**REGISTERED NUMBER: 4062416 (England and Wales)**

# Arcontech Group PLC

# Year ended 30 June 2011

# Contents

# Chairman's Statement

**Commentary**

I am pleased to report progress in the year ended 30 June 2011, with turnover increasing to £1,287,409 (2010: £1,068,776) and operating loss reduced to £817,855 (2010: £918,754). We did not, however, quite achieve the level of sales we had hoped for, due primarily to the increasingly long sales cycles of the major investment banks. The demand for AXE, the CfD and spread betting solution was disappointing and we have taken the decision to concentrate sales resource on our CityVision Vendor Contribution, including Excelerator, products for which the opportunities are proving exciting.

Where possible we enter into recurring annual licence fee contracts, typically for a minimum of three years duration. It is our aim to increase our annual recurring revenues each year. As at 30 June 2011 the contracted future annual recurring revenues of the business were £1,538,216 (2010: £1,081,668), an increase of 42%. This level of annual recurring revenues, now covers approximately 73% (2010: 54%) of our expected cost base. Our level of recurring revenues now provide a sound base upon which to grow our business.

Whilst we continued to develop the AXE product, earlier in the year a lack of customer interest caused a change in focus to increasing the functionality, scope and capability, of our CityVision products. As in previous years, we have continued to write off all product development costs as they are incurred. The product developments completed during the year have been heavily influenced by prospective customers and have improved our competitive position significantly. We have invested notable sums, relative to our size to integrate our products with Bloomberg systems, which we believe will provide significant growth opportunities. We will continue to invest in product development, but in the future it is expected that this will increasingly be as a result of specific customer requirements. As our spend on pure product development declines we expect to increase resources in technical support, account management and sales and marketing. These additional costs, however, will not be incurred until increased revenues are secured.

**Financing**

As at 30 June 2011 Arcontech had cash balances of £841,204 (2010: £1,586,376). We believe, on the basis of current projections and expectations that the Group has sufficient resources to see it through to cash breakeven at the trading level and beyond.

**Management and staff**

Our management and staff are our key resource. They have continued to work with determination and dedication and I thank them for their continued support. As our customer base increases, particularly in overseas markets, the demands on our staff will undoubtedly increase. I am confident that they will continue to perform to the high standards that they have set in previous years.

**Outlook**

With the CityVision product developments completed since the year-end, we believe we are in a positive position to start to realise the sales opportunities identified previously for those products. Sales made since the year end for new products with international financial institutions, reinforce our belief that there is strong demand for our products in the market. It does, however, remain true that the sales cycles continue to be long and invariably involve pilot studies. Consequently it remains difficult to predict with any degree of certainty the precise timing of future sales. Accordingly we are maintaining a tight control over expenditure whilst continuing to develop opportunities for the business.

Richard Last
Chairman

8 September 2011

# Chief Executive's Review

Significant progress has been made this year in terms of product development, pipeline improvement and restructuring to address the demands of increasingly complex sales in a market which remains difficult. Whilst bottom-line financial performance is disappointing, due to the protracted sales cycle common in investment banking, there are strong signs that our efforts will pay off and I remain optimistic over forward revenues.

Engagement with several tier one international banks has lead to further refinement of the CityVision product suite for controlled, low latency market data distribution and systems integration. Close working with data vendor systems including those from Thomson Reuters and Bloomberg has lead to new product development with considerable market potential. Some significant sales have already been achieved, with a promising and growing prospect list.

We have seen less demand for AXE, our retail trading system product and have decided to restructure to concentrate our resources on CityVision, our sell-side market data technology where we believe there are greater opportunities.

Tight cost-control has remained a primary objective for many of our major target customers. Whilst this often reduces the immediate budget for our innovative solutions, it nonetheless provides opportunities for Arcontech as part of a vendor/technology replacement strategy. We have produced new products and re-engineered existing ones to provide compelling value propositions which are gaining considerable traction.

The main achievements and themes of the year have been:

- Greatly increased pre-sales activity, including global evaluations
- Pipeline progression leading to significant recently announced contracts
- Continued focus on the major international investment banks
- Expansion of global capability to provide follow-the-sun support in key regions
- Further product development based on feedback from clients and prospects

Work this year has resulted in new contracts in excess of £1.4 million over three years, which will affect our future bottom line. These include further sales of our Excelerator real-time desktop product, displacement of competitive incumbent vendor contribution systems and, perhaps most significantly, green-field deployments for our innovative 'gateway' technology for cross-connectivity between the major data vendors such as Thomson Reuters and Bloomberg. This technology is at the heart of further opportunities we are progressing and we are excited about developments in this area.

The value of contracts achieved and in discussion continues to increase, with contractual recurring revenues as we enter the new financial year of £1,538,216, covering approximately 73% of our expenditure. Further product evaluations are underway and seem on track to yield meaningful additional revenue in the short to medium term.

Overall, despite the figures for the year, sales progress is positive and the level of interest in our next generation of products bodes well for the future. I would like to thank our staff, clients and prospects for their continued help and support and look forward to joint successes in the coming year.

Andrew Miller
Chief Executive

8 September 2011

# Company Information

| | |
|---|---|
| **Directors** | Richard Last *(Chairman and Non-Executive Director)**+<br>Andrew Miller *(Chief Executive)+*<br>Michael Levy *(Group Finance Director)*<br>Louise Barton *(Non-Executive Director)**+ |
| **Secretary and Registered Office** | Michael Levy<br>8th Floor<br>Finsbury Tower<br>103-105 Bunhill Row<br>London EC1Y 8LZ |
| **Nominated Adviser and Broker** | Northland Capital Partners Limited<br>60 Gresham Street<br>London EC2V 7BB |
| **Registered Number** | 4062416 |
| **Solicitors** | TLT LLP<br>One Redcliff Street<br>Bristol BS1 6TP |
| **Auditors** | Nexia Smith & Williamson<br>Statutory Auditor<br>Chartered Accountants<br>Portwall Place<br>Portwall Lane<br>Bristol<br>BS1 6NA |
| **Registrars** | Capita IRG Plc<br>The Registry<br>34 Beckenham Road<br>Beckenham<br>Kent<br>BR3 4TU |
| **Principal Bankers** | Nat West Bank Plc<br>94 Moorgate<br>London<br>EC2M 6UR |
| **Company website** | www.arcontech.com |

* Members of the Remuneration Committee
+ Members of the Audit Committee

# Board of Directors

**Directors - Executive**

**Andrew Miller (53)**

Andrew was appointed Chief Technology Officer in September 2007 and subsequently Chief Executive in December 2007. Andrew has been Managing Director of Arcontech Limited since 2000. He conceived the CityVision product strategy in response to market demand for fast, reliable, cost-effective alternatives. He is a vocal advocate of technology to reduce costs and increase quality of real-time market data and has been instrumental in turning Arcontech Limited into an award-winning technology provider in the City with a blue-chip client list.

**Michael Levy (49)**

Michael was appointed Group Finance Director in May 2001. In addition he operates his own Chartered Accountants practice, Michael Levy & Co. Michael obtained a BA (Econ) in Economics and Social Studies from the University of Manchester in 1983. He qualified as a Chartered Accountant in 1986 with BDO Stoy Hayward and is a Fellow of The Institute of Chartered Accountants in England & Wales.

**Directors – Non-Executive**

**Richard Last (54)**

Richard was appointed Chairman and Non-Executive Director in February 2007. He has over 18 years' senior experience in information technology, having worked at board level for a number of publicly quoted and private companies operating in this sector. Currently, he is Chairman of Patsystems plc, a provider of solutions for futures trading and exchange systems, Parseq plc, a provider of financial software and BPO solutions, both listed on AIM and the British Smaller Technology Companies VCT 2 plc, a fully listed venture capital trust. Richard also sits on the Boards of Corero plc, an AIM listed IT solutions provider and Lighthouse Group plc, an AIM listed financial services group, as well as a number of private businesses.

**Louise Barton (61)**

Louise was appointed Non-Executive Director in February 2007. She has more than 27 years' experience as an investment analyst. Louise's background embraces a high profile City career, including having held senior positions with fund management group Prudential Portfolio Managers and stockbrokers CCF Laurence Prust and Investec Securities.

# Directors' Report

The Directors present their Report and financial statements for the year ended 30 June 2011.

**Principal activities**

The principal activities of the Company and its subsidiaries during the year were the development and sale of proprietary software and provision of computer consultancy services.

**Review of the business and prospects**

A full review of the operations, financial position and prospects of the Group is given in the Chairman's Statement and Chief Executive's Summary on pages 1 to 2.

**Results and dividends**

Details of the results for the year are given on page 11. The Directors do not recommend the payment of a dividend. (2010: £Nil).

**Key performance indicators (KPIs)**

The Directors monitor the business using management reports and information, reviewed and discussed at monthly Board meetings. Financial and non-financial KPIs used in this report include:

- subscription, software development and consultancy revenues
- revenue and overhead variations against budget
- technical development (e.g. project updates and progress)
- personnel matters

As noted in the group income statement on page 11, revenue for the year has increased by 20% (2010 – decreased by 23%), distribution and administrative costs increased by 6% (2010 – increased by 1%), whilst the loss for the year before taxation from continuing activities has decreased by 12% (2010 – increased by 61%). The loss per share from continuing operations has decreased by 43% (2010 – no change).

**Principal risks and uncertainties**

The Group's performance is affected by a number of risks and uncertainties, which the Board monitor on an ongoing basis in order to identify, manage and minimise their possible impact. General risks and uncertainties include changes in economic conditions, interest rate fluctuations and the impact of competition. The Group's principal risk areas and the action taken to mitigate their outcome are shown below:

| Risk area | Mitigation |
|---|---|
| Competition | Ongoing investment in R&D<br>Responding to the changing needs of clients to remain competitive |
| Loss of key personnel | Keyman insurance policies held for certain senior management<br>Employee share option scheme in place |

**Directors**

The Directors who have held office during the period from 1 July 2010 to the date of this report are as follows:

Richard Last
Andrew Miller
Michael Levy
Louise Barton

In accordance with the Company's Articles of Association, Richard Last, who retires by rotation, offers himself for re-election.

# Directors' Report (continued)

**Directors (continued)**

Except as disclosed in note 22 to the financial statements none of the Directors had an interest in any contracts with the Company or its subsidiaries during the year.

**Employees**

The Directors recognise the importance of good communication with employees to ensure a common awareness of factors affecting the Group. They also recognise their statutory responsibilities. Matters of current concern or interest are discussed with staff on a regular basis.

**Corporate Governance**

The Company's shares are traded on AIM, a market operated by the London Stock Exchange and the Company is not, therefore, required to report on compliance with the UK Corporate Governance Code ("the Code"). However, the Board of Directors support the Code and also the recommendations made by Quoted Companies Alliance in its bulletin "Corporate Governance Guidelines for Smaller Quoted Companies". The bulletin provides a series of recommendations for smaller quoted companies in approaching the question of corporate governance which the Company has complied with where it is considered justified as being relevant to a business of this size.

**Internal control**

The Directors acknowledge their responsibilities for the Group's system of internal control. The Board considers major business and financial risks. All strategic decisions are referred to the Board, which meets monthly, for approval. Accepting that no system of control can provide absolute assurance against material misstatement or loss, the Directors believe that the established systems of internal control within the Group are appropriate to the business.

**Financial risk management**

The Group's financial instruments comprise cash and cash equivalents, and items such as trade payables and trade receivables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate fluctuations and liquidity risk. It is the Group's policy to finance its operations through a mixture of cash and, where appropriate, external finance and to review the projected cash flow requirements of the Group with an acceptable level of risk exposure.

**Going concern**

On the basis of current projections and having regard to the facilities available to the Group, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Directors have adopted the going concern basis in the preparation of the financial statements.

**Supplier payment policy**

The Group's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, and to ensure that suppliers are made aware of the terms of payment and abide by them. At 30 June 2011, the average trade payables for the Group, expressed as a number of days, were 48 days (2010: 47 days).

**Research and Development**

The Group continues to make progress in product development, while continuing to keep control of costs. Research and development expenditure is charged to the income statement in the year incurred, unless it meets the criteria under IAS 38 to capitalise.

# Directors' Report (continued)

**Disclosures to auditors**

In the case of each of the persons who are Directors at the time when the report is approved, the following applies:

- so far as each of the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and

- each of the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**Auditors**

A resolution to re-appoint Nexia Smith & Williamson will be proposed at the annual general meeting.

On behalf of the Board

Michael Levy
Company Secretary

8 September 2011

# Statement of Directors' Responsibilities

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 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. 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 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 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 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 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.

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.

# Independent Auditor's Report to the members of Arcontech Group PLC

We have audited the financial statements of Arcontech Group PLC for the year ended 30 June 2011 which comprise the Group Income Statement, the Group and Parent Company Statement of Changes in Equity, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements and the related notes 1 to 30. 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 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**
A description of the scope of an audit of financial statements is provided on the APB'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 group's and of the parent company's affairs as at 30 June 2011 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 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.

# Independent Auditor's Report to the members of Arcontech Group 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.

Jonathan Talbot
Senior Statutory Auditor, for and on behalf of

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
Portwall Place
Portwall Lane
Bristol
BS1 6NA

8 September 2011

# Group Income Statement

**For the year ended 30 June 2011**

| | Note | 2011 | 2010 |
|---|---|---|---|
| | | £ | £ |
| Revenue | 3 | 1,287,409 | 1,068,776 |
| Distribution costs | | (16,428) | (25,242) |
| Administrative costs | | (2,088,836) | (1,962,288) |
| **Operating loss** | 4 | (817,855) | (918,754) |
| Finance income | | 13,134 | 5,681 |
| **Loss before taxation** | | (804,721) | (913,073) |
| Taxation | 8 | 132,683 | - |
| **Loss for the year after tax** | | (672,038) | (913,073) |
| **Total comprehensive income** | | (672,038) | (913,073) |
| **Loss per share (basic and diluted)** | 9 | (0.04)p | (0.07)p |

All of the results relate to continuing operations.

The notes on pages 16 to 38 form part of these financial statements.

# Statement of Changes in Equity

**For the year ended 30 June 2011**

**Group:**

| | **Share capital** | **Share premium** | **Share option reserve** | **Retained earnings** | **Shares to be issued** | **Total equity** |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| **Balance at 1 July 2009** | 736,443 | 8,516,940 | 108,742 | (7,387,674) | 200,606 | 2,175,057 |
| Loss for the year | - | - | - | (913,073) | - | (913,073) |
| **Total comprehensive income for the year** | - | - | - | (913,073) | - | (913,073) |
| Share-based payments | - | - | 34,555 | - | - | 34,555 |
| Issue of shares | 794,872 | 911,229 | - | - | (200,606) | 1,505,495 |
| **Balance at 30 June 2010** | 1,531,315 | 9,428,169 | 143,297 | (8,300,747) | - | 2,802,034 |
| Loss for the year | - | - | - | (672,038) | - | (672,038) |
| **Total comprehensive income for the year** | - | - | - | (672,038) | - | (672,038) |
| Share-based payments | - | - | 2,241 | - | - | 2,241 |
| **Balance at 30 June 2011** | 1,531,315 | 9,428,169 | 145,538 | (8,972,785) | - | 2,132,237 |

**Company:**

| | **Share capital** | **Share premium** | **Share option reserve** | **Retained earnings** | **Shares to be issued** | **Total equity** |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| **Balance at 1 July 2009** | 736,443 | 8,516,940 | 108,742 | (7,284,443) | 200,606 | 2,278,288 |
| Loss for the year | - | - | - | (162,935) | - | (162,935) |
| **Total comprehensive income for the year** | - | - | - | (162,935) | - | (162,935) |
| Share-based payments | - | - | 34,555 | - | - | 34,555 |
| Issue of shares | 794,872 | 911,229 | - | - | (200,606) | 1,505,495 |
| **Balance at 30 June 2010** | 1,531,315 | 9,428,169 | 143,297 | (7,447,378) | - | 3,655,403 |
| Loss for the year | - | - | - | (82,460) | - | (82,460) |
| **Total comprehensive income for the year** | - | - | - | (82,460) | - | (82,460) |
| Share-based payments | - | - | 2,241 | - | - | 2,241 |
| **Balance at 30 June 2011** | 1,531,315 | 9,428,169 | 145,538 | (7,529,838) | - | 3,575,184 |

The notes on pages 16 to 38 form part of these financial statements.

# Balance Sheets
## Registered number: 4062416

**As at 30 June 2011**

| | Note | Group 2011 £ | Group 2010 £ | Company 2011 £ | Company 2010 £ |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Goodwill | 10 | 1,715,153 | 1,715,153 | - | - |
| Property, plant and equipment | 11 | 37,426 | 46,597 | - | - |
| Investments in subsidiaries | 12 | - | - | 2,017,373 | 2,017,373 |
| Total non-current assets | | 1,752,579 | 1,761,750 | 2,017,373 | 2,017,373 |
| **Current assets** | | | | | |
| Trade and other receivables | 13 | 366,425 | 213,921 | 1,450,431 | 1,257,236 |
| Cash and cash equivalents | 14 | 841,204 | 1,586,376 | 471,172 | 859,378 |
| Total current assets | | 1,207,629 | 1,800,297 | 1,921,603 | 2,116,614 |
| **Current liabilities** | | | | | |
| Trade and other payables | 15 | (827,971 ) | (760,013 ) | (363,792 ) | (478,584 ) |
| Total current liabilities | | (827,971 ) | (760,013 ) | (363,792 ) | (478,584 ) |
| **Net current assets** | | 379,658 | 1,040,284 | 1,557,811 | 1,638,030 |
| **Net assets** | | 2,132,237 | 2,802,034 | 3,575,184 | 3,655,403 |
| **Equity** | | | | | |
| Called up share capital | 17 | 1,531,315 | 1,531,315 | 1,531,315 | 1,531,315 |
| Share premium account | 18 | 9,428,169 | 9,428,169 | 9,428,169 | 9,428,169 |
| Share option reserve | 18 | 145,538 | 143,297 | 145,538 | 143,297 |
| Retained earnings | | (8,972,785 ) | (8,300,747 ) | (7,529,838 ) | (7,447,378 ) |
| | | 2,132,237 | 2,802,034 | 3,575,184 | 3,655,403 |

Approved on behalf of the board on 8 September 2011 by:

Andrew Miller
Chief Executive

Michael Levy
Group Finance Director

The notes on pages 16 to 38 form part of these financial statements.

# Group Cash Flow Statement

**For the year ended 30 June 2011**

| | Note | 2011 | 2010 |
|---|---|---|---|
| | | £ | £ |
| **Net cash used in operating activities** | 20 | **(747,493)** | **(343,682)** |
| **Investing activities** | | | |
| Interest received | | 13,134 | 5,681 |
| Acquisition of subsidiary, net of cash acquired | | - | (1) |
| Purchases of plant and equipment | | (11,214) | (8,232) |
| Disposal of plant and equipment | | 401 | 405 |
| **Net cash received/(used) in investing activities** | | **2,321** | **(2,147)** |
| **Financing activities** | | | |
| Proceeds on issue of shares | 17 | - | 1,553,270 |
| Expenses paid in connection with share issues | | - | (47,775) |
| **Net cash generated from financing activities** | | **-** | **1,505,495** |
| **Net (decrease)/increase in cash and cash equivalents** | | **(745,172)** | **1,159,666** |
| Cash and cash equivalents at beginning of year | | 1,586,376 | 426,710 |
| **Cash and cash equivalents at end of year** | 14 | **841,204** | **1,586,376** |

The notes on the pages 16 to 38 form part of these financial statements.

# Company Cash Flow Statement

**For the year ended 30 June 2011**

| | Note | 2011 | 2010 |
|---|---|---|---|
| | | £ | £ |
| **Net cash used in operating activities** | 20 | **(395,785)** | **(737,485)** |
| **Investing activities** | | | |
| Interest received | | 7,579 | 3,089 |
| Acquisition of subsidiary, net of cash acquired | | - | (1) |
| **Net cash generated from investing activities** | | **7,579** | **3,088** |
| **Financing activities** | | | |
| Proceeds on issue of shares | 17 | - | 1,553,270 |
| Expenses paid in connection with share issues | | - | (47,775) |
| **Net cash generated from financing activities** | | **-** | **1,505,495** |
| **Net (decrease)/increase in cash and cash equivalents** | | **(388,206)** | **771,098** |
| Cash and cash equivalents at beginning of year | | 859,378 | 88,280 |
| **Cash and cash equivalents at end of year** | 14 | **471,172** | **859,378** |

The notes on the pages 16 to 38 form part of these financial statements.

# Notes to the Financial Statements

**For the year ended 30 June 2011**

## 1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period covered by these financial statements.

**Reporting entity**

Arcontech Group PLC (“the Company”) is a company incorporated in the United Kingdom. The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (together referred to as “the Group”).

**Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) endorsed by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

On the basis of current projections, confidence of future profitability and cash balances held the Directors have adopted the going concern basis in the preparation of the financial statements.

The financial statements have been prepared under the historical cost convention.

**Effect of new IFRS and changes to IFRS**

A number of standards, interpretations and amendments to existing standards are applicable for the first time in the year however none of these had an effect on the results of the Group.

Standards, interpretations and amendments to existing standards that have been published, and are mandatory to accounting periods beginning on or after 1 July 2011 or later periods and that have not been early adopted by the Group or the Company include the following:

- IFRS 9: Financial Instruments (not yet EU adopted) – project to replace IAS 39 on recognition and measurement of financial instruments
- IFRS 10, 11, 12 and IAS 27 and 28 (not yet EU adopted) – revision to accounting for groups covering subsidiaries, associates and joint ventures to provide additional guidance on when and how to consolidate group interests and related disclosures.
- IFRS 13: Fair value measurement (not yet EU adopted) – establishes a new framework for how to measure fair value under IFRS but does not extend when fair value should be used.

A number of other interpretations and amendments to existing standards have been made by the IASB and IFRIC but are not considered relevant to the Group’s operations.

With the exception of IFRS 9 there is no material effect expected of the above new standards and amendments on the reported results of the Group and Company. As IFRS 9 has not yet been completed it is not possible to evaluate the effect on the reported results of the Group and Company when the standard is adopted.

Additional disclosures will be made to comply with the requirements of the new standards when implemented.

# Notes to the Financial Statements

**For the year ended 30 June 2011**

**1. Accounting policies (continued)**

**Basis of consolidation**

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared to 30 June 2011. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

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

**Business combinations and goodwill**

On acquisition, the assets and liabilities and contingent liabilities of subsidiaries are measured at their fair value at the date of acquisition. Any excess of cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. Goodwill arising on consolidation is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

**Revenue recognition**

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

Revenue arising from the provision of services is recognised when and to the extent that the Group obtains the right to consideration in exchange for the performance of its contractual obligations as follows:

Licence fee income – recognised evenly over the contracted licence period.
Support and maintenance – recognised evenly over the contract term.
Consultancy, advertising and sponsorship – recognised in line with the performance of the contract.

**Taxation**

The tax charge/(credit) represents the sum of the tax payable/(receivable) and any deferred tax.

The tax payable/(receivable) is based on the taxable result for the year. The taxable result differs from the net result 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet 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, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is

# Notes to the Financial Statements

**For the year ended 30 June 2011 (continued)**

**1. Accounting policies (continued)**

**Taxation (continued)**

probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable 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 balance sheet 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 realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 assets and liabilities on a net basis.

**Share-based payments**

The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, is recognised as an employee benefit expense in the income statement.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non market-based vesting conditions) at the date of grant. Fair value is measured by the use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of the non-transferability, exercise restrictions and behavioural considerations. A cancellation of a share award by the Group or an employee is treated consistently, resulting in an acceleration of the remaining charge within the consolidated income statement in the year of cancellation.

**Impairment of tangible and intangible assets**

The carrying amounts of the Group's and Company's tangible and intangible assets are reviewed at each year end date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill the recoverable amount is estimated at each year end date, based on value in use. The recoverable amount of other assets is the greater of their net selling price 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

# Notes to the Financial Statements

**For the year ended 30 June 2011 (continued)**

**1. Accounting policies (continued)**

**Impairment of tangible and intangible assets (continued)**

A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

**Property, plant and equipment**

Property, plant and equipment are 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, on the following bases:

| | | |
|---|---|---|
| Leasehold property | - | over the period of the lease |
| Computer equipment | - | 33% - 40% on cost |
| Office furniture and equipment | - | 20% - 25% on reducing balance |

**Investments in subsidiaries**

Investments in subsidiaries are stated at cost less any provision for impairment.

**Financial instruments**

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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.

**Trade and other receivables**

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The movement on any provision is recognised in the income statement.

**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.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

**Leasing commitments**

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

# Notes to the Financial Statements

**For the year ended 30 June 2011 (continued)**

**1. Accounting policies (continued)**

**Research and development**

Research costs are charged to the income statement in the year incurred. Development expenditure is capitalised to the extent that it meets all of the criteria required by IAS 38, otherwise it is charged to the income statement in the year incurred.

**Pension costs and other post-retirement benefits**

The Group makes payments to employees' personal pension schemes. Contributions payable for the year are charged in the income statement.

**Foreign currencies**

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Foreign currency monetary assets and liabilities are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange gains or losses are included in operating profit.

**2. Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Critical accounting judgements:**

Share-based payments

In determining the fair value of equity settled share-based payments and the related charge to the income statement, the Group makes assumptions about future events and market conditions. In particular, judgement must be made as to the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined using a valuation model which is dependent on further estimates, including the Group's future dividend policy, the timing with which options may be exercised and the future volatility in the price of the Group's shares. Such assumptions are based on publicly available information and reflect market expectations and advice taken from qualified personnel. Different assumptions about these factors to those made by the Group could materially affect the reported value of share-based payments.

**Key sources of estimation uncertainty:**

Bad debt provisions

The trade receivables balances recorded in the Group's balance sheet comprise a relatively small number of large balances. A full line by line review of trade receivables is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

No provision for bad debts was made at the balance sheet date (2010: £nil) and the carrying value of trade receivables at the balance sheet date was £168,108 (2010: £104,885).

# Notes to the Financial Statements

**For the year ended 30 June 2011 (continued)**

**2. Critical accounting judgements and key sources of estimation uncertainty (continued)**

**Key sources of estimation uncertainty (continued):**

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. No provision for impairment was made in the year and the carrying value of goodwill at the balance sheet date was £1,715,153 (2010: £1,715,153) (*see note 10*).

**3. Revenue**

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

| | 2011<br>£ | 2010<br>£ |
|---|---|---|
| Financial information service, advertising and sponsorship, software development and consultancy | 1,287,409 | 1,068,776 |

All of the Group's revenue relates to continuing activities.

**4. Operating loss for the year is stated after charging:**

| | 2011<br>£ | 2010<br>£ |
|---|---|---|
| Depreciation of plant and equipment | 16,893 | 18,868 |
| Loss on disposal of fixed assets | 3,091 | - |
| Staff costs (*see note 7*) | 1,473,442 | 1,453,848 |
| Operating lease rentals - land and buildings (*see note 21*) | 73,075 | 55,300 |
| Research and development | 812,559 | 636,386 |

**5. Auditor's remuneration:**

| | 2011<br>£ | 2010<br>£ |
|---|---|---|
| Fees payable to the Group's auditor for the audit of the Group's annual accounts | 20,500 | 16,500 |
| Fees payable to the Group's auditor for other services: | | |
| - audit of the Company's subsidiaries, pursuant to legislation | 8,500 | 8,500 |
| - relating to taxation | 2,725 | - |
| - other services | - | 750 |

# Notes to the Financial Statements

**For the year ended 30 June 2011 (continued)**

**6. Operating segments:**

For management purposes, the Group is currently organised into two main operating divisions by product group: Financial information service, advertising and sponsorship (Arcontech Solutions Limited) and software development and consultancy (Arcontech Limited and Arcontech Pte. Ltd.). These divisions are the operating segments for which the Group reports internally to the Chief Operating Decision Maker (CODM), who is considered to be the Board. Intersegment license fees and management charges are not included in the reports reviewed by the CODM during the year but are calculated for statutory reporting purposes and therefore are excluded from the following revenue and operating (loss)/profit disclosures.

| | 2011 | 2010 |
|---|---|---|
| | £ | £ |
| **Revenue by segment** | | |
| Financial information service, advertising and sponsorship | - | - |
| Software development and consultancy | 1,287,409 | 1,068,776 |
| External segment revenue | 1,287,409 | 1,068,776 |
| **Operating loss by segment** | | |
| Financial information service, advertising and sponsorship | (127,553) | (138,634) |
| Software development and consultancy | (395,519) | (492,906) |
| Unallocated overheads | (294,783) | (287,214) |
| **Total operating loss** | (817,855) | (918,754) |
| Finance income | 13,134 | 5,681 |
| **Total loss before tax as reported in the Group income statement** | (804,721) | (913,073) |

| | 2011 | 2010 |
|---|---|---|
| | £ | £ |
| **Segment total of assets** | | |
| Financial information service, advertising and sponsorship | 382,443 | 268,334 |
| Software development and consultancy | 2,944,222 | 3,370,152 |
| Unallocated assets | 1,921,651 | 2,143,494 |
| | 5,248,316 | 5,781,980 |
| Less inter segment debtors | (2,288,108) | (2,219,933) |
| **Total assets** | 2,960,208 | 3,562,047 |

# Notes to the Financial Statements

**For the year ended 30 June 2011 (continued)**

**6. Operating segments (continued):**

| | 2011 | 2010 |
|---|---|---|
| | £ | £ |
| **Segment total liabilities** | | |
| Financial information service, advertising and sponsorship | 20,980 | 34,552 |
| Software development and consultancy | 2,731,307 | 2,466,812 |
| Unallocated liabilities | 363,792 | 478,582 |
| | 3,116,079 | 2,979,946 |
| Less inter segment creditors | (2,288,108) | (2,219,933) |
| **Total liabilities** | 827,971 | 760,013 |

| | 2011 | 2010 |
|---|---|---|
| | £ | £ |
| **Additions of property, plant and equipment assets by segment** | | |
| Software development and consultancy | 11,214 | 8,232 |
| **Total additions** | 11,214 | 8,232 |

| | 2011 | 2010 |
|---|---|---|
| | £ | £ |
| **Depreciation of property, plant and equipment assets recognised in the period by segment** | | |
| Financial information service, advertising and sponsorship | 8,667 | 12,488 |
| Software development and consultancy | 8,226 | 6,380 |
| **Total depreciation** | 16,893 | 18,868 |

# Notes to the Financial Statements

**For the year ended 30 June 2011 (continued)**

**6. Operating segments (continued):**

| **External revenue by country** | **2011** | **2010** |
|---|---|---|
| | **£** | **£** |
| UK | 664,984 | 732,768 |
| Singapore | 445,539 | 253,395 |
| Denmark | 106,361 | 66,140 |
| USA | 34,575 | - |
| Rest of the World | 35,950 | 16,473 |
| | 1,287,409 | 1,068,776 |

During the year there was 1 customer (2010: 2) who accounted for more than 10% of the Group's revenues as follows:

| | **2011** | | **2010** | |
|---|---|---|---|---|
| | **Value of sales £** | **% of Total** | **Value of sales £** | **% of Total** |
| Customer 1 | 445,539 | 35% | 253,395 | 24% |
| Customer 2 | 84,918 | 7% | 145,809 | 14% |
| | **530,457** | **42%** | **454,783** | **44%** |

These revenues are attributable to the software development and consultancy segment.

# Notes to the Financial Statements

**For the year ended 30 June 2011 (continued)**

**7. Staff costs:**

| | | 2011<br>£ | 2010<br>£ |
|---|---|---|---|
| **a)** | **Aggregate staff costs, including Directors' remuneration** | | |
| | Wages and salaries | 1,289,107 | 1,185,154 |
| | Social security costs | 149,694 | 135,396 |
| | Pension contributions | 32,400 | 98,743 |
| | Share-based payments | 2,241 | 34,555 |
| | | 1,473,442 | 1,453,848 |
| **b)** | **The average number of employees (including executive Directors) was:** | | |
| | Sales and administration | 23 | 19 |
| | | **£** | **£** |
| **c)** | **Directors' emoluments** | | |
| | Short-term employee benefits | 167,927 | 121,438 |
| | Post-employment benefits | 5,500 | 33,000 |
| | Share-based payments | - | 12,436 |
| | | 173,427 | 166,874 |

| | | £ | £ |
|---|---|---|---|
| | **Executive Directors** | | |
| | Michael Levy - emoluments* | 20,000 | 15,000 |
| | Andrew Miller - emoluments | 123,927 | 88,438 |
| | - contributions to pension scheme | 5,500 | 33,000 |
| | **Non-Executive Directors** | | |
| | Richard Last - emoluments | 24,000 | 18,000 |
| | Louise Barton - emoluments | - | - |
| | | 173,427 | 154,438 |

The number of Directors that are members of a defined contribution pension scheme is 1 (2010: 1).

***** Fees payable to Michael Levy & Co, Chartered Accountants, in which Michael Levy is the principal, in respect of accountancy services are disclosed in note 22.

# Notes to the Financial Statements

**For the year ended 30 June 2011 (continued)**

**7. Staff costs (continued):**

**Key management personnel**

In the opinion of the Board, the Group's key management are the Directors of Arcontech Group PLC. Social security costs relating to Directors was £18,499 (2010: £13,515).

**8. Taxation**

| | **2011** | **2010** |
|---|---|---|
| | **£** | **£** |
| Current tax | 132,683 | - |
| Deferred tax | - | - |
| Total tax credit for the year | 132,683 | - |

The difference between the total tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

| | **2011**<br>**£** | **2010**<br>**£** |
|---|---|---|
| Loss on ordinary activities before tax | (804,721) | (913,073) |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 27.5% (2010: 28%) | (221,298) | (255,660) |
| Effects of: | | |
| Disallowed expenses | 6,324 | 5,396 |
| Temporary differences on deferred tax not recognised | (2,481) | 3,294 |
| Singapore taxable profit/(loss) at lower tax rate | 5,324 | (9,157) |
| Loss on sale of fixed assets | 850 | - |
| Research and development tax credits | 132,683 | - |
| Losses carried forward | 211,281 | 256,127 |
| Total tax credit for the year | 132,683 | - |

**Factors which may affect future tax charges**

At 30 June 2011 the Group has tax losses of approximately £9,400,000 (2010: £8,600,000) to offset against future trading profits.

# Notes to the Financial Statements

**For the year ended 30 June 2011 (continued)**

**9. Loss per share**

| | 2011 | 2010 |
|---|---|---|
| | £ | £ |
| **Earnings** | | |
| Earnings for the purpose of basic and diluted earnings per share being net loss attributable to equity shareholders | (672,038) | (913,073) |
| | (672,038) | (913,073) |
| | **No.** | **No.** |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 1,531,314,870 | 1,335,592,398 |
| Number of dilutive shares under option | - | - |
| Weighted average number of ordinary shares for the purposes of dilutive earnings per share | 1,531,314,870 | 1,335,592,398 |

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 done 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. Share options are anti-dilutive and are therefore not included above.

**10. Goodwill**

| | 2011 | 2010 |
|---|---|---|
| | £ | £ |
| **Cost and net book amount** | | |
| At 1 July 2010 and at 30 June 2011 | 1,715,153 | 1,715,153 |

Goodwill acquired in a business combination is allocated at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

| | 2011 | 2010 |
|---|---|---|
| | £ | £ |
| Arcontech Limited | 1,715,153 | 1,715,153 |
| Arcontech Pte. Ltd. | - | - |
| | 1,715,153 | 1,715,153 |

The group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value in use calculations. The CGUs used in these calculations are Arcontech Limited and Arcontech Pte. Ltd., which should be considered together. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The discount rate is estimated using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices are based on past practices and expectations of future changes in the market. Changes in direct costs are based on expected cost of inflation of 2.5%.

# Notes to the Financial Statements

**For the year ended 30 June 2011 (continued)**

**10. Goodwill (continued)**

Cashflow forecasts are based on the latest financial budgets and extrapolate the cashflows for the next five years based on an estimated growth in revenue of 15% (2010: 15%) per annum, after which the UK long-term growth rate is applied. The Directors consider that this rate is appropriate, given the significant new contracts achieved during the year, which resulted in an increase of 42% (2010: 59%) in contracted recurring revenues together with those currently in negotiation anticipated to start in 2012.

As the Group does not have any borrowings, the rate used to discount all the forecast cash flows is 12.6% (2010: 12.1%), which represents the Group's cost of capital.

Goodwill on the purchase of Arcontech Limited is attributable to the anticipated future operating synergies which will arise as a result of the combination.

**11. Property, plant and equipment - Group**

| | Leasehold Property | Office furniture & equipment | Total |
|---|---|---|---|
| **Cost** | **£** | **£** | **£** |
| At 1 July 2009 | 6,373 | 237,430 | 243,803 |
| Additions | - | 8,232 | 8,232 |
| Disposals | - | (450) | (450) |
| At 1 July 2010 | 6,373 | 245,212 | 251,585 |
| Additions | 3,676 | 7,538 | 11,214 |
| Disposals | - | (39,987) | (39,987) |
| At 30 June 2011 | 10,049 | 212,763 | 222,812 |
| **Depreciation** | | | |
| At 1 July 2009 | 5,026 | 181,139 | 186,165 |
| Charge for the year | 1,077 | 17,791 | 18,868 |
| On disposals | - | (45) | (45) |
| At 1 July 2010 | 6,103 | 198,885 | 204,988 |
| Charge for the year | 860 | 16,033 | 16,893 |
| On disposals | - | (36,495) | (36,495) |
| At 30 June 2011 | 6,963 | 178,423 | 185,386 |
| **Net book amount at 30 June 2011** | 3,086 | 34,340 | 37,426 |
| **Net book amount at 30 June 2010** | 270 | 46,327 | 46,597 |

# Notes to the Financial Statements

**For the year ended 30 June 2011 (continued)**

**12. Investment in subsidiaries**

| | 2011 | 2010 |
|---|---|---|
| | £ | £ |
| **Carrying amount** | | |
| At 1 July 2010 | 2,017,373 | 2,017,372 |
| Additions | - | 1 |
| At 30 June 2011 | 2,017,373 | 2,017,373 |

Details of the investments in which the Group and the Company holds 20% or more of the nominal value of any class of share capital are as follows:

| | Country of Incorporation | Nature of business | % voting rights and shares held |
|---|---|---|---|
| Arcontech Solutions Limited | England and Wales | Provision of financial information services | 100% of Ordinary shares |
| Cognita Technologies Limited | England and Wales | Software development | 100% of Ordinary shares |
| Arcontech Limited | England and Wales | Software development and consultancy | 100% of Ordinary shares |
| Arcontech Pte. Ltd. | Singapore | Software development and consultancy | 100% of Ordinary shares |

**13. Trade and other receivables**

| | Group 2011 £ | Group 2010 £ | Company 2011 £ | Company 2010 £ |
|---|---|---|---|---|
| **Due within one year:** | | | | |
| Trade receivables | 168,108 | 104,885 | - | - |
| Amounts owed by group undertakings | - | - | 1,433,262 | 1,246,848 |
| Other receivables | 5,086 | 4,396 | 3,720 | 2,894 |
| Prepayments and accrued income | 193,231 | 104,640 | 13,449 | 7,494 |
| | 366,425 | 213,921 | 1,450,431 | 1,257,236 |

Trade receivables, other receivables and accrued income constitute the financial assets within the category “Loans and receivables” as defined by IAS 39 with a total value of £173,194 (2010: £109,281). Trade receivables are non-interest bearing and generally have a 30-90 day term. Due to their short maturities, the fair value of trade receivables approximates their book value.

A provision for impairment of trade receivables is established when there is no objective evidence that the Group will be able to collect all amounts due according to the original terms. The Group considers factors such as default or delinquency in payment, significant financial difficulties of the debtor and the probability that the debtor will enter bankruptcy in deciding whether the trade receivable is impaired. Trade and other receivables are disclosed net of allowances for bad and doubtful debts.

# Notes to the Financial Statements

**For the year ended 30 June 2011 (continued)**

**13. Trade and other receivables (continued)**

As at 30 June 2011, trade receivables of £Nil were impaired (2010: £Nil). As at 30 June 2011 trade receivables of £103,538 (2010: £43,704) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

| | Group 2011 £ | Group 2010 £ | Company 2011 £ | Company 2010 £ |
|---|---|---|---|---|
| Up to 3 months past due | 54,869 | 705 | - | - |
| Over 3 months past due | 48,669 | 42,999 | - | - |
| | 103,538 | 43,704 | - | - |

Other receivables do not contain impaired assets.

The Directors consider that there has been no deterioration in the credit quality of debts which are past due.

**14. Cash and cash equivalents**

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

**15. Trade and other payables**

| | Group 2011 £ | Group 2010 £ | Company 2011 £ | Company 2010 £ |
|---|---|---|---|---|
| Trade payables | 121,817 | 78,961 | 1,415 | - |
| Amounts owed to group undertakings | - | - | 323,683 | 448,731 |
| Other tax and social security payable | 51,218 | 55,348 | 7,511 | 7,302 |
| Other payables and accruals | 654,936 | 625,704 | 31,183 | 22,551 |
| | 827,971 | 760,013 | 363,792 | 478,584 |

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Trade payables and other payables and accruals constitute the financial liabilities within the category "Financial liabilities at amortised cost" as defined by IAS 39 with a total value of £257,212 (2010: £171,224).

**16. Deferred tax**

There is no actual or potential liability for deferred taxation due to the availability of losses, which at 30 June 2011 amounted to approximately £9,400,000 (2010: £8,600,000). The unprovided deferred tax asset at 30 June 2011 was £2,460,000 (2010: £2,400,000).

Currently the criteria for the recognition of a deferred tax asset have not been met and accordingly a deferred tax asset has not been included in the balance sheet as at 30 June 2011 and as at 30 June 2010.

# Notes to the Financial Statements

**For the year ended 30 June 2011 (continued)**

**16. Deferred tax (continued)**

On 22 June 2010 the Government announced its intention to propose to Parliament a staggered reduction in the corporate income tax rate of 1% every year culminating in a rate of 24% for the tax year 2014-2015. On 23 March 2011 the Budget accelerated the reduction in the tax rate from 1 April 2011 from 1% to 2% resulting in the staggered reduction of 1% in rates from 2012 culminating in a rate of 23% rather than 24% for the tax year ended 2014-2015.

As of 30 June 2011 the 1% changes relating the tax years starting 2012, 2013, and 2014 have not been substantively enacted. The unprovided deferred tax asset for 2011 would have decreased by approximately £300,000 had the change of tax rate been substantively enacted as of 30 June 2011.

**17. Share capital**

| | **2011** | **2010** |
|---|---|---|
| | **£** | **£** |
| Company | | |
| **Allotted and fully paid:** | | |
| 1,531,314,870 Ordinary Shares of 0.1p each | 1,531,315 | 1,531,315 |

# Notes to the Financial Statements

**For the year ended 30 June 2011 (continued)**

**17. Share capital (continued)**

**Share options and warrants**

Under the Company's approved 2002 Share Option Scheme, certain Directors and employees held options at 30 June 2011 for unissued Ordinary Shares of 0.1 pence each as follows:

| **Share options** | **At 1 July 2010** | **Granted** | **Exercised** | **Lapsed** | **At 30 June 2011** | **Exercise price** | **Normal exercise period** |
|---|---|---|---|---|---|---|---|
| Employees: | 14,391,026 | - | - | 1,666,667 | 12,724,359 | 0.78 pence | 20 Dec 09 – 19 Dec 13 |
| | 1,000,000 | - | - | - | 1,000,000 | 0.175 pence | 18 Mar 11– 17 Mar 15 |
| | 1,000,000 | - | - | 1,000,000 | - | 0.27 pence | 1 Dec 2011-30 Nov 2015 |
| | - | 5,000,000 | - | - | 5,000,000 | 0.125 pence | 17 Sep 2012 – 16 Sep 2016 |
| Directors: | | | | | | | |
| Andrew Miller | 4,444,444 | - | - | - | 4,444,444 | 0.9 pence | 20 Dec 09 – 19 Dec 13 |
| Michael Levy | 1,851,852 | - | - | - | 1,851,852 | 0.9 pence | 20 Dec 09 – 19 Dec 13 |
| Richard Last | 2,777,778 | - | - | - | 2,777,778 | 0.9 pence | 20 Dec 09 – 19 Dec 13 |
| Warrants (to Directors): | | | | | | | |
| Michael Levy | 500,000 | - | - | 500,000 | - | 2.5 pence | 10 May 04 –10 May11 |
| | 25,965,100 | 5,000,000 | - | 3,166,667 | 27,798,433 | | |
| **Weighted average exercise price** | 0.81 pence | 0.125 pence | - pence | 0.89 pence | 0.68 pence | | |

The number of options/warrants exercisable at 30 June 2011 was 22,798,433 (At 30 June 2010: 23,965,100), these had a weighted average exercise price of 0.80 pence (2010: 0.86 pence).

Options granted under the Company's approved 2002 Share Option Scheme lapse when the Optionholder ceases to be a Director or employee of a Participating Company. The Directors may before the expiry of 3 months following cessation of employment permit an Optionholder to exercise their Option within a period ending no later than 12 months from the cessation of employment.

In the case of the warrant instruments, Ordinary Shares resulting from the exercise of any such rights will rank pari passu in all respects with the Ordinary Shares in issue at the time of exercise.

The highest price of the Company's shares during the year was 0.29p, the lowest price was 0.115p and the price at the year-end was 0.115p.

**17. Share capital (continued)**

**Share options and warrants (continued)**

The weighted average remaining contractual life of share options outstanding at 30 June 2011 was 3.02 years (2010: 3.57 years)

**18. Reserves**

Details of the movements in reserves are set out in the Statement of Changes in Equity. A description of each reserve is set out below.

**Share premium account**

This is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at a premium, net of issue costs.

**Share option reserve**

This relates to the fair value of options granted which has been charged to the income statement over the vesting period of the options.

**Retained earnings**

This relates to accumulated losses.

**19. Income statement**

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes. The loss dealt with in the financial statements of the Parent Company was £82,460 (2010: £162,935).

# Notes to the Financial Statements

**For the year ended 30 June 2011 (continued)**

**20. Net cash used in operations - Group**

| | 2011<br>£ | 2010<br>£ |
|---|---|---|
| Operating loss | (817,855) | (918,754) |
| Depreciation charge | 16,893 | 18,868 |
| Non cash share option charges | 2,241 | 34,555 |
| (Increase)/decrease in trade and other receivables | (152,504) | 307,407 |
| Increase in trade and other payables | 67,958 | 214,242 |
| Loss on disposal of plant and equipment | 3,091 | - |
| **Cash used in operations** | (880,176) | (343,682) |
| Tax recovered | 132,683 | - |
| | (747,493) | (343,682) |

**Net cash used in operations - Company**

| | 2011<br>£ | 2010<br>£ |
|---|---|---|
| Operating loss | (90,039) | (166,024) |
| Non cash share option charges | 2,241 | 34,555 |
| Increase in trade and other receivables | (193,195) | (1,060,763) |
| (Decrease)/increase in trade and other payables | (114,792) | 454,747 |
| **Cash used in operations** | (395,785) | (737,485) |

**21. Operating lease commitments**

At the year-end date the Group has lease agreements in respect of property for which the payments extend over a number of years. The commitments fall due as follows:

| | Group<br>2011<br>£ | Group<br>2010<br>£ | Company<br>2011<br>£ | Company<br>2010<br>£ |
|---|---|---|---|---|
| Land and buildings: | | | | |
| Due within one year | 79,000 | 13,787 | - | - |
| Due between two and five years | 230,417 | - | - | - |
| | 309,417 | 13,787 | - | - |

# Notes to the Financial Statements

**For the year ended 30 June 2011 (continued)**

**22. Related party transactions**

**Group**

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

**Key management compensation**

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group. In the opinion of the Board, the Group's key management are the Directors of Arcontech Group PLC. Information regarding their compensation is given in notes 7 and 17 for each of the categories specified in IAS 24 *Related Party Disclosures*. All emoluments given in notes 7 and 17 relate to short-term employee benefits and there are no post-employment or other long-term benefits.

The financial statements include the following amounts in respect of services provided to the Group:

Michael Levy:
Fees payable to Michael Levy & Co, Chartered Accountants, in which Michael Levy is the principal, in respect of accountancy services of £41,291 (2010: £47,986). At 30 June 2011 the amount outstanding was £Nil (2010: £Nil).

**Company**

Transactions between the Parent Company and its subsidiaries during the year were as follows:

Management charges payable by subsidiaries £272,745 (2010: £238,706).

The amounts due from/to subsidiaries at the balance sheet date were as follows:

| | **2011** **£** | **2010** **£** |
|---|---:|---:|
| Amount due from subsidiaries | 7,617,281 | 7,361,433 |
| Less: Provision for impairment | (6,184,020) | (6,114,585) |
| Amount due from subsidiaries - net | 1,433,261 | 1,246,848 |

During the year a provision of £69,435 was made (2010: £118,517) in respect of balances due from subsidiaries.

| | **2011** **£** | **2010** **£** |
|---|---:|---:|
| Amount due to subsidiaries | 323,684 | 448,731 |
| Less: Provision for impairment | - | - |
| Amount due to subsidiaries - net | 323,684 | 448,731 |

**23. Dividends**

There were no dividends paid or proposed during the period (2010: £nil).

# Notes to the Financial Statements

**For the year ended 30 June 2011 (continued)**

**24. Share-based payments**

The Group operates an approved Share Option Scheme for the benefit of Directors and employees. Options are granted to acquire shares at a specified exercise price at any time following but no later than 6 years after the grant date. There are no performance conditions on the exercise of the share options. Outstanding options granted under the Scheme are disclosed in note 17.

Options granted under the Scheme lapse when the Optionholder ceases to be a Director or employee of a Participating Company. The Directors may before the expiry of 3 months following cessation of employment permit an Optionholder to exercise their Option within a period ending no later than 12 months from the cessation of employment.

The fair value of options is valued using the Black-Scholes pricing model. An expense of £2,241 (2010: £34,555) has been recognised in the period in respect of share options granted. The cumulative share option reserve at 30 June 2011 is £145,538 (2010: £143,297). The inputs into the Black-Scholes pricing model are as follows:

| | **30 June 2011** | **30 June 2011** | **30 June 2010** | **30 June 2010** |
|---|---|---|---|---|
| | **Directors** | **Employees** | **Directors** | **Employees** |
| Exercise price | 0.9 pence | 0.78/0.175/0.125 pence | 0.9 pence | 0.78/0.175/0.27 pence |
| Expected life | 6 years | 6 years | 6 years | 6 years |
| Expected volatility | 100% | 100% | 100% | 100% |
| Risk free rate of interest | 5% | 5% | 5% | 5% |
| Dividend yield | Nil | Nil | Nil | Nil |
| Weighted average share price | 0.74 pence | 0.74/0.175/0.125 pence | 0.74 pence | 0.74/0.175/0.27 pence |
| Fair value of option | 0.5851 pence | 0.5961/0.1419/ 0.12 pence | 0.5851 pence | 0.5961/0.1419/ 0.22 pence |

Volatility has been estimated based on the historic volatility over a period equal to the expected term from the grant date.

**25. Material non-cash transactions**

There were no material non-cash transactions during the period.

**26. Post balance sheet events**

There were no events since the balance sheet date, which materially affect the position of the Group.

## 27. Financial instruments

The Group's financial instruments comprise cash and cash equivalents, and items such as trade payables and trade receivables, which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group's operations expose it to a variety of financial risks including credit risk, liquidity risk and interest rate risk. Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the Company's finance department.

*Credit risk*

The Group's credit risk is primarily attributable to its trade receivables. The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the Board.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | **Group 2011 £** | **Group 2010 £** | **Company 2011 £** | **Company 2010 £** |
|---|---|---|---|---|
| Trade receivables | 168,108 | 104,885 | - | - |
| Cash and cash equivalents | 841,204 | 1,586,376 | 471,172 | 859,378 |
| Amounts owed by group undertakings | - | - | 1,433,262 | 1,246,848 |
| | 1,009,312 | 1,691,261 | 1,904,434 | 2,106,226 |

*Interest rate risk*

The Group has interest bearing assets and no interest bearing liabilities. Interest bearing assets comprise only cash and cash equivalents, which earn interest at a variable rate.

The Group has not entered into any derivative transactions during the period under review.

The Group does not have any borrowings.

The Group's cash and cash equivalents earned interest at variable rates based on bank base rate, between 0% and 1.25% above bank base rate (2010: between 1.15% above and 2.5% below bank base rate).

*Liquidity risk*

The Group has no short-term debt finance. The Group monitors its levels of working capital to ensure that it can meet its liabilities as they fall due.

The Group's only financial liabilities comprise trade payables and other payables and accruals, excluding deferred income, with a carrying value equal to the gross cash flows payable of £257,212 (2010: £171,224) all of which are payable within 6 months.

# Notes to the Financial Statements

**For the year ended 30 June 2011 (continued)**

**27. Financial instruments (continued)**

*Market risk and sensitivity analysis*

*Equity price risk*

The Directors do not consider themselves exposed to material equity price risk due to the nature of the Group's operations.

*Foreign currency exchange risk*

The Directors do not consider themselves exposed to material foreign currency risk due to the nature of the Group's operations. All invoices are raised in sterling.

*Interest rate risk*

The Group is exposed to interest rate risk as a result of positive cash balances, denominated in sterling, which earn interest at a variable rate. As at 30 June 2011, if bank base rate had increased by 0.5% with all other variables held constant, post-tax loss would have been £6,000 (2010: £5,000) lower and equity would have been £6,000 (2010: £5,000) higher. Conversely, if bank base rate had fallen 0.5% with all other variables held constant, post-tax loss would have been £6,000 (2010: £5,000) higher and equity would have been £6,000 (2010: £5,000) lower.

**28. Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure.

The Group defines capital as being share capital plus reserves. The Board of Directors continually monitors the level of capital.

The Group is not subject to any externally imposed capital requirements.

**29. Ultimate controlling party**

There is no ultimate controlling party.

**30. Copies of this statement**

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

# Notice of the Annual General Meeting

**ARCONTECH GROUP PLC**
**Company Number 4062416**

**NOTICE IS HEREBY GIVEN** that the annual general meeting of Arcontech Group PLC (the "**Company**") will be held at the Company's offices, 8th Floor, Finsbury Tower, 103-105 Bunhill Row, London EC1Y 8LZ on 18 October 2011 at 10 a.m. to consider, and if thought fit, pass the following Ordinary and Special Resolutions specified below:

**Ordinary Business**

1. **THAT** the audited financial statements of the Company for the financial year ended 30 June 2011 together with the reports on those financial statements of (i) the Directors of the Company (the "**Directors**") and (ii) the Auditors of the Company (the "**Auditors**") be received and adopted.

2. **THAT** Nexia Smith & Williamson be reappointed as Auditors to the Company to hold office until the conclusion of the next general meeting at which financial statements are laid before the Company, and that the Directors be authorised to determine their remuneration.

3. **THAT** Richard Last, who retires by rotation under Article 107 of the Company's Articles of Association and, who being eligible offers himself to be re-elected as Director.

4. **THAT** any other ordinary business of the Company be transacted.

**Special Business**

THAT the following resolution be considered as an Ordinary Resolution:

5. **THAT** in accordance with section 551 of the Companies Act 2006 ("**2006 Act**"), the Directors of the Company ("Directors") be generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("**Rights**") up to an aggregate nominal amount of £600,000 provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the day falling fifteen months after the passing of this resolution or at the conclusion of the annual general meeting of the Company to be held in the calendar year 2012 (which ever is later) save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the Directors may allot shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

   This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 551 of the 2006 Act.

THAT the following resolution be considered as a Special Resolution:

6. **THAT** subject to the passing of the resolution 5 above and in accordance with section 570 of the 2006 Act, the Directors be generally empowered to allot equity securities (as defined in section 560 of the 2006 Act) pursuant to the authority conferred by resolution 5, as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall:

6.1 Be limited to the allotment of equity securities up to an aggregate nominal amount of £600,000; and

6.2 Expire on the day falling fifteen months after the passing of this resolution or at the conclusion of the annual general meeting of the Company to be held in the calendar year 2012 (which ever is later) (unless renewed, varied or revoked by the Company prior to or on that date) save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

By Order of the Board

............................................
Michael Levy
Secretary

*Registered Office:*
8th Floor
Finsbury Tower
103-105 Bunhill Road
London
EC1Y 8LZ

8 September 2011

# Notice of the Annual General Meeting

**Background to the Special Business resolutions**

**Ordinary Resolution – Resolution 5**

Directors may only allot shares if authorised to do so by shareholders. The authority granted at the last Annual General Meeting ("AGM") is due to expire at the conclusion of this year's AGM. Therefore, this resolution seeks to grant a new authority to allow authority to allow directors to allot shares until the conclusion of the next AGM or until 15 months from the date of this meeting, whichever is the earlier. The maximum amount of shares which the directors would be able to allot without further authority from shareholders is 600,000,000. It is expected that this amount will be sufficient for the day to day running of the Company.

**Special Resolution – Resolution 6**

Under the requirements of the 2006 Act, if directors wish to allot any of the unissued shares, they must first offer them to existing shareholders on a pro-rata basis in proportion to their shareholdings. There may be occasions, however where the directors will need the flexibility to finance business opportunities through the issue of shares without a pre-emptive offer to existing shareholders. This resolution asks shareholders to waive the pre-emption rights on shares issued up to a maximum aggregate number of shares of 600,000,000. As with Resolution 5, this authority will expire at the next AGM or within 15 months of the date of this meeting, whichever is the earlier.

**Notes:**

1. Any member who is entitled to attend and vote at this meeting is entitled to appoint one or more persons as proxies to attend, speak and vote on their behalf. A proxy need not be a member of the Company. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form.

2. The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the register of members of the Company at the close of business two days before the meeting or any adjournment thereof, shall be entitled to attend, speak or vote at the meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the relevant register of securities later than this shall be disregarded in determining the rights of any person to attend, speak or vote at the meeting. A form of proxy is provided with this notice. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holders name and number of shares in relation to which they authorised to act as your proxy. Please also indicate if the proxy is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. To be valid, a form of proxy together with any power of attorney or other authority under which it is executed or a copy thereof certified notarially or in accordance with the Power of Attorney Act 1971 or as the Directors shall accept must be lodged with the PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, so as to arrive not later than 48 hours before the start of the meeting. Completion of the form of proxy will not affect the right of a member to attend, speak and vote at the meeting.

3. The register of Directors’ share interests will be available for inspection at the meeting convened by this notice, as will the Directors' service contracts.

4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and seniority shall be determined by the order in which their names stand on the register of members of the Company.

# ARCONTECH GROUP PLC

I/We                                        of                                        being (a) member(s) of the above-named Company hereby appoint the Chairman of the meeting (Note 3) as my/our proxy to vote for me/us on my/our behalf at the annual general meeting to be held on 18 October 2011 at 10 a.m. and at any adjournment thereof.

Dated ..................................................... 2011          Signature(s)..........................................................................

| | For | Against |
|---|---|---|
| 1. Ordinary resolution - To receive and adopt the Report of the Directors and the Audited Financial Statements of the Company for the year ended 30 June 2011 | | |
| 2. Ordinary resolution - To reappoint Nexia Smith & Williamson as Auditors of the Company and to authorise the Directors to fix their remuneration | | |
| 3. Ordinary resolution - To re-elect Richard Last as a Director | | |
| 4. Ordinary resolution - Directors' authority to allot shares | | |
| 5. Special resolution - Disapplication of pre-emption rights | | |

**Notes**

1. Please indicate with an "X" in the appropriate boxes how you wish your proxy to vote. Unless otherwise directed the proxy will vote or abstain as he or she thinks fit.

2. If you do not indicate how you wish your proxy to vote, your proxy will exercise his/her discretion as to whether, and if so how, he/she votes. Your proxy may also vote or abstain from voting as he/she thinks fit on any other business which may properly come before the meeting including on any permissible amendment to the resolutions set out in the notice of meeting.

3. A proxy need not be a member of the Company. A member may appoint a proxy of his/her own choice. If you wish to appoint someone else other than the Chairman as proxy please delete the words "the Chairman of the meeting" and insert the name of the person whom you wish to appoint in the space provided. The Chairman of the meeting will act as your proxy, whether or not such deletion is made, if no other name is inserted.

4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, copy this form as many times as needed and indicate on each form how many shares are allocated to each proxy appointment.

5. In the case of joint registered holders the signature of one holder on the form of proxy will be accepted by the vote of the senior who tenders a vote whether in person or by proxy to the exclusion of the votes of any joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of such joint holdings.

6. In the case of a corporation the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or a duly authorised officer of the corporation.

7. Any alteration made to the form of proxy should be initialled.

8. To change your proxy instructions simply submit a new proxy appointment. Note that the cut-off time for receipt of proxy appointments (see below) also applies in relation to amended instructions; any amended proxy appointment received after the cut-off time shall be disregarded. You may contact the Company Secretary of Arcontech Group plc, 8th Floor, Finsbury Tower, 103-105 Bunhill Row, London EC1Y 8LZ to obtain another proxy form. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence. To revoke a proxy instruction you will need to inform the Company by sending a hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrars – PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by the cut-off time stated below. In the case of a member which is a corporation, the revocation must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power of attorney) must be included in the revocation notice.

9. This form of proxy should be signed and dated.

10. Completion and return of the form of proxy will not affect the right of a member to attend and vote at the meeting.

To be effective, this form of proxy, together with any power of attorney or any other authority (if any) under which it is executed, or a copy of such power of attorney or other authority, certified notarially, must be lodged at the Company's registrars – PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than the close of business two days before the holding of the meeting or adjourned meeting at which it is to be used.