



20 March 2009

**ARCONTECH GROUP PLC
(formerly Knowledge Technology Solutions plc)**

INTERIM REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

Arcontech Group PLC (AIM: ARC) (“Arcontech” or the “Company”), providers of products and services for real-time financial market data processing and trading, reports its unaudited results for the six months ended 31 December 2008.

Financial and business highlights:

- Turnover from the continuing Arcontech business £466,409 (2007 £548,446), reflecting the low level of new contracts won and delivered in the period.
- Losses before taxation from the continuing business for the period reduced to £465,156 (six months to 31 December 2007 £704,084).
- Cost base substantially reduced.
- Recurring revenues now cover 51% of our cost base.

Richard Last, Chairman of Arcontech Group, said:

“Despite the general level of uncertainty in the financial services markets, we believe the opportunities for the refocused Arcontech business are significant. We have continued to invest in sales and marketing whilst reducing our overall level of costs. With recent sales wins we anticipate delivering an improved financial result for the second half of the current year.”

Enquiries; please contact:

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Chairman's Statement

The results of Arcontech Group Plc ("Arcontech") for the six months ended 31 December 2008 finally bring to a close our withdrawal from the MarketTerminal business. Management is now able to focus on the growth and development of Arcontech's contributions and distribution software, and on its "AXE" CFD and spread betting system, where we believe significant opportunities exist.

The continuing Arcontech business reported a turnover of £466,409 for the six month period to 31 December 2008, (six month period to 31 December 2007 £548,446), this reduction reflects the low level of new contracts won and delivered in the period; partly due to the disruption caused by management focus on the withdrawal from the MarketTerminal business. Losses before taxation from the continuing business for the period were reduced to £465,156 (six months to 31 December 2007 £704,084) reflecting the action previously taken to reduce costs and the non-recurrence of exceptional charges.

The profit from the discontinued MarketTerminal operations reflects the higher than expected number of MarketTerminal users converting to the Sharescope System for which we received a fee and the reduced costs of closure compared to those anticipated at the year end.

The cost base of the business has been substantially reduced and now has a monthly run rate of approximately £138,000, whilst contracted support revenues amount to approximately £56,000 per month; 40% of our costs being covered by support revenues. In addition we have "run-rate" sales of over £15,000 per month from existing customers, which, combined with the contracted revenues covers 51% of our cost base. This leaves the business well placed to benefit from the increase in larger project sales to new and existing customers, which we believe is achievable despite the present challenging market conditions.

I am pleased to report that the level of new business sales opportunities has increased significantly in recent months, reflecting the benefit of focusing management and sales resources on our core business areas. In February we secured a significant contract for our market data contributions system from a leading European banking group. The system is to be deployed in four major financial centres. We believe that other similar opportunities exist, albeit the timing of order placement is far less predictable in these uncertain markets.

Financing

At the close of business on 31 December 2008 the business had net cash balances of approximately £374,000, increasing to approximately £550,000 on 28 February 2009. Although the level of cash will fluctuate depending on the timing of the receipt of orders, we expect the company to remain cash positive for at least the remainder of the year.

Management and staff

Once again I should like to thank our management and staff for their continued hard work and dedication in what has clearly been a demanding time for the company. We believe that the road ahead, whilst challenging, will be one of opportunity and that the skills and dedication of our team will ensure that we are able to benefit from this environment.

Outlook

Despite the general level of uncertainty in the financial services markets, we believe the opportunities for the refocused Arcontech business are significant. We have continued to invest in sales and marketing whilst reducing our overall level of costs. With recent sales wins we anticipate delivering an improved financial result for the second half of the current year.

Richard Last
Chairman

**CONSOLIDATED INCOME STATEMENT for the six months ended
31 December 2008**

	Notes	Six months ended 31 December 2008 £	Six months ended 31 December 2007 Restated* £	Year ended 30 June 2008 Restated* £
Continuing operations				
Revenue		466,409	548,446	1,177,173
Distribution costs		(6,352)	(85,337)	(32,677)
Administrative costs excluding exceptional items		(930,556)	(968,280)	(2,287,111)
Exceptional administrative costs	3	(2,103)	(221,787)	(222,062)
Operating loss		(472,602)	(726,958)	(1,364,677)
Finance income		7,446	22,874	36,548
Loss before taxation		(465,156)	(704,084)	(1,328,129)
Taxation	5	-	-	67,754
Loss for the period from continuing operations	6	(465,156)	(704,084)	(1,260,375)
Discontinued operations				
Profit/(loss) for the period after tax from discontinued operations	4	65,843	(210,879)	(377,123)
Loss for the period		(399,313)	(914,963)	(1,637,498)
Loss per share*				
From continuing operations	6			
Basic		(0.063)p	(0.162)p	(0.242)p
Diluted		(0.063)p	(0.162)p	(0.242)p
From continuing and discontinued operations	6			
Basic		(0.054)p	(0.211)p	(0.314)p
Diluted		(0.054)p	(0.211)p	(0.314)p

*See discontinued operations – note 4

CONSOLIDATED BALANCE SHEET as at 31 December 2008

Notes	31 December 2008 £	31 December 2007 £	30 June 2008 £
Non-current assets			
Goodwill	1,634,547	1,422,598	1,634,547
Plant and equipment	131,589	128,731	154,390
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Total non-current assets	1,766,136	1,551,329	1,788,937
	<hr/>	<hr/>	<hr/>
Current assets			
Inventories	-	281	-
Trade and other receivables	606,268	519,158	563,159
Cash and cash equivalents	374,478	796,951	1,082,604
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Total current assets	980,746	1,316,390	1,645,763
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Current liabilities			
Trade and other payables	(736,831)	(1,084,387)	(1,052,521)
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Total current liabilities	(736,831)	(1,084,387)	(1,052,521)
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Net current assets	243,915	232,003	593,242
	<hr/>	<hr/>	<hr/>
Net assets	2,010,051	1,783,332	2,382,179
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Equity			
Share capital	736,443	488,643	736,443
Share premium account	8,516,940	7,489,278	8,516,940
Share option reserve	73,105	-	45,920
Retained earnings	(7,316,437)	(6,194,589)	(6,917,124)
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	2,010,051	1,783,332	2,382,179
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**CONSOLIDATED CASH FLOW STATEMENT for the six months ended
31 December 2008**

	Notes	Six months ended 31 December 2008 £	Six months ended 31 December 2007 Restated* £	Year ended 30 June 2008 Restated* £
Continuing operations				
Net cash used in operating activities	7	(705,110)	(558,734)	(1,162,698)
Investing activities				
Interest received		7,446	22,874	36,548
Acquisition of subsidiary, net of cash acquired		-	(782,574)	(784,523)
Purchases of property, plant and equipment		(1,956)	(21,744)	(75,178)
Net cash used in investing activities		(699,620)	(1,340,178)	(1,985,851)
Financing activities				
Proceeds on issue of shares		-	1,000,000	2,239,000
Expenses paid in connection with share issues		-	(76,481)	(130,019)
Net cash generated from financing activities		-	923,519	2,108,981
Net (decrease) / increase in cash and cash equivalents from continuing operations		(699,620)	(416,659)	123,130
Discontinued operations				
Cash flows from operating activities		(10,757)	(262,699)	(519,153)
Cash flows from investing activities		2,251	2,858	5,176
Net decrease in cash and cash equivalents from discontinued operations		(8,506)	(259,841)	(513,977)
Net decrease in cash and cash equivalents		(708,126)	(676,500)	(390,847)
Cash and cash equivalents at beginning of period		1,082,604	1,473,451	1,473,451
Cash and cash equivalents at end of period		374,478	796,951	1,082,604

**NOTES TO THE FINANCIAL INFORMATION for the six months ended
31 December 2008**

1 Basis of preparation

The financial information for the year ended 30 June 2008 set out in this interim report does not comprise the Group's statutory accounts as defined in section 435 of the Companies Act 2006.

The statutory accounts for the year ended 30 June 2008, which were prepared under International Financial Reporting Standards (IFRS) as adopted for use in the EU, applied in accordance with the provisions of the Companies Act 1985, have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under either Section 237 (2) or Section 237 (3) of the Companies Act 1985.

The figures for the six months ended 31 December 2008 and 2007 are unaudited and do not constitute statutory accounts.

The Directors have elected not to apply IAS34 Interim financial reporting.

2 Accounting policies

The Group's results for the six months ended 31 December 2008 have been prepared on a basis consistent with the Group's accounting policies published in the financial statements for the year ended 30 June 2008. These accounting policies reflect International Financial Reporting Standards (IFRS) and interpretations that are expected to be applicable to the Group for its financial statements for the year ending 30 June 2009.

3 Administrative costs – exceptional

Continuing operations

	Six months ended 31 December 2008	Six months ended 31 December 2007 Restated*	Year ended 30 June 2008 Restated*
Directors remuneration – payment in lieu of notice	2,103	135,315	135,315
Restructuring costs – office relocation expenses	-	86,472	86,747
	<hr/> 2,103 <hr/>	<hr/> 221,787 <hr/>	<hr/> 222,062 <hr/>

*See discontinued operations – note 4

4 Discontinued operations

On 29 August 2008 Knowledge Technology Services Limited terminated its MarketTerminal subscription service. The comparative income statement has been re-presented to show the discontinued operations separately from continuing operations.

	Six months ended 31 December 2008	Six months ended 31 December 2007	Year ended 30 June 2008
Results of discontinued operations	£	£	£
Revenue	-	369,255	762,431
Distribution costs	117,396	(437,920)	(874,478)
Administrative costs	(53,804)	(145,072)	(270,252)
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Operating profit/(loss) from discontinued operations	63,592	(213,737)	(382,299)
Finance income	2,251	2,858	5,176
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Profit/(loss) before taxation	65,843	(210,879)	(377,123)
Taxation	-	-	-
	<hr/>	<hr/>	<hr/>
Profit/(loss) for the period	65,843	(210,879)	(377,123)
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Earnings/(loss) per share – discontinued operations			
Basic	0.009p	(0.049)p	(0.072)p
Diluted	<u>0.009p</u>	<u>(0.049)p</u>	<u>(0.072)p</u>

The results for the six months ended 31 December 2008 reflect the adjustment to the provision made in the year ended 30 June 2008 in respect of forecast net costs relating to the termination of the Market Terminal subscription service.

5 Taxation from continuing activities

Taxation is based on the unaudited results for the period and provision has been estimated at the rate applicable to the company at the time of this statement.

6 Earnings per share

	Six months ended 31 December 2008 £	Six months ended 31 December 2007 Restated* £	Year ended 30 June 2008 Restated* £
From continuing operations			
Earnings			
Earnings for the purposes of basic and diluted earnings per share being net loss attributable to equity shareholders	(465,156)	(704,084)	(1,260,375)
From continuing and discontinued operations			
Earnings			
Earnings for the purposes of basic and diluted earnings per share being net loss attributable to equity shareholders	(399,313)	(914,963)	(1,637,498)
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	736,442,943	434,098,861	520,890,310
Number of dilutive shares under option	-	-	-
Weighted average number of ordinary shares for the purposes of dilutive earnings per share	736,442,943	434,098,861	520,890,310

The calculation of diluted earnings per share assumes conversion of all potentially dilutive ordinary shares, all of which arise from share options. A calculation is performed to determine the number of shares that could have been acquired at fair value, based upon the monetary value of the subscription rights attached to outstanding share options. The impact on the net loss of these potential ordinary shares is anti-dilutive.

*See discontinued operations – note 4

7 Cash used in operations

	Six months ended 31 December 2008 £	Six months ended 31 December 2007 Restated* £	Year ended 30 June 2008 Restated* £
Continuing operations			
Operating loss	(472,602)	(726,958)	(1,364,677)
Depreciation charge	24,757	19,976	47,580
Non cash share option charges	27,185	-	45,920
Increase in trade and other receivables	(128,522)	(85,027)	(68,784)
Increase in inventories	-	(281)	-
(Decrease)/increase in trade and other payables	(155,928)	233,556	214,657
Loss on disposal of property, plant and equipment	-	-	171
	<hr/>	<hr/>	<hr/>
Cash used in continuing operations	(705,110)	(558,734)	(1,125,133)
Tax paid	-	-	(37,565)
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	(705,110)	(558,734)	(1,162,698)
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*See discontinued operations – note 4

8 Dividends

There were no dividends paid or proposed during the period (2007: Nil).

9 Copies of this statement

Copies of this statement are available from the Company Secretary at the Company's registered office at 8th Floor Finsbury Tower, 103-105 Bunhill Row, London, EC1Y 8LZ or from the Company's website at www.arcontech.com.