareholders' funds	<u>6,512,490</u>	<u>5,612,693</u>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account

The profit for the year dealt with in the accounts of the company was £899,606 (2011 - £(493,231))

15. Net cash flow from operating activities

	2012	2011
	£	£
Operating profit	1,110,583	1,070,459
Depreciation of tangible fixed assets	508,666	541,924
(Increase)/decrease in debtors excluding deferred tax	(6,721,561)	(309,400)
Increase in creditors	4,096,981	589,457
Foreign exchange variances	(9,696)	(19,738)
Net cash (outflow)/inflow from operating activities	<u>(1,015,027)</u>	<u>1,872,702</u>

16. Analysis of cash flows for headings netted in cash flow statement

	2012	2011
	£	£
Returns on investments and servicing of finance		
Interest received	<u>12,375</u>	<u>8,523</u>

Notes to the Financial Statements

For the year ended 31 December 2012

16. Analysis of cash flows for headings netted in cash flow statement (continued)

	2012 £	2011 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(384,036)	(515,479)
	<u>2012</u> £	<u>2011</u> £
Financing		
Issue of ordinary shares	150	2,778

17. Analysis of changes in net debt

	1 January 2012 £	Cash flow £	Other non-cash changes £	31 December 2012 £
Cash at bank and in hand	5,183,990	(1,386,538)	-	3,797,452
Net funds	<u>5,183,990</u>	<u>(1,386,538)</u>	<u>-</u>	<u>3,797,452</u>

18. Contingent liabilities

Neither the Group nor the Company had any contingent liabilities at 31 December 2012 or 31 December 2011

19. Operating lease commitments

At 31 December 2012 the Group had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2012 £	2011 £
Group		
Expiry date:		
Within 1 year	15,320	18,935
Between 2 and 5 years	49,071	49,071

Notes to the Financial Statements

For the year ended 31 December 2012

20. Related party transactions

The Group has taken advantage of the FRS 8 'Related Party Transaction' exemption from disclosure of intra group transactions between the parent and a wholly owned subsidiaries

Fees totalling £72,298 (2011 - £45,000) were paid to Tevaria UK Limited, a company under the control of T Vega, for the provision of Chair Person services At 31 December 2012, £nil (2011 - £nil) remained outstanding for payment and £13,750 (2011 - £nil) is held within accruals

Fees totalling £18,500 (2011- £9,000) were paid to Oxford Capital Partners LLP, a shareholder At 31 December 2012, £5,000 (2011- £5,000) is held within accruals

Fees totalling £18,750 (2011 - £7,500) were paid to Top Technology Ventures IV LP, a shareholder At 31 December 2012, £18,750 (2011 - £7,500) is held within accruals

Fees totalling £9,000 (2011 - £4,500) were paid to The Carbon Trust, a shareholder At 31 December 2012, £8,750 (2011 - £8,750) is held within accruals

21. Principal subsidiaries

Company name	Country	Percentage Shareholding	Description
Arieso Inc	United States of America	100%	Design of software for mobile telephone operators
Arieso Espana S L	Spain	100%	Design of software for mobile telephone operators

22. Capital commitments

Neither the Group nor the Company had any capital commitments at 31 December 2012 or 31 December 2011

23. Share options

No share based payment charge has been reflected in the financial statements in the current or previous financial year as the potential charge was immaterial to the financial statements

The fair value of equity settled share options granted is estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted using the following assumptions

	2012	2011
Expected volatility	40.00	40.00
Risk-free interest rate (%)	2.50	2.50
Expected life (years)	5.00	5.00

The expected dividend rate use in both the current and previous year was nil

Notes to the Financial Statements

For the year ended 31 December 2012

The following Ordinary share options outstanding at the end of the period and have the following exercise prices

	Exercise price £	2012 No	2011 No
Grant date			
4 February 2005	0.20	30,052	30,052
3 May 2005	0.0001	80,500	80,500
30 November 2005	0.15	68,500	68,500
13 April 2007	0.15	48,500	49,500
20 August 2008	0.15	70,000	70,000
31 October 2008	0.15	42,500	42,500
17 August 2009	0.20	714	714
21 June 2010	0.15	43,378	43,378
27 September 2010	0.15	15,000	15,000
10 January 2012	0.15	82,500	-
26 June 2012	0.15	65,000	-
06 July 2012	0.15	82,500	-
1 November 2012	0.15	750,000	-
14 November 2012	0.15	582,500	-
3 December 2012	0.15	150,000	-
Total Ordinary share options		<u>2,111,644</u>	<u>400,144</u>

A total of 1,000 options were exercised during the period and 20,000 lapsed

The following Z Ordinary share options outstanding at the end of the period and have the following exercise prices

	Exercise price £	2012 No	2011 No
Grant date			
30 September 2011	0.0001	4,005,487	4,760,442
5 October 2011	0.0001	658,631	672,691
26 June 2012	0.0001	105,000	-
14 November 2012	0.0001	1,365,213	-
Total Z Ordinary share options		<u>6,134,331</u>	<u>5,433,133</u>

A total of 265,597 options were exercised during the period