

# ARCONTECH GROUP PLC

(“Arcontech” or the “Company”)

## PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2012

Arcontech Group plc (AIM: ARC), a provider of enterprise level real-time software solutions to the investment banking and broking sectors, reports its preliminary results for the year ended 30 June 2012.

### **Chairman’s Statement**

Arcontech Group plc has achieved notable progress during the year ended 30 June 2012. The business is now focused on the CityVision suite of software products with particular emphasis on Multi Vendor Contribution Systems (“MVCS”), Excelerator, our real time Excel product and CityVision Cache.

We believe that the opportunities for our products are at a level not previously experienced by the group. We do, however, have to convert these opportunities into sales. Whilst this has proved a little frustrating, with decision-making and proof of concept trials taking longer, we have secured new contracts of almost £1 million over three years. As at 30 June 2012 the contracted annual recurring licence fees amounted to £1,589,110 (2011: £1,538,216) representing approximately 76% of our annual costs (2011: 73%).

Turnover for the year increased by 14% to £1,463,530 (2011: £1,287,409). The underlying increase was 28% after eliminating revenue from the loss-making AXE product, which we stopped actively marketing during the year. The operating loss for the year was £595,147 (2011: £817,855). During the year we continued to invest significantly in product development and improvement. These costs are written off as they are incurred.

### **Financing**

As at 30 June 2012 Arcontech had cash balances of £746,675 (2011: £841,204). The reduction in our cash resources is due to the operating loss incurred during the year, arising primarily due to our continued investment in product development together with lengthening payment periods from clients. Based upon the level of our sales prospects and our continued tight control of costs the Board believes that Arcontech has sufficient financial resources to see the business through to profitability.

### **Employees**

As in previous years I should like to thank our employees for their continued hard work, dedication and support over the last twelve months. Working in a small business often requires employees to be extremely flexible and understanding, this is greatly appreciated.

### **Outlook**

With the level of sales prospects that Arcontech presently has we are hopeful of making significant progress towards breakeven in the coming year. It remains, however, difficult to determine the precise timing of future contracts, as sales cycles remain protracted. To help improve our chances of success we are looking to increase our sales resource in the coming months.

Richard Last  
Chairman

2 August 2012

### **Chief Executive’s Review**

I am pleased with the progress made this year with the enhancement and rationalisation of the CityVision product suite. CityVision now addresses several areas of current demand in a more appropriate and immediately deployable manner and we are seeing strong interest, evidenced by increased sales, from both new and existing clients.

The uptake of the redesigned ‘Excelerator’ product, which provides a vendor-neutral means of publishing and receiving real-time market data into Microsoft Excel, has increased significantly. Excelerator’s ability to integrate with, and provide a migration path between, Thomson Reuters and Bloomberg is a compelling value proposition amongst investment banks eager to reduce costs and reduce lock-in to particular vendors.

CityVision Cache, a new product development this year, gives customers increased choice of technology and is also attracting strong interest, with recent new sales.

New contracts have been longer in negotiation than I would have liked, impairing our revenue growth. Nonetheless, the number of ongoing and successful product evaluations and prospects at or close to contract stage support optimism over forward revenues.

Interest from outside the UK and, in particular, new sales activity in the Nordic regions continues and we have seen several of the new contracts anticipated in last year's review. We have further refined our offerings for integration with Thomson Reuters and Bloomberg and the new product developments mentioned last year are now deployed with Tier 1 and Tier 2 investment banks, facilitating considerable cost reductions and future flexibility.

Increased sales and marketing activity, resulting in significant product interest, has demanded additional pre and post sales resource to support trials and product roll-out. We have recruited in response to this demand and our expanded, experienced support team is well equipped to deal with forecast new business.

Some notable points for the year have been:

- Successful live deployment of CityVision in multiple regions
- New contracts for Excelerator, MVCS and CityVision Cache
- Upgrade of several clients to the enhanced product set
- 100% retention of existing CityVision clients
- Increase in contracted recurring revenues of approximately £1 million

Our status as an independent software supplier, with two-way interfaces between the popular vendors, positions us well to take advantage of the prevailing demand for customer choice of data vendor and delivery technology.

I would like to thank the board, our staff and particularly our new and existing clients for their continued support and look forward to further successes in the coming year.

Andrew Miller  
Chief Executive

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## Group Income Statement

For the year ended 30 June 2012

	2012 £	2011 £
Revenue	1,463,530	1,287,409
Distribution costs	(19,477)	(16,428)
Administrative costs	(2,039,200)	(2,088,836)
<b>Operating loss</b>	(595,147)	(817,855)
Finance income	8,756	13,134
<b>Loss before taxation</b>	(586,391)	(804,721)
Taxation	85,319	132,683
<b>Loss for the year after tax</b>	(501,072)	(672,038)
<b>Total comprehensive income</b>	(501,072)	(672,038)
	(0.03)p	(0.04)p

## Loss per share (basic and diluted)

All of the results relate to continuing operations.

### Statement of Changes in Equity

For the year ended 30 June 2012

#### Group:

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
<b>Balance at 1 July 2010</b>	1,531,315	9,428,169	143,297	(8,300,747)	2,802,034
Loss for the year	-	-	-	(672,038)	(672,038)
<b>Total comprehensive income for the year</b>	-	-	-	(672,038)	(672,038)
Share-based payments	-	-	2,241	-	2,241
<b>Balance at 30 June 2011</b>	1,531,315	9,428,169	145,538	(8,972,785)	2,132,237
Loss for the year	-	-	-	(501,072)	(501,072)
<b>Total comprehensive income for the year</b>	-	-	-	(501,072)	(501,072)
Share-based payments	-	-	45,222	-	45,222
<b>Balance at 30 June 2012</b>	1,531,315	9,428,169	190,760	(9,473,857)	1,676,387

#### Company:

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
<b>Balance at 1 July 2010</b>	1,531,315	9,428,169	143,297	(7,447,378)	3,655,403
Loss for the year	-	-	-	(82,460)	(82,460)
<b>Total comprehensive income for the year</b>	-	-	-	(82,460)	(82,460)
Share-based payments	-	-	2,241	-	2,241
<b>Balance at 30 June 2011</b>	1,531,315	9,428,169	145,538	(7,529,838)	3,575,184
Loss for the year	-	-	-	(35,850)	(35,850)
<b>Total comprehensive income for the year</b>	-	-	-	(35,850)	(35,850)
Share-based payments	-	-	45,222	-	45,222
<b>Balance at 30 June 2012</b>	1,531,315	9,428,169	190,760	(7,565,688)	3,584,556

### Balance Sheets

As at 30 June 2012

Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
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<b>Non-current assets</b>				
Goodwill	1,715,153	1,715,153	-	-
Property, plant and equipment	34,263	37,426	-	-
Investments in subsidiaries	-	-	2,017,373	2,017,373
<b>Total non-current assets</b>	<b>1,749,416</b>	<b>1,752,579</b>	<b>2,017,373</b>	<b>2,017,373</b>
<b>Current assets</b>				
Trade and other receivables	667,637	366,425	1,845,027	1,450,431
Cash and cash equivalents	746,675	841,204	37,595	471,172
<b>Total current assets</b>	<b>1,414,312</b>	<b>1,207,629</b>	<b>1,882,622</b>	<b>1,921,603</b>
<b>Current liabilities</b>				
Trade and other payables	(1,487,341)	(827,971)	(315,439)	(363,792)
<b>Total current liabilities</b>	<b>(1,487,341)</b>	<b>(827,971)</b>	<b>(315,439)</b>	<b>(363,792)</b>
<b>Net current (liabilities)/assets</b>	<b>(73,030)</b>	<b>379,658</b>	<b>1,567,183</b>	<b>1,557,811</b>
<b>Net assets</b>	<b>1,676,387</b>	<b>2,132,237</b>	<b>3,584,556</b>	<b>3,575,184</b>
<b>Equity</b>				
Called up share capital	1,531,315	1,531,315	1,531,315	1,531,315
Share premium account	9,428,169	9,428,169	9,428,169	9,428,169
Share option reserve	190,760	145,538	190,760	145,538
Retained earnings	(9,473,857)	(8,972,785)	(7,565,688)	(7,529,838)
	1,676,387	2,132,237	3,584,556	3,575,184

## Group Cash Flow Statement

For the year ended 30 June 2012

	2012 £	2011 £
<b>Net cash used in operating activities</b>	<b>(90,351)</b>	<b>(747,493)</b>
<b>Investing activities</b>		
Interest received	8,756	13,134
Purchases of plant and equipment	(12,934)	(11,214)
Disposal of plant and equipment	-	401
<b>Net cash (used)/received in investing activities</b>	<b>(4,178)</b>	<b>2,321</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(94,529)</b>	<b>(745,172)</b>
Cash and cash equivalents at beginning of year	841,204	1,586,376
<b>Cash and cash equivalents at end of year</b>	<b>746,675</b>	<b>841,204</b>

## Company Cash Flow Statement

For the year ended 30 June 2012

	2012 £	2011 £
<b>Net cash used in operating activities</b>	<b>(435,926)</b>	<b>(395,785)</b>
<b>Investing activities</b>		
Interest received	2,349	7,579
<b>Net cash generated from investing activities</b>	<b>2,349</b>	<b>7,579</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(433,577)</b>	<b>(388,206)</b>
Cash and cash equivalents at beginning of year	471,172	859,378
<b>Cash and cash equivalents at end of year</b>	<b>37,595</b>	<b>471,172</b>

## Notes to the Financial Statements

### For the year ended 30 June 2012

#### 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.

#### 2. Revenue

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

	2012 £	2011 £
Financial information service, advertising and sponsorship, software development and consultancy	1,463,530	1,287,409

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

#### 3. Operating loss for the year is stated after charging:

	2012 £	2011 £
Depreciation of plant and equipment	15,552	16,893
Loss on disposal of fixed assets	545	3,091
Staff costs ( <i>see note 7</i> )	1,408,153	1,473,442
Operating lease rentals - land and buildings ( <i>see note 21</i> )	79,000	73,075
Research and development	669,400	812,559

#### 4. Loss per share

	2012	2011
	£	£
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share being net loss attributable to equity shareholders	(501,072)	(672,038)
	(501,072)	(672,038)
	<b>No.</b>	<b>No.</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,531,314,870	1,531,314,870
Number of dilutive shares under option	-	-
Weighted average number of ordinary shares for the purposes of dilutive earnings per share	1,531,314,870	1,531,314,870

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.

#### 5. Dividends

There were no dividends paid or proposed during the period (2011: £Nil).

#### 6. Post balance sheet events

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

#### 7. Annual General Meeting

The annual general meeting of the Company will be held at the Company's offices 8<sup>th</sup> Floor, Finsbury Tower, 103-105 Bunhill Row, London EC1Y 8LZ on 23 October 2012 at 10 a.m.

#### 8. Annual Report & Accounts

Copies of the Annual Report & Accounts will be sent to shareholders shortly and are available from the Company Secretary at the Company's registered office at 8<sup>th</sup> Floor Finsbury Tower, 103-105 Bunhill Row, London, EC1Y 8LZ or from the Company's website at [www.arcontech.com](http://www.arcontech.com).