

R.O.C

Registered No. 3009325

Ariel Communications Limited
Annual Report 2010

ARIEL COMMUNICATIONS LIMITED

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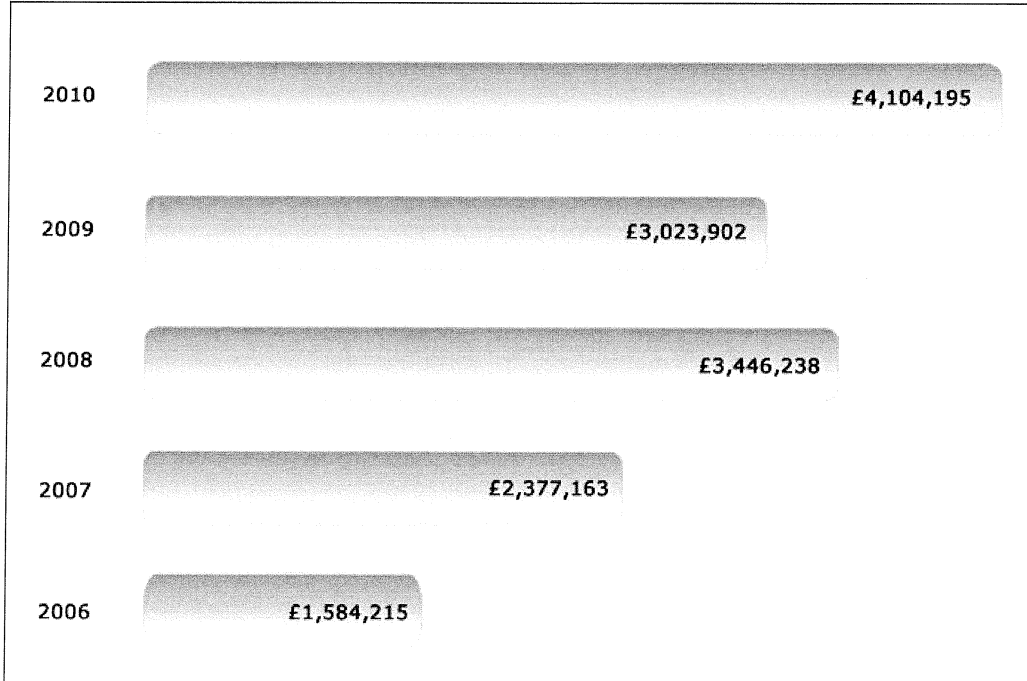
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ARIEL COMMUNICATIONS LIMITED

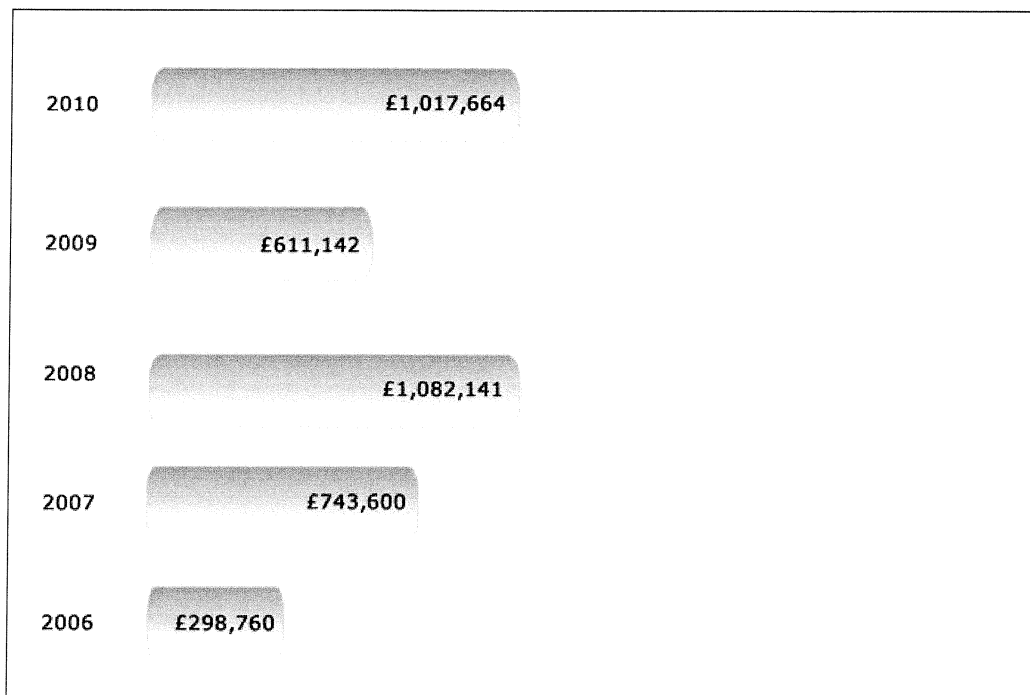
HIGHLIGHTS

- Turnover up 36% to £4.104m (2009: £3.024m)
- PBT up 67% to £1.018m (2009: £0.611m)
- Net profit margin increased to 25% (2009: 20%)
- Net cash flow from Operating Activities up by 173% to £1.462m (2009: £0.535m)
- Net assets increased by 45% to £2.762m (2009: 1.902m).

Revenue – Increased 36%



Profit Before Tax – Increased 67%



ARIEL COMMUNICATIONS LIMITED

CHAIRMAN'S STATEMENT

Introduction

I am very pleased to report on a year of excellent progress for the company across a broad range of fronts. Despite on-going nervousness in our primary markets, the company has delivered a very creditable performance for the 2010 trading year.

The company has achieved a Turnover of £4.104m (2009: £3.024m) and profits of £1.018m (2009: £0.611m). The significant growth in revenues and profits has been derived from continuing to improve and expand our product and service offering to our target markets. To achieve these results we have increased the sales and productive capacity of the organisation and this will continue to show benefits in the current year.

The company has placed significant importance on servicing the needs of our existing client base and has introduced a number of operational changes to ensure we offer the most responsive and flexible services possible to a very demanding sector. We shall continue to focus on these clients whilst, in parallel, increasing our efforts to broaden the client base.

Last year we reported on the development of alternative commercial and licensing offerings which we believed would help to take the business forward. Despite continuing to identify reluctance in some areas to commit to large capital projects, I am pleased to confirm we have had considerable success in introducing these new models to our client base. In the coming year we believe we will significantly reduce the barriers to entry for new clients.

The company remains heavily committed to allocating significant resource to product design and development, which will increase still further our competitiveness as we go through 2011. The company is already well positioned to benefit from any upturn in confidence amongst our target markets, but it is important that we stay in step with the evolving demands of the market.

Dividend.

We are pleased to announce that we have increased the level of dividends. On 23 February 2011 a dividend of £300,000 was paid which the holding company, Ariel Systems Group Limited, has used to subscribe for shares in TheAppStudio.com Limited, a wholly owned subsidiary of the holding company. A final dividend of £278,203 will be paid within 30 days of approval of these accounts which will result in the holding company paying a dividend of 15.46p pence per ordinary share to its shareholders. This action reflects the success achieved in 2010, and reflects the strong cash generative nature of the business and our confidence in the coming year.

Finally, I would like to take this opportunity to welcome on board all new members of staff, and to thank all employees for their continued commitment and dedication in working with our client base.



Phil Kelly

Chairman, Non Executive Director
15th March 2011

ARIEL COMMUNICATIONS LIMITED

CHIEF EXECUTIVE'S REPORT

Introduction

Ariel provides the iTrade platform to banks, brokerages and gaming brands. iTrade is a Multi Asset Trading Platform (Financial Spread Betting, CFD and FX trading) and is available on the desktop, iPhone, iPad and Android.

This time last year I forecast a "return to form" referring to our previous 4 years of growth. 2010 has delivered the required result:

- Turnover up 36% to £4.104m (2009: £3.024m)
- Profit before tax up 67% to £1.018m (2009: £0.611m)
- Net profit margin up, now 25% (2009: 20%)
- Net cash flow from Operating Activities increased 173% to £1.462m (2009: £0.535m)
- Net assets increased by 45% to £2.762m (2009: £1.902m).

In 2010 we placed significant importance on servicing our existing clients. We did this with dedicated implementation managers, and an increased product and business analysis team. This provided our customers with experienced technical and business staff having the skills and authority to solve customer problems and understand the most complex business requirements.

The company also hired more people (staff increased 42%) and improved process across Implementation, Product Development, Testing and Support, materially increasing our capacity for development and innovation.

2010 also saw significant new products – our platform is now deployed on iPhone, iPad and Android.

Finally last year saw us continue to expand our customer base with new rental business models – effectively lowering the barrier of entry for customers looking to expand their offer to a Multi Asset Trading Platform.

Turnover

Ariel's turnover increased by £1.080m (36%) to £4.104m from £3.024m last year. Increased spend from existing customers, new business and the introduction of new products all contributed to this increase.

Cost of Sales

The cost of sales increased by 42% to £1.938m from £1.368m in 2009. This increase in costs reflects the introduction of new extensions to iTrade that have supported the increase in sales in 2010. Staff costs represent 79% (2009: 94%) of our cost of sales.

Operating Expenses

Operating expenses increased £0.110m to £1.178m from £1.068m in 2009, a 10% increase.

Staff costs is the largest item at £0.673m (2009: £0.558m) representing 57% (2009: 52%) of our operating expenses, and reflecting an increase in new hires for sales and product staff during the period.

Depreciation of owned assets increased 24% to £0.143m (2009: £0.115m).

Profit on Ordinary Activities before Taxation

The profit on ordinary activities has increased 67% to £1.018m from £0.611m in 2009.

Retained Profit for the Year

Retained Profit increased 122% to £0.976m from £0.438m in 2009.

Current Assets

Trade debtors at the year end were £0.586m (2009: £0.547m). The average debtor days during the year were 52 days (2009: 66 days).

Current Liabilities

During the year, trade creditors increased to £0.05m from £0.02m in 2009.

Cash and Treasury

The company generated net cash inflows of £1.463m from operating activities (2009: £0.535m) with £0.181m invested in tangible assets. Cash and cash equivalents increased by 74% to £2.369m up from £1.359m in 2009 after paying dividends of £0.116m to shareholders (2009: £0.116m). The company is debt free.

Brand and Marketing

Ariel remains the "company of experts." Our customers continue to recognise the value of working with a firm who has deployed so many trading systems and understands the demanding nature of the financial markets.

Strategy and Product Development

Ariel's strategy remains unchanged. We seek to be the technology partner of choice for our customers and prospects in our area of expertise; Spreads, CFDs and FX on the desktop and on mobile devices.

2010 was another year of great product innovation with the completion of iPhone, iPad and Android versions of our Multi Asset Class Platform. Functionality of the system greatly increased with a continued focus on risk management and trader productivity across the platform.

Executive Management

The senior team remains the same as 2009 with myself as CEO, Simon Cox as COO, and Shailza Gupta as Financial Controller.

CHIEF EXECUTIVE'S REPORT (Continued)

Staff

As previously mentioned we hired to increase our development capacity and our ability to service our existing and new customers. Staff numbers have increased by 42% to 44 (2009: 31). 2010 saw 14% staff turnover (6 leavers and 19 new hires). 2011 budget provides for a further increase in number of staff in line with revenue growth. As in previous years Ariel will continue to pay competitive salaries with pensions, benefits and bonuses.

Business Objectives and Outlook

Our key objectives are as follows:

- Continue the focus on servicing our existing clients.
- Continue to grow our customer base.
- Continue to provide and deploy additional functionality that provides real benefits to our customers.
- To deliver productivity gains within our implementation, product development, testing, delivery and support functions to further increase our operating margins.

Trading subsequent to the year end has progressed in line with expectations.

I would like to thank the employees, both our new hands and the seasoned Ariel staffers. It is their commitment to our customers that has allowed us to achieve these results.



Angus Clacher
Chief Executive Officer
15th March 2011

ARIEL COMMUNICATIONS LIMITED

THE BOARD

Philip Kelly

Non Executive Chairman, Age 58

Philip has over 21 years' experience as Managing Director, Chief Executive and Non Executive Director of private and publicly quoted software companies supplying the commercial and public sectors in the UK, Europe and the USA. He is a former Chief Executive of Radius Group PLC (turnover c. £35m) and currently serves as a Non Executive Director. Philip had previously worked for Digital Equipment and 3i Consultants. He has an MBA from Cranfield and an Economics Degree from Leicester.

Philip joined the Ariel Board in July 2008.

Angus Clacher

Chief Executive Officer, Age 42

Angus has spent over 16 years working with markets and technology. Having originally trained as an accountant, he spent his early career working in his native Australia at the Westpac Banking Corporation and the Sydney Futures Exchange. Angus joined Citibank FX, London in 1994, forming and leading the Applications Group delivering technical solutions to 1,500+ front office staff in 48 countries. He went on to found I Want One Of Those.com - an e-commerce business which grew rapidly and profitably before its trade sale four years after founding.

Angus joined Ariel in July 2005.

Simon Cox

Chief Operating Officer, Age 37

Simon started his career in IT as a support specialist before moving into development and onto project management. He joined Ariel having spent over 13 years in project and process management including establishing the Business Services department for Petards Limited. Simon has been involved in projects including the completion phase of the British Library, the city-wide CCTV network for the Metropolitan Police Service and the roll-out of computer technology across the Metropolitan Police Service traffic fleet. He has an MBA from the University of Leicester.

Simon joined Ariel in July 2007.

Peter Hartley

Non Executive Director, Senior Independent Director, Age 58

Peter is currently a Non Executive Director for GOoutdoors UK Limited and a former Group Finance Director for Blacks Leisure PLC (turnover c.£300m). Previous roles also include UK Operations Director for Regus PLC, Managing Director of Texas Homecare (turnover c.£400m) and Finance Director for the Retail Finance Co-operative Bank. Peter brings significant experience of major boards in both Executive and Non Executive roles and is well respected by City Retail analysts and shareholders. A chartered Accountant, Peter qualified while at Touche Ross & Co.

Peter joined the Ariel Board in July 2008.

ARIEL COMMUNICATIONS LIMITED

DIRECTORS REPORT

The Directors present their report and the financial statements of the company for the year ended 31 December 2010.

Principal Activities

The principal activities of the company throughout the year were proprietary software sales, software development, support, maintenance and hosting.

Results and Dividends

The profit on ordinary activities attributable to shareholders after taxation amounted to £0.976m (2009: £0.438m). The proposed dividend for the year is detailed in the Chairman's Statement on page 4.

Business Review

The Directors are pleased with the company's performance during the year and its position as at 31 December 2010. The Directors will continue to review the outlook and to manage the company accordingly, and look forward to a successful and profitable 2011.

A more detailed review of the business and its performance against the Key Performance Indicators is contained in the Chief Executive's Report.

Substantial Shareholdings

As at 31 December 2010, the following parties had interests in the issued ordinary share capital of Ariel's ultimate parent company Ariel Systems Group Limited.

	Number of ordinary shares	Percentage held
Prescient Capital Limited	701,260	38.96%
Highfield Capital Holdings Limited	196,100	10.90%
Gwailo Investment Limited	116,697	6.48%
Eruditus Limited	116,515	6.47%
Laneburg Company Inc.	113,288	6.30%
Neeson Holding Limited	113,075	6.28%
Carolyn May	36,215	2.01%
Emma Wright	4,600	.26%
Comwin Investments Corporation	113,179	6.29%
CMTC Nominee N.V	153,565	8.53%
Craig Annakin	12,286	.68%
James Johnstone	6,143	.34%
Lintex Holding Limited	15,356	.85%
Paul Jeffreys	30,713	1.71%
Laksa International	30,713	1.71%
Lindsay Cooper	40,074	2.23%

Statement of Director's Responsibilities

The Directors are responsible for preparing the Annual Report and 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 of the profit or loss of the company 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 a 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 company and to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors

P Kelly (Independent Non Executive Chairman)	appointed 3 July 2008
A Clacher (Chief Executive Officer)	appointed 14 March 2006
S Cox (Chief Operating Officer)	appointed 7 December 2007
P Hartley (Independent Non Executive Director)	appointed 3 July 2008

All served on the Board throughout the year.

ARIEL COMMUNICATIONS LIMITED

DIRECTORS REPORT (continued)

Secretary

London Registrars PLC

Registered Office

29-32 Mark Road
Hemel Hempstead
HP2 7BW

Registered Number

3009325

Statement as to Disclosure of Information to Auditors

We, the directors of the company who held office at the date of approval of these Financial Statements as set out above each confirm, so far as we are aware, that:

- there is no relevant audit information of which the company's auditors are unaware; and
- we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The report of the directors has been prepared taking advantage of the small companies exemption of section 415A of the Companies Act 2006.

ON BEHALF OF THE BOARD



Angus Clacher – DIRECTOR
Date: 15th March 2011

ARIEL COMMUNICATIONS LIMITED

STATEMENT OF CORPORATE GOVERNANCE

The following statement of corporate governance represents the position of the company as at 31 December 2010.

As the company is privately owned it is not required to report on compliance with the Combined Code on Corporate Governance ("Combined Code"). However, the company is committed to high standards of corporate governance and has adopted the following recommendations of the Combined Code.

Directors

The board is broadly balanced with two executive and two non executive directors. The non executive directors are considered to be 'independent' as defined in the Combined Code.

Directors:

- Angus Clacher, Chief Executive Officer
- Simon Cox, Chief Operating Officer
- Philip Kelly, Non Executive Chairman, head of the Remuneration committee
- Peter Hartley, Non Executive Director, senior independent Director, head of the Audit committee

Board meetings

The board meets monthly and at such other times as required, and receives regular reports on a broad range of issues including corporate strategy, the management of risk, financial and business performance. The role of the board includes setting the company's objectives and strategy, ensuring that the human and financial resources are available to achieve those objectives and satisfying itself as to the integrity of financial information and the robustness of the financial controls and risk management.

Board committees

The board has established two committees each consisting of the two non executive directors. Each committee has defined terms of reference.

Audit committee

The Audit committee is chaired by Peter Hartley, and meets once a year with the executive directors and representatives of the external auditors in attendance. The Committee's duties include the consideration of the Annual Report and Accounts prior to submission to the board for approval, compliance with accounting standards, the appointment and remuneration of the external auditors together with their scope of work and consideration of their findings, and the review of internal controls.

Remuneration committee

The Remuneration committee is chaired by Phillip Kelly and meets once a year. Its broad responsibility is to ensure the remuneration packages (including bonuses and options) of the executive directors and senior management are competitive and designed to attract, retain and motivate individuals of high quality.

The policy of the company on directors' remuneration is to provide competitive packages that reward both company and individual performance. Remuneration packages comprise a basic salary, an annual performance-related bonus, pension contributions and other benefits.

The remuneration arrangements of the non executive directors are determined by the board as a whole.

Shareholder communication

The directors welcome the views of the ultimate shareholders.

Communication with shareholders is seen as an important part of the board's responsibilities, and care is taken to ensure that all published information is made available to all shareholders at the same time. Whenever shareholder approval is required by the board, a resolution is drafted and circulated for consideration. If it is deemed necessary, a meeting between shareholders and directors is held to clarify any misunderstandings and answer any questions which either party might have.

In addition all shareholders are invited to attend the annual investors meeting, where there is an opportunity to question the directors as part of the agenda, or more informally after the meeting.

Internal control

The board is responsible for establishing and maintaining the company's system of internal controls. Internal control systems are designed to safeguard shareholders' investment and the company's assets. The system of internal control is an integral part of normal business processes and covers all material controls, including financial, operational and compliance controls and risk management systems. By their nature, internal control systems are designed to manage rather than eliminate risk, and can provide only reasonable and not absolute assurance against material misstatement or loss. The board has adopted a policy of continuous improvement by regular review for assessing the adequacy of internal controls.

The board receives regular reports on the working capital position and financial performance relative to the company's approved budget.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

ARIEL COMMUNICATIONS LIMITED

STATEMENT OF CORPORATE GOVERNANCE (continued)

Corporate social responsibility

Health and safety

The board believes that our employees are our most important asset. All our staff are office-based and the risk of accidents is low. We continue to review, maintain and enhance our practices in this area in line with perceived risks and new legislative requirements and best practice.

Employees

The company has established policies for recruiting, training and development of its staff and is committed to achieving excellent health, safety and the welfare and protection of employees and their working environment. The success of the company is enhanced by the retention of key management and technical personnel and on its ability to attract, motivate and retain employees of a high calibre. Share options and performance-related bonuses are used as part of their remuneration.

Environment

Our business is primarily in the UK and as such, our direct and indirect impact on the environment is minimal and considered low risk. The company believes the business has a responsibility to achieve good environmental practice and we continue to strive for improvement in its environmental impact.

ARIEL COMMUNICATIONS LIMITED

REPORT OF THE BOARD ON DIRECTORS REMUNERATION AND ON REMUNERATION POLICY

Remuneration committee

The Remuneration committee consists of the two non executive directors and is chaired by Phillip Kelly. Its broad responsibility is to ensure that the remuneration packages (including bonuses and options) of the executive directors are competitive and designed to attract, retain and motivate individuals of high quality.

Policy on remuneration

The policy of the company on directors' remuneration is to provide competitive packages that reward both company and individual performance. Remuneration is reviewed annually.

The remuneration package

Remuneration packages comprise a basic salary, an annual performance-related bonus, pension contributions and long-term-incentives.

Basic salary and benefits

The basic salary for the executive directors is reviewed by the remuneration committee prior to the beginning of each financial year, taking into account information from independent sources on market levels of remuneration and the performance of the individual. Remuneration proposals are then circulated to shareholders for final approval. The executive directors are also entitled to the same private medical insurance provided to all employees.

Annual bonuses

Bonus scheme arrangements are in place for employees, including the executive directors. The bonuses of the executive directors are linked to the financial performance of the company.

Pension contributions

The executive directors receive a company contribution to their individual pension arrangements.

Long term incentives

An Enterprise Management Initiative (EMI) share option scheme has been put in place by the parent company with the initial tranche of options granted on 19 January 2009. All eligible employees including the executive directors participate in the scheme.

ARIEL COMMUNICATIONS LIMITED

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ARIEL COMMUNICATIONS LIMITED

We have audited the financial statements of Ariel Communications Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 Auditors

As explained more fully in the Statement of Director's Responsibilities set out on page 8, 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

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 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 Chairman's statement, Chief Executives report and Directors' report to identify material inconsistencies with the audited financial statements. 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 company's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters 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.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 of the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the director's report.

Martin Maguire (Senior Statutory Auditor)
For and on behalf of HWS, Statutory Auditor
Chartered Accountants
Milton Keynes
15th March 2011

ARIEL COMMUNICATIONS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 £	2009 £
TURNOVER	2	4,104,195	3,023,902
Cost of sales		1,937,735	1,367,599
GROSS PROFIT		2,166,460	1,656,303
Net operating expenses	3	1,177,876	1,068,091
OPERATING PROFIT	4	988,584	588,212
Other interest receivable and similar income		29,080	22,930
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,017,664	611,142
Tax on profit on ordinary activities	6	41,515	172,899
PROFIT FOR THE FINANCIAL YEAR		976,149	438,243
Retained profit brought forward		1,902,094	1,579,851
Dividends	7	(116,000)	(116,000)
RETAINED PROFIT CARRIED FORWARD		2,762,243	1,902,094

The annexed notes form part of these financial statements.

ARIEL COMMUNICATIONS LIMITED

COMPANY NUMBER - 3009325
BALANCE SHEET AT 31 DECEMBER 2010

	Note	2010 £	2009 £
FIXED ASSETS			
Tangible assets	8	376,871	338,779
CURRENT ASSETS			
Debtors	9	737,364	584,393
Cash at bank		2,368,855	1,359,101
		<u>3,106,219</u>	<u>1,943,494</u>
CREDITORS			
Amounts falling due within one year	10	711,848	379,533
		<u>711,848</u>	<u>379,533</u>
NET CURRENT ASSETS		2,394,371	1,563,961
TOTAL ASSETS LESS CURRENT LIABILITIES PROVISIONS FOR LIABILITIES AND CHARGES		2,771,242 (8,997)	1,902,740 (644)
NET ASSETS		<u>2,762,245</u>	<u>1,902,096</u>
CAPITAL AND RESERVES			
Called up share capital	12	2	2
Profit and loss account		2,762,243	1,902,094
		<u>2,762,245</u>	<u>1,902,096</u>
SHAREHOLDERS' FUNDS		<u>2,762,245</u>	<u>1,902,096</u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

These financial statements were approved by the Board and authorised for issue on 15th March 2011

ON BEHALF OF THE BOARD



A CLACHER – DIRECTOR,

The annexed notes form part of these financial statements.

ARIEL COMMUNICATIONS LIMITED

CASH FLOW STATEMENT FOR THE YEAR END 31 DECEMBER 2010

	Note	2010 £	2009 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	16	1,462,583	535,245
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received	3,848	3,848	22,930
		<u>3,848</u>	<u>22,930</u>
TAXATION			
Corporation tax	(159,330)	(159,330)	(312,791)
Payment for Group relief	-	-	(42,480)
		<u>(159,330)</u>	<u>(355,271)</u>
CAPITAL EXPENDITURE			
Payments to acquire fixed assets	(181,408)	(181,408)	(220,020)
Receipts from sales of fixed assets	61	61	1,817
		<u>(181,347)</u>	<u>(218,203)</u>
EQUITY DIVIDENDS PAID		(116,000)	(116,000)
		<u>(116,000)</u>	<u>(116,000)</u>
INCREASE(DECREASE) IN CASH	17	1,009,754	(131,299)
		<u>1,009,754</u>	<u>(131,299)</u>

The annexed notes form part of these financial statements.

ARIEL COMMUNICATIONS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below and have remained unchanged from the previous year, and have also been consistently applied within the same accounts.

Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The effects of events in relation to the year ended 31 December 2010 which occurred before the date of approval of the financial statements by the Board of Directors, have been included in the statements to the extent required to show a true and fair view of the state of affairs at 31 December 2010 and of the results for the year ended on that date.

Depreciation

Depreciation has been computed to write off the cost of tangible fixed assets over their expected useful lives using the following rates:

Computer equipment	- 25% to 50% per annum straight line method
Furniture and fixtures	- 10% to 20% per annum straight line method

Deferred Taxation

Deferred taxation is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences.

Research and Development

Expenditure on research and development is written off against profits in the year in which it is incurred.

Foreign Exchange

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction.

Balances at the year end denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the Balance Sheet date.

Losses and profits on foreign exchange are taken to the Profit and Loss Account.

Leasing

Tangible fixed assets acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as other tangible fixed assets. The related obligations, net of future finance charges, are included in creditors.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension Costs

The company operates a pension scheme for the benefit of all its employees. The scheme is a defined contribution scheme, and the contributions are charged against profits in the year they are payable.

2. TURNOVER

Turnover is stated net of VAT and trade discounts. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date turnover represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as Deferred Income and included as part of Creditors due within one year.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated by reference to the value of work performed to date as a proportion of the total contract value.

The Company's turnover represents the value, excluding value added tax, of goods and services supplied to customers during the year.

There are no export sales in the year (2009: Nil).

3. NET OPERATING EXPENSES

	2010	2009
	£	£
Administrative expenses	1,177,876	1,068,091

ARIEL COMMUNICATIONS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Continued)

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2010	2009
	£	£
Directors' emoluments	346,429	308,128
Depreciation and amortisation of owned assets	142,915	114,800
Auditor's remuneration	8,250	10,977
Loss/(profit)Loss on sale of fixed assets	340	(311)
	<hr/>	<hr/>

5. DIRECTORS' REMUNERATION

There are 2 directors to whom retirement benefits are accruing under the money purchase pension scheme in respect of qualifying services (2009: 2).

6. TAXATION

	2010	2009
	£	£
Current year		
Corporation tax at 28% (2009: 28%)	279,905	158,192
Deferred tax at 28% (2009: 28%)	8,353	14,489
	<hr/>	<hr/>
	288,258	172,681
Prior year		
Corporation tax (over)under provided	(246,743)	218
	<hr/>	<hr/>
	41,515	172,899
	<hr/>	<hr/>

The Prior year adjustment relates to a claim for enhanced research and development.

7. DIVIDENDS

	2010	2009
	£	£
On Ordinary shares		
Dividend paid of £58,000 per share (2009: £58,000 per share)	116,000	116,000
	<hr/>	<hr/>
Dividend proposed and paid subsequent to the balance sheet date but before the date of approval of the financial statements	300,000	-
	<hr/>	<hr/>

ARIEL COMMUNICATIONS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Continued)

8. TANGIBLE FIXED ASSETS

	Computer equipment £	Furniture and fixtures £	Total £
Cost			
At 1 January 2010	599,868	194,095	793,963
Additions	82,452	98,956	181,408
Disposals	-	(462)	(462)
	<hr/>	<hr/>	<hr/>
At 31 December 2010	682,320	292,589	974,909
Depreciation			
At 1 January 2010	432,364	22,820	455,184
Charge for the year	103,661	39,254	142,915
Eliminated on disposals	-	(61)	(61)
	<hr/>	<hr/>	<hr/>
At 31 December 2010	536,025	62,013	598,038
Net book value			
At 31 December 2010	<hr/>	<hr/>	<hr/>
	146,295	230,576	376,871
At 31 December 2009	<hr/>	<hr/>	<hr/>
	167,504	171,275	338,779

9. DEBTORS

	2010 £	2009 £
Trade debtors	585,760	547,184
Corporation tax refund due	64,566	-
Other debtors	87,038	37,209
	<hr/>	<hr/>
	737,364	584,393

10. CREDITORS – AMOUNTS DUE WITHIN ONE YEAR

	2010 £	2009 £
Trade creditors	49,823	17,286
Corporation tax payable	-	61,602
Social security and other taxes	255,802	135,010
Other creditors	406,223	165,635
	<hr/>	<hr/>
	711,848	379,533

ARIEL COMMUNICATIONS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Continued)

11. PROVISIONS FOR LIABILITIES AND CHARGES

DEFERRED TAXATION

	£
Balance at 1 January 2010	644
Charge for the year	8,353
	<hr/>
Balance at 31 December 2010	8,997
	<hr/>

Full provision has been made in the accounts at 28% (2009: 28%) and comprises:

	2010	2009
	£	£
Accelerated capital allowance	9,445	760
Other timing difference	448	(116)
	<hr/>	<hr/>
Net liability	8,997	644
	<hr/>	<hr/>

12. SHARE CAPITAL

	2010	2009
	£	£
Authorised 1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
	<hr/>	<hr/>
Allotted, called up and fully paid 2 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

On 19 January 2009, under an Enterprise Management Incentive Plan, the Parent company Ariel Systems Group Limited granted share options over 179,978 ordinary shares of 1p in the company to group employees, with an exercise price of 62p per share. The options can be exercised in the event of the parent company shares being listed on a recognised stock exchange or on the Alternative Investment Market. If not exercised earlier, the share options will lapse on 19 January 2019. During the year ended 31 December 2010 share options over 8,758 (2009: 810) ordinary shares lapsed leaving net share options outstanding of 170,410 (2009: 179,168). As at 31 December 2010 and 31 December 2009 no options had been forfeited and none were exercisable.

13. LEASING COMMITMENTS

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as detailed below:

	2010	2009
	£	£
Operating leases which expire: After more than five years	33,333	33,333
	<hr/>	<hr/>

On 29 January 2011 the £33,333 annual rental commitment will increase to £80,000 per annum.

14. PENSION COSTS

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension costs charge represents contributions payable by the company to the fund and amounted to £94,608 (2009: £78,716).

There was £1,600 (2009: £413) outstanding at the end of the year and this amount is included in other creditors.

ARIEL COMMUNICATIONS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Continued)

15. RELATED PARTY TRANSACTIONS

During the year the company made sales of £180,846 (2009: £nil) to TheAppStudio.com Limited a fellow group company. At the year end £216,701 was due from TheAppStudio.com Ltd.

The holding company receives 100% of all dividends paid

16. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010	2009
	£	£
Operating Profit	988,584	588,212
Depreciation charge	142,915	114,800
(Profit) / Loss on sale of fixed assets	340	(311)
(Increase) / Decrease in debtors	(63,173)	34,488
Increase / (Decrease) in creditors	393,917	(201,944)
	<hr/>	<hr/>
Net cash inflow from operating activities	1,462,583	535,245
	<hr/>	<hr/>

17 ANALYSIS OF NET FUNDS

	2009	Cash	Other	2010
	£	Flow	changes	£
		£	£	
Cash at bank and in hand	1,359,101	1,009,754	-	2,368,855
	<hr/>	<hr/>	<hr/>	<hr/>

18 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2010	2009
	£	£
Increase / (Decrease) in cash in the year	1,009,754	(131,299)
	<hr/>	<hr/>
Movement in net funds in the year	1,009,754	(131,299)
Net funds at 1 January 2010	1,359,101	1,490,400
	<hr/>	<hr/>
Net funds at 31 December 2010	2,368,855	1,359,101
	<hr/>	<hr/>

19 PARENT UNDERTAKING

The ultimate and immediate parent company is Ariel Systems Group Limited, a company incorporated in the UK.