ARCONTECH

Arcontech Group PLC

Report and financial statements for the year ended 30 June 2009

REGISTERED NUMBER: 4062416 (England and Wales)

Arcontech Group PLC

Year ended 30 June 2009

Contents

Chairman's Statement

Commentary

The year ended 30 June 2009 has been one of significant change for Arcontech Group PLC. It brought to a close our involvement with the loss-making MarketTerminal business; the company's name was changed to Arcontech Group PLC, reflecting our focus on the CityVision market data platform and AXE, the CFD and spread betting business.

We have also rationalised our cost base to improve our efficiency and competitiveness. This leaves the Company well placed to benefit from the improved market conditions for our products and services which is now evident.

Turnover from continuing operations for the year ended 30 June 2009 amounted to £1,395,078 (2008: £1,177,173). The Group reported a reduced loss for the year of £470,550 (2008: £1,637,498). Underlining this was a significant reduction in the loss for the second half of the year of £71,237 compared to £399,313 in the first half and £722,535 in the corresponding six months to June 2008, reflecting the reduction in costs and an improvement in new business activity. Contracted recurring revenues for the year amounted to £678,009 (2008: £473,746), representing 49% of total revenue (2008: 40%).

Having reduced our cost base and improved operational efficiency our focus is now on increasing the level of new sales. The company has the capacity to deliver increases in turnover without significantly expanding its cost base so that any increase in sales adds disproportionately to the overall level of profit achieved.

It continues to be our intention to increase our investment in sales and marketing.

Financing and Share Placing

The Group had cash of £426,710 at 30 June 2009 (30 June 2008: £1,082,604) and £374,478 at 31 December 2008. As expected, the Arcontech business was broadly cash neutral at the operating level in the second half of the year.

To strengthen our balance sheet and provide further support and resources for our sales and marketing drive we have, in September 2009, placed 776,635,000 shares (of which 199,750,000 are subject to shareholder approval at the Annual General Meeting) at 0.2 pence per share to raise additional funds of approximately £1.5 million, after anticipated costs. This share placing was supported by both existing and new shareholders and we thank them for their support.

Management and Staff

I would like to thank our management and staff for their continued hard work, commitment and dedication during what undoubtedly has been a challenging year.

Having been through a period of cost reduction and business realignment when a number of people left the company, we are now entering a period of growth and investment and I am confident that all our staff will continue to support and contribute to the future success of the business.

Outlook

As with many businesses of similar size to Arcontech, predicting the financial outcome over a relatively short period is always difficult and fraught with uncertainty. The timing of contract-wins and the precise point of delivery or deployment of a system is not easy to determine.

That said, the new business won by Arcontech in the second half of the year and the increasing level of new prospects for our CityVision and AXE products, together with our recently strengthened balance sheet gives great encouragement that significant opportunities for growth exist.

Chairman's Statement (continued)

We are optimistic for the prospects of the business in the coming year.

Richard Last
Chairman

18 September 2009

Chief Executive's Review

This review comes after my first full year as CEO, one that has seen a great deal of change and some significant successes despite perhaps the worst market conditions I have ever experienced.

The year had four main themes:

- dealing with issues following the decision to withdraw from the MarketTerminal business
- streamlining the business and reducing costs in response to the prevailing economic climate
- restructuring and building business momentum and the sales pipeline for the proven Arcontech CityVision products
- developing and enhancing products in response to customer demand

Following withdrawal from the MarketTerminal business during 2008 the group was renamed and the business refocused under the "Arcontech Group PLC" banner.

Regrettably staff reductions were necessary but were mostly achieved by normal staff turnover. We have the entire technical team from the time of the merger with KTS intact and, indeed, have expanded this resource, leaving us in a strong position to address market opportunities. I wish to thank the staff for their splendid efforts and support during such a difficult time.

Working with our sell-side investment banking clients, we have continued to enhance Arcontech's traditional 'CityVision' market data platform, identifying opportunities for new and existing products.

We are addressing sales and marketing of CityVision with both new and re-assigned resource. This has led to important business with major new banking clients in the second half, significantly reducing losses, greatly helping cash flow, and adding to growth in recurring annual revenue.

Increased international activity is also yielding results and we are seeing strong interest from several regions, with active product evaluations and contract negotiations in process. Our independence from the major data vendors is an important factor and is fundamental in many of these opportunities. We are the largest independent company with proven products in some areas - indeed, the only credible firm in some cases.

The legacy track record has impeded sales progress in some instances due to concerns over financial stability. However, we believe that the improvement in this year's results, together with a strong balance sheet following the recent funding round, will counter this concern. CityVision will benefit from planned increases in sales and marketing over the next 12 months.

The core development of AXE, our platform for on-line and telephone trading of retail derivatives, is now substantially complete. We currently have two customers with expanding client bases - one involved with both Contracts for Difference trading (CFDs) and financial spread betting and the other with CFD trading.

The "credit crunch" has affected the previously buoyant market for such systems. We minimised sales and marketing costs but continued to develop the product, working with our existing clients. We are seeing early signs of recovery in this area and will be increasing sales and marketing imminently.

Existing operators in this area continue to sign up new clients, often via 'white labels' for introducing brokers (IBs). We believe that there will be considerable opportunities for AXE and its component technology as larger IBs see the benefits of offering margin products directly to their retail clients and via their own IB arrangements.

Overall, I am pleased that the note of optimism expressed last year was well founded and that we have gained some significant new business. The pipeline today of identifiable, well qualified prospects is considerably stronger than it was for the corresponding period of 2008.

I look forward to working with staff, clients and prospects to achieve the growth that we believe is possible in the coming year.

Andrew Miller
Chief Executive
18 September 2009

Company Information

Directors	Richard Last *(Chairman and Non-Executive Director)**+ Andrew Miller *(Chief Executive)*+ Michael Levy *(Group Finance Director)* Louise Barton *(Non-Executive Director)**+
Secretary and Registered Office	Michael Levy 8th Floor Finsbury Tower 103-105 Bunhill Row London EC1Y 8LZ
Nominated Adviser and Broker	Astaire Securities Plc 30 Old Broad Street London EC2N 1HT
Registered Number	4062416
Solicitors	TLT LLP One Redcliff Street Bristol BS1 6TP
Auditors	Nexia Smith & Williamson LLP Statutory Auditor Chartered Accountants Portwall Place Portwall Lane Bristol BS1 6NA
Registrars	Capita IRG Plc Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA
Principal Bankers	HSBC Bank Plc 20 Eastcheap London EC4N 6AR
Company website	www.arcontech.com

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

Board of Directors

Directors - Executive

Andrew Miller (51)

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 (47)

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 (52)

Richard was appointed Chairman and Non-Executive Director in February 2007. He has over 15 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, an AIM listed provider of solutions for futures trading and exchange systems, 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, Lighthouse Group plc, an AIM listed financial services group and the British Smaller Companies VCT plc, a fully listed venture capital trust, as well as a number of other private businesses.

Louise Barton (59)

Louise was appointed Non-Executive Director in February 2007. She has more than 26 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 2009.

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 3.

Results and dividends

Details of the results for the year are given on page 12. The Directors do not recommend the payment of a dividend. (2008: £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 income statement on page 12, revenue from continuing operations for the year has increased by 19%, whilst distribution and administrative costs from continuing operations (excluding exceptional items) for the year decreased by 15%, resulting in the operating loss before tax from continuing operations decreasing by 57%.

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. Examples of specific risk areas and the action taken to mitigate their outcome are shown below:

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

Directors

The Directors who have held office during the period from 1 July 2008 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, Louise Barton, who retires by rotation, offers herself for re-election.

Directors' Report (continued)

Directors (continued)

Except as disclosed in note 25 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.

Charitable and political contributions

The Group did not make any political or charitable donations during the year.

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 Combined Code ("the Code"). However, the Board of Directors support the Code and also the recommendations made by Quoted Companies Alliance in its bulletin "Guidance for Smaller Quoted Companies". The bulletin provides a series of recommendations for smaller quoted companies in approaching the question of corporate governance.

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 it's 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, having regard to the facilities available to the Group and the share placing referred to in note 29, 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 2009, the average trade payables for the Group, expressed as a number of days, were 112 days (2008: 52 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 LLP as the Group's Auditors for the ensuing year will be proposed at the Annual General Meeting in accordance with section 489 of the Companies Act 2006.

On behalf of the Board

Michael Levy
Company Secretary

18 September 2009

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 that the financial statements comply with IFRSs as adopted by the European Union;
- 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 Auditors' Report to the shareholders of Arcontech Group PLC

We have audited the financial statements of Arcontech Group PLC for the year ended 30 June 2009 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 33. 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 Section 495 and 496 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 9, 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 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/UKNP.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2009 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 Auditors' Report to the shareholders 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.

Steven Coombe
Senior Statutory Auditor, for and on behalf of

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

18 September 2009

Group Income Statement

For the year ended 30 June 2009

	Note	2009	2008
		£	£
Continuing operations			
Revenue	3	1,395,078	1,177,173
Distribution costs		(37,138)	(32,677)
Administrative costs		(1,930,576)	(2,287,111)
Administrative costs - exceptional	4	(2,103)	(222,062)
Operating loss from continuing operations	5	(574,739)	(1,364,677)
Finance income		8,417	36,548
Loss before taxation from continuing operations		(566,322)	(1,328,129)
Taxation	9	38,458	67,754
Loss for the year from continuing operations		(527,864)	(1,260,375)
Discontinued operations			
Profit/(loss) for the year after tax from discontinued operations	10	57,314	(377,123)
Loss for the year		(470,550)	(1,637,498)
Earnings per share (basic and diluted)	11		
From continuing operations		(0.07)p	(0.24)p
From discontinued operations		0.01p	(0.07)p
From continuing and discontinued operations		(0.06)p	(0.31)p

The notes on pages 17 to 39 form part of these accounts.

Statement of Changes in Equity

For the year ended 30 June 2009
Group:

	Share capital	Share premium	Share option reserve	Retained earnings	Shares to be issued	Total equity
	£	£	£	£	£	£
Balance at 1 July 2007	332,532	6,316,870	-	(5,279,626)	-	1,369,776
Loss for the year	-	-	-	(1,637,498)	-	(1,637,498)
Total recognised income and expenses for the year	-	-	-	(1,637,498)	-	(1,637,498)
Share-based payments	-	-	45,920	-	-	45,920
Issue of equity share capital	403,911	2,200,070	-	-	-	2,603,981
Balance at 30 June 2008	736,443	8,516,940	45,920	(6,917,124)	-	2,382,179
Loss for the year	-	-	-	(470,550)	-	(470,550)
Total recognised income and expenses for the year	-	-	-	(470,550)	-	(470,550)
Share-based payments	-	-	62,822	-	-	62,822
Recognition of equity shares to be issued	-	-	-	-	200,606	200,606
Balance at 30 June 2009	736,443	8,516,940	108,742	(7,387,674)	200,606	2,175,057

Company:

	Share capital	Share premium	Share option reserve	Retained earnings	Shares to be issued	Total equity
	£	£	£	£	£	£
Balance at 1 July 2007	332,532	6,316,870	-	(5,658,707)	-	990,695
Loss for the year	-	-	-	(1,300,854)	-	(1,300,854)
Total recognised income and expenses for the year	-	-	-	(1,300,854)	-	(1,300,854)
Share-based payments	-	-	45,920	-	-	45,920
Issue of equity share capital	403,911	2,200,070	-	-	-	2,603,981
Balance at 30 June 2008	736,443	8,516,940	45,920	(6,959,561)	-	2,339,742
Loss for the year	-	-	-	(324,882)	-	(324,882)
Total recognised income and expenses for the year	-	-	-	(324,882)	-	(324,882)
Share-based payments	-	-	62,822	-	-	62,822
Recognition of equity shares to be issued	-	-	-	-	200,606	200,606
Balance at 30 June 2009	736,443	8,516,940	108,742	(7,284,443)	200,606	2,278,288

The notes on pages 17 to 39 form part of these accounts.

Balance Sheets

As at 30 June 2009

	Note	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Non-current assets					
Goodwill	12	1,715,153	1,634,547	-	-
Property, plant and equipment	13	57,638	154,390	-	-
Investments in subsidiaries	14	-	-	2,017,372	2,016,060
Total non-current assets		1,772,791	1,788,937	2,017,372	2,016,060
Current assets					
Trade and other receivables	15	521,328	563,159	196,473	128,685
Cash and cash equivalents	16	426,710	1,082,604	88,280	404,579
Total current assets		948,038	1,645,763	284,753	533,264
Current liabilities					
Trade and other payables	17	(545,772)	(1,052,521)	(23,837)	(209,582)
Total current liabilities		(545,772)	(1,052,521)	(23,837)	(209,582)
Net current assets		402,266	593,242	260,916	323,682
Net assets		2,175,057	2,382,179	2,278,288	2,339,742
Equity					
Called up share capital	19	736,443	736,443	736,443	736,443
Shares to be issued	20	200,606	-	200,606	-
Share premium account	20	8,516,940	8,516,940	8,516,940	8,516,940
Share option reserve	20	108,742	45,920	108,742	45,920
Retained earnings		(7,387,674)	(6,917,124)	(7,284,443)	(6,959,561)
		2,175,057	2,382,179	2,278,288	2,339,742

Approved on behalf of the board on 18 September 2009 by:

Andrew Miller
Chief Executive

Michael Levy
Group Finance Director

The notes on the pages 17 to 39 form part of these accounts.

Group Cash Flow Statement

For the year ended 30 June 2009

	Note	2009	2008
		£	**£**
Continuing operations			
Net cash used in operating activities	23	**(687,627)**	**(1,162,698)**
Investing activities			
Interest received		7,193	36,548
Acquisition of subsidiary, net of cash acquired	22	-	(784,523)
Purchases of plant and equipment		(1,956)	(75,178)
Disposal of plant and equipment		19,500	-
Net cash received/(used) in investing activities		**24,737**	**(823,153)**
Financing activities			
Proceeds on issue of shares		-	2,239,000
Expenses paid in connection with share issues	20	-	(130,019)
Net cash generated from financing activities		**-**	**2,108,981**
Net (decrease)/increase in cash and cash equivalents from continuing operations		**(662,890)**	**123,130**
Discontinued operations			
Cash flows from operating activities	23	4,067	(519,153)
Cash flows from investing activities		2,929	5,176
Net increase/(decrease) in cash and cash equivalents from discontinued operations		**6,996**	**(513,977)**
Net decrease in cash and cash equivalents		**(655,894)**	**(390,847)**
Cash and cash equivalents at beginning of year		1,082,604	1,473,451
Cash and cash equivalents at end of year	16	**426,710**	**1,082,604**

The notes on the pages 17 to 39 form part of these accounts.

Company Cash Flow Statement

For the year ended 30 June 2009

	Note	2009	2008
		£	£
Net cash used in operating activities	23	**(320,263)**	**(1,321,842)**
Investing activities			
Interest received		3,964	23,692
Acquisition of subsidiary	22	-	(1,321,763)
Net cash generated from/(used in) investing activities		**3,964**	**(1,298,071)**
Financing activities			
Proceeds on issue of shares	19	-	2,239,000
Expenses paid in connection with share issues	20	-	(130,019)
Net cash generated from financing activities		**-**	**2,108,981**
Net decrease in cash and cash equivalents		**(316,299)**	**(510,932)**
Cash and cash equivalents at beginning of year		404,579	915,511
Cash and cash equivalents at end of year	16	**88,280**	**404,579**

The notes on the pages 17 to 39 form part of these accounts.

Notes to the Financial Statements

For the year ended 30 June 2009

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 the share placing referred to in note 29 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

Standards, interpretations and amendments to existing standards that have been published, and are mandatory to accounting periods beginning on or after 1 July 2009 or later periods and that have not been early adopted by the Group or the Company are as follows:

- IAS 1: Presentation of Financial Statements (EU adopted) - comprehensive revision including requiring a statement of comprehensive income.
- IAS 1: Presentation of Financial Statements (EU adopted) - amendments relating to disclosure of puttable instruments and obligations arising on liquidation.
- IAS 23: Borrowing Costs (EU adopted) - comprehensive revision to prohibit immediate expensing.
- IAS 27: Consolidated and Separate Financial Statements (revised) (EU adopted).
- IAS 27: Consolidated and Separate Financial Statements (EU adopted) - amendment relating to measuring the cost of investments in subsidiaries.
- IAS 32: Financial Instruments: Presentation (EU adopted) - amendments relating to puttable instruments and obligations arising on liquidation.
- IFRS 1: First Time Adoption of IFRS (EU adopted) - amendment relating to measuring the cost of investments in subsidiaries.
- IFRS 2: Share-based Payment (EU adopted) - amendment relating to vesting conditions and cancellations.
- IFRS 3: Business Combinations (revised) (EU adopted).
- IFRS 8: Operating Segments (EU adopted) - there will be no material impact on the financial statements from application as this is an existing disclosure standard.

There is no material effect of the above standards on the reported results of the Group and Company. Additional disclosures will be made to comply with the requirements of the new standards when implemented.

For the year ended 30 June 2009 (continued)

1. Accounting policies (continued)

Changes in standards or interpretations which are not currently mandatory to the Group's and Company's activities are as follows:

Effect of new IFRS and changes to IFRS (continued)

- IFRS 1: First Time Adoption of IFRS - improved structure (not yet EU adopted).
- IFRS 1: First Time Adoption of IFRS - optional exemptions for first-time adopters of IFRS (not yet EU adopted).
- IFRS 2: Share-based Payment - amendment to clarify the scope and interaction with other standards (not yet EU adopted).
- IFRS 7: Financial Instruments: Disclosures - amendment relating to disclosures of liquidity risk (not yet EU adopted).
- IFRIC 17: Distributions of Non-cash Assets to Owners (not yet EU adopted).
- IFRIC 18: Transfers of Assets from Customers (not yet EU adopted).

There is no material effect of the above standards on the reported results of the Group and Company. Additional disclosures will be made to comply with the requirements of the new standards when implemented.

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 2009. 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 goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when delivered and title has passed.

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:

Subscriptions, consultancy, advertising and sponsorship – on a time basis over the contract period.

Notes to the Financial Statements

For the year ended 30 June 2009 (continued)

1. Accounting policies (continued)

Taxation

The tax credit represents the sum of the tax currently recoverable and any deferred tax.

The tax credit is based on the taxable loss for the year. Taxable loss differs from net loss 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 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. The assumptions underlying the number of awards expected to vest are subsequently adjusted for the effects of non market-based vesting to reflect the conditions prevailing at the balance sheet date. 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.

Notes to the Financial Statements

For the year ended 30 June 2009 (continued)

1. Accounting policies (continued)

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 amount of 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.

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 IAS38, otherwise it is charged to the income statement in the year incurred.

Notes to the Financial Statements

For the year ended 30 June 2009 (continued)

1. Accounting policies (continued)

Pension costs and other post-retirement benefits

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

Discontinued operations

A discontinued operation is a component of the Group that has either been disposed of during the year, or that is classified as held-for-sale, which represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate line of business or geographical area of operations. Discontinued operations are presented in the income statement as a separate line and are shown net of tax.

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, employee turnover, the timing with which options will 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 and inventory 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 and inventory 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 and the inventory is not sold at its carrying amount.

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 (2008: £1,634,547).

Notes to the Financial Statements

For the year ended 30 June 2009 (continued)

3. Revenue

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

	2009 £	2008 £
Financial information service, advertising and sponsorship, software development and consultancy		
Continuing and discontinued operations	1,395,078	1,939,604
Discontinued operations	-	(762,431)
Continuing operations	1,395,078	1,177,173

4. Administrative costs – exceptional:

	2009 £	2008 £
Directors' remuneration – payment in lieu of notice	2,103	135,315
(in respect of Marc Pinter-Krainer, the former Chief Executive)		
Restructuring costs – office relocation expenses	-	86,747
	2,103	222,062

5. Operating loss for the year is stated after charging:

	2009 £	2008 £
Depreciation of plant and equipment	41,983	47,580
Loss on disposal of fixed assets	37,225	171
Staff costs (see note 8)	1,480,579	1,890,619
Operating lease rentals - land and buildings (see note 24)	55,300	55,300
Research and development	676,233	1,217,414

6. Auditor's remuneration:

	2009 £	2008 £
Fees payable to the Group's auditor for the audit of the Group's annual accounts	16,500	12,000
Fees payable to the Group's auditor for other services:		
- audit of the Company's subsidiaries, pursuant to legislation	8,500	8,500
- other services	515	4,225

For the year ended 30 June 2009 (continued)

7. Business and geographical segments:

For management purposes, the Group is currently organised into two main operating divisions: Financial information service and advertising and sponsorship (Knowledge Technology Services Limited) and software development and consultancy (Arcontech Limited). These divisions are the business segments for which the Group reports its primary segment information. The Group's operations are predominantly in one geographical segment, the United Kingdom.

	2009	2008
	£	£
Revenue by segment		
Financial information service, advertising and sponsorship	63,880	902,427
Sales attributable to discontinued operations	-	(762,431)
	63,880	139,996
Software development and consultancy	1,331,198	1,037,177
Revenue from continuing operations	1,395,078	1,177,173
Operating profit/(loss) by segment		
Financial information service, advertising and sponsorship	(266,349)	(575,987)
Software development and consultancy	17,451	(379,794)
Unallocated overheads	(325,841)	(408,896)
	(574,739)	(1,364,677)
Operating profit/(loss) attributable to discontinued operations	54,385	(382,299)
Total operating loss	(520,354)	(1,746,976)
Finance income	11,346	41,724
Taxation	38,458	67,754
Total loss after tax as reported in the Group income statement	(470,550)	(1,637,498)

	2009	2008
Carrying value of assets by segment		
Financial information service, advertising and sponsorship	68,268	604,731
Software development and consultancy	838,555	772,991
Unallocated assets	1,814,006	2,056,978
Total assets	2,720,829	3,434,700

Notes to the Financial Statements

For the year ended 30 June 2009 (continued)

7. Business and geographical segments (continued):

	2009	2008
	£	£
Carrying value of liabilities by segment		
Financial information service, advertising and sponsorship	37,598	344,890
Software development and consultancy	484,337	497,034
Unallocated liabilities	23,837	210,597
Total liabilities	545,772	1,052,521
Additions of property, plant and equipment assets by segment		
Financial information service, advertising and sponsorship	-	75,177
Software development and consultancy	1,956	172,150
Total additions	1,956	247,327
Depreciation of property, plant and equipment assets recognised in the period by segment		
Financial information service, advertising and sponsorship	33,966	41,551
Software development and consultancy	8,017	6,029
Total depreciation	41,983	47,580

Notes to the Financial Statements

For the year ended 30 June 2009 (continued)

8. Staff costs

		2009 £	2008 £
a)	**Aggregate staff costs, including Directors' remuneration**		
	Wages and salaries	1,214,501	1,667,055
	Social security costs	146,716	177,644
	Pension contributions	56,540	-
	Share-based payments	62,822	45,920
		1,480,579	1,890,619

b)	**The average number of employees (including executive Directors) was:**		
	Sales and administration	22	30

		£	£
c)	**Directors' emoluments**		
	Short-term employee benefits	128,552	190,576
	Termination benefits	2,103	135,315
	Post-employment benefits	22,000	-
	Share-based payments	26,546	14,110
		179,201	340,001

	£	£
Executive Directors		
Marc Pinter-Krainer (resigned 7 December 2007)	2,103	187,623
Michael Levy *	13,333	15,750
Andrew Miller	121,219	98,518
Non-Executive Directors		
Richard Last	16,000	24,000
Louise Barton	-	-
	152,655	325,891

The number of Directors that are members of a defined contribution pension scheme is 1 (2008: Nil).

* Fees payable to Michael Levy & Co, Chartered Accountants, in which Michael Levy is the principal, in respect of accountancy services are disclosed in note 25.

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 £14,784 (2008: £20,853).

Notes to the Financial Statements

For the year ended 30 June 2009 (continued)

9. Taxation

	2009	2008
	£	£
Current tax	(38,458)	(67,754)
Deferred tax	-	-
Total tax credit for the year	(38,458)	(67,754)

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:

	2009 £	2008 £
Loss on ordinary activities before tax	(509,008)	(1,705,252)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008: 29.5%)	(142,522)	(503,049)
Effects of:		
Disallowed expenses	4,197	1,774
Temporary differences on deferred tax not recognised	324	(6,417)
Loss on sale of fixed assets	10,423	-
Pre-acquisition loss	-	(7,646)
Prior year adjustment	(38,458)	(67,754)
Losses brought forward	(19,047)	-
Losses carried back	-	73,681
Losses carried forward	146,625	441,657
Total tax credit for the year	(38,458)	(67,754)

Factors which may affect future tax charges

At 30 June 2009 the Group has losses of approximately £4,917,000 (2008: £4,400,000) to offset against future profits.

Notes to the Financial Statements

For the year ended 30 June 2009 (continued)

10. Discontinued operations

On 29 August 2008 Knowledge Technology Services Limited terminated its MarketTerminal subscription service. The comparative income statement, cash flow statement and related notes have been restated to show the discontinued operations separately from continuing operations.

	2009 £	2008 £
Results of discontinued operations		
Revenue	-	762,431
Distribution costs	117,639	(874,478)
Administrative costs	(63,254)	(270,252)
Operating profit/(loss) from discontinued operations	54,385	(382,299)
Finance income	2,929	5,176
Profit/(loss) before taxation	57,314	(377,123)
Taxation	-	-
Profit/(loss) for the year	57,314	(377,123)

11. Earnings per share

	2009 £	2008 £
Earnings Earnings for the purpose of basic and diluted earnings per share being net profit/(loss) attributable to equity shareholders:		
Continuing operations	(527,864)	(1,260,375)
Discontinued operations	57,314	(377,123)
	(470,550)	(1,637,498)
	No.	**No.**
Number of shares Weighted average number of ordinary shares for the purpose of basic earnings per share	736,442,943	520,890,310
Number of dilutive shares under option	-	-
Weighted average number of ordinary shares for the purposes of dilutive earnings per share	736,442,943	520,890,310

The calculation of diluted earnings per share assumes conversion of all potentially dilutive ordinary shares, all of which arise from share options. A calculation is 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.

Notes to the Financial Statements

For the year ended 30 June 2009 (continued)

12. Goodwill

	2009	2008
	£	£
Cost and net book amount		
At 1 July 2008	1,634,547	-
Additions	80,606	1,634,547
At 30 June 2009 (see Note 22)	1,715,153	1,634,547

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:

	2009	2008
	£	£
Arcontech Limited	1,715,153	1,634,547

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 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%.

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% per annum, after which the UK long-term growth rate is applied.

As the Group does not have any borrowings, the rate used to discount all the forecast cash flows is 11.8%, 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.

Notes to the Financial Statements

For the year ended 30 June 2009 (continued)

13. Property, plant and equipment - Group

	Leasehold Property	Office furniture & equipment	Total
Cost	**£**	**£**	**£**
At 1 July 2007	6,373	387,374	393,747
Additions	-	75,178	75,178
On acquisition of subsidiaries	-	172,150	172,150
Disposals	-	(129,364)	(129,364)
At 1 July 2008	6,373	505,338	511,711
Additions	-	1,956	1,956
Disposals	-	(269,864)	(269,864)
At 30 June 2009	6,373	237,430	243,803
Depreciation			
At 1 July 2007	2,872	268,649	271,521
Charge for the year	1,077	46,503	47,580
On acquisition of subsidiaries	-	167,413	167,413
On disposals	-	(129,193)	(129,193)
At 1 July 2008	3,949	353,372	357,321
Charge for the year	1,077	40,906	41,983
On disposals	-	(213,139)	(213,139)
At 30 June 2009	5,026	181,139	186,165
Net book amount at 30 June 2009	1,347	56,291	57,638
Net book amount at 30 June 2008	2,424	151,966	154,390

For the year ended 30 June 2009 (continued)

14. Investment in subsidiaries

	2009	2008
	£	£
Cost and net book amount		
At 1 July 2008	2,016,060	79,297
Additions (see note 22)	80,606	1,936,763
Provision for impairment	(79,294)	-
At 30 June 2009	2,017,372	2,016,060

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
Knowledge Technology Services 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

15. Trade and other receivables

	Group 2009	Group 2008	Company 2009	Company 2008
	£	£	£	£
Due within one year:				
Trade receivables	325,655	323,491	-	-
Amounts owed by group undertakings	-	-	185,902	110,832
Other receivables	96,988	63,304	3,208	8,357
Prepayments and accrued income	98,685	176,364	7,363	9,496
	521,328	563,159	196,473	128,685

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 £409,643 (2008: £386,795). 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 2009 (continued)

15. Trade and other receivables

As at 30 June 2009, trade receivables of £Nil were impaired (2008: £Nil). As at 30 June 2009 trade receivables of £244,249 (2008: £272,600) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Up to 3 months past due	64,430	182,380	-	-
Over 3 months past due	179,819	90,220	-	-
	244,249	272,600	-	-

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.

16. 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.

17. Trade and other payables

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Trade payables	75,380	194,829	2,155	3,196
Other tax and social security payable	52,352	83,799	1,292	12,103
Other payables and accruals	418,040	773,893	20,390	194,283
	545,772	1,052,521	23,837	209,582

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 154,317 (2008: £680,573).

18. Deferred tax

There is no actual or potential liability for deferred taxation due to the availability of losses, which at 30 June 2009 amounted to approximately £4,917,000 (2008: £4,400,000). The unprovided deferred tax asset at 30 June 2009 was £1,380,000 (2008: £1,254,000).

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 2009 and as at 30 June 2008.

Notes to the Financial Statements

For the year ended 30 June 2009 (continued)

19. Share capital

	2009 £	2008 £
Company		
Authorised:		
2,000,000,000 (2008: 1,000,000,000) Ordinary Shares of 0.1p each	2,000,000	1,000,000
Allotted and fully paid:		
736,442,943 (2008: 736,442,943) Ordinary Shares of 0.1p each	736,443	736,443

Share options and warrants

Under the Company's approved 2002 Share Option Scheme, certain Directors and employees held options at 30 June 2009 for unissued Ordinary Shares of 0.1 pence each as follows:

Share options	At 1 July 2008	Granted	Exercised	Lapsed	At 30 June 2009	Exercise price	Normal exercise period
Employees:	225,000	-	-	225,000	-	12.5 pence	17 Nov 06 – 17 Nov 10
	200,000	-	-	200,000	-	6.13 pence	7 Jan 07 – 6 Jan 11
	20,080,128	-	-	5,208,333	14,871,795	0.78 pence	20 Dec 09 – 19 Dec 13
	-	1,000,000	-	-	1,000,000	0.175 pence	18 Mar 11– 17 Mar 15
Directors:							
Andrew Miller	4,444,444	-	-	-	4,444,444	0.9 pence	20 Dec 09 – 19 Dec 13
Share options (to Directors):							
Michael Levy	125,000	-	-	-	125,000	15.0 pence	17 Nov 05 – 16 Nov 09
	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
	30,204,202	1,000,000	-	5,633,333	25,570,869		
Weighted average exercise price	1.03 pence	0.18 pence	- pence	1.44 pence	0.90 pence		

The number of options/warrants exercisable at 30 June 2009 was 625,000 (At 30 June 2008: 625,000), these had a weighted average exercise price of 5.0 pence (2008: 5.0 pence).

Notes to the Financial Statements

For the year ended 30 June 2009 (continued)

19. Share capital (continued)

Share options and warrants (continued)

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 0.57p, the lowest price was 0.125p and the price at the year-end was 0.5p.

20. 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.

Shares to be issued

This relates to the deferred consideration shares as disclosed in note 22.

Retained earnings

This relates to accumulated losses.

21. 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 £324,882 (2008: £1,300,854).

Notes to the Financial Statements

For the year ended 30 June 2009 (continued)

22. Acquisition of subsidiary

On 4 September 2007, the Group acquired 100 per cent of the issued share capital of Arcontech Limited. The initial consideration was satisfied with cash of £1,239,933 and the issue of 45 million shares of 0.1 pence. On 10 July 2009 a further 18,236,927 shares of 0.1 pence, being the deferred consideration, were issued at a price of 1.1 pence. This transaction has been accounted for by the purchase method of accounting.

Net assets acquired:	Book and Fair value £
Plant and equipment	4,737
Trade and other receivables	266,266
Cash and cash equivalents	537,240
Trade and other payables	(506,024)
	302,219
Goodwill	1,715,153
Total consideration	2,017,372
Satisfied by:	
Cash	1,239,933
Directly attributable costs	81,833
Issue of shares	695,606
	2,017,372
Net cash outflow arising on acquisition:	
Cash consideration	1,321,763
Cash and cash equivalents acquired	(537,240)
	784,523

Equity shares issued are included at either market value at the date of acquisition or the price fixed in the purchase Agreement.

Included in the issue of shares above is £200,606 in respect of the deferred consideration, of which £80,606 is revised deferred consideration, recognised as an addition to goodwill in note 12.

Notes to the Financial Statements

For the year ended 30 June 2009 (continued)

23. Net cash used in operations - Group

	Continuing operations 2009 £	Continuing operations 2008 £	Discontinued operations 2009 £	Discontinued operations 2008 £
Operating (loss)/profit	(574,739)	(1,364,677)	54,385	(382,299)
Depreciation charge	41,983	47,580	-	-
Non cash share option charges	62,822	45,920	-	-
(Increase)/decrease in trade and other receivables	(32,965)	(68,784)	114,479	36,864
(Decrease)/increase in trade and other payables	(221,953)	214,657	(164,797)	(173,718)
Loss on disposal of plant and equipment	37,225	171	-	-
Cash (used in)/from operations	(687,627)	(1,125,133)	4,067	(519,153)
Tax paid	-	(37,565)	-	-
	(687,627)	(1,162,698)	4,067	(519,153)

Net cash used in operations - Company

	2009 £	2008 £
Operating loss	(328,846)	(1,324,547)
Non cash share option charges	26,546	45,920
Provision for impairment of fixed asset investments	79,294	-
(Increase) in trade and other receivables	(31,512)	(97,599)
(Decrease)/Increase in trade and other payables	(65,745)	54,384
Cash used in operations	(320,263)	(1,321,842)

24. 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 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Land and buildings:				
Due within one year	55,300	55,300	-	-
Due between two and five years	13,787	69,087	-	-
	69,087	124,387	-	-

Notes to the Financial Statements

For the year ended 30 June 2009 (continued)

25. 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 4, 8 and 19 for each of the categories specified in IAS 24 *Related Party Disclosures*. All emoluments given in notes 4 and 8 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 £81,736 (2008: £50,837). At 30 June 2009 the amount outstanding was £Nil (2008: £Nil).

Company

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

Management charges payable by subsidiaries £Nil (2008: £262,318).

There were no amounts due to subsidiaries at the balance sheet date (2008: £Nil). The amounts due from subsidiaries at the balance sheet date were as follows:

	2009 £	2008 £
Amount due from subsidiaries	6,181,970	6,182,190
Less: Provision for impairment	(5,996,068)	(6,071,358)
Amount due from subsidiaries - net	185,902	110,832

During the year a provision was released of £75,290 (2008: increase of £1,093,711) in respect of balances due from subsidiaries.

26. Dividends

There were no dividends paid or proposed during the period (2008: Nil).

27. 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 19.

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.

Notes to the Financial Statements

For the year ended 30 June 2009 (continued)

27. Share-based payments (continued)

The fair value of options is valued using the Black-Scholes pricing model. An expense of £62,822 (2008: £45,920) has been recognised in the period in respect of share options granted. The cumulative share option reserve at 30 June 2009 is £108,742 (2008: £45,920). The inputs into the Black-Scholes pricing model are as follows:

	30 June 2009	30 June 2009	30 June 2008	30 June 2008
	Directors	**Employees**	**Directors**	**Employees**
Exercise price	0.9 pence	0.78/0.175 pence	0.9 pence	0.78 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 pence	0.74 pence	0.74 pence
Fair value of option	0.5851 pence	0.5961/0.1419 pence	0.5851 pence	0.5961 pence

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

28. Material non-cash transactions

There were no material non-cash transactions during the period, other than in relation to shares to be issued recognised as disclosed in note 29.

29. Post balance sheet events

On 10 July 2009, the Company issued 18,236,927 shares of 0.1 pence, being the deferred consideration in connection with the acquisition of Arcontech Limited on 4 September 2007. The shares were issued at a price of 1.1 pence as per the share purchase agreement and amounted to £200,606.

On 15 September 2009, the Company placed 776,635,000 shares of 0.1 pence (of which 199,750,000 are subject to shareholder approval at the Annual General Meeting). The shares were placed at a price of 0.2 pence and amounted to £1,553,270.

30. 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.

Notes to the Financial Statements

For the year ended 30 June 2009 (continued)

30. Financial instruments (continued)

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 2009 £	**Group 2008 £**	**Company 2009 £**	**Company 2008 £**
Trade receivables	325,655	323,491	-	-
Cash and cash equivalents	426,710	1,082,604	88,280	404,579
Amounts owed by group undertakings	-	-	185,902	110,832
	752,365	1,406,095	274,182	515,411

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 2.5% and 0.5% below bank base rate (2008: between 2.5% and 0.65% 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 with a carrying value equal to the gross cash flows payable of £75,380 (2008: £194,829) all of which are payable within 6 months.

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.

Notes to the Financial Statements

For the year ended 30 June 2009 (continued)

30. Financial instruments (continued)

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 2009, if bank base rate had increased by 0.5% with all other variables held constant, post-tax loss would have been £4,000 (2008: £6,000) lower and equity would have been £4,000 (2008: £6,000) higher. Conversely, if bank base rate had fallen 0.5% with all other variables held constant, post-tax loss would have been £4,000 (2008: £6,000) higher and equity would have been £4,000 (2008: £6,000) lower.

31. 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.

32. Ultimate controlling party

There is no ultimate controlling party.

33. Copies of this statement

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

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 29 October 2009 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 2009 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 LLP 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** Louise Barton, who retires by rotation under Article 107 of the Company's Articles of Association and, who being eligible offers herself to be re-elected, be re-elected as a 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 2010 (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 80 of the Companies Act 1985 or 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 2010 (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.

Notice of the Annual General Meeting

By Order of the Board

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

....
Michael Levy
Secretary

18 September 2009

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 6, 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.

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 48 hours before the time appointed for 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 less than 48 hours before the time appointed for the proposed meeting or, any adjournment thereof, 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 Capita Registrars, Proxies Department, The Registry, 34 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 29 October 2009 at 10 a.m. and at any adjournment thereof.

Dated .... 2009 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 2009		
2. Ordinary resolution - To reappoint Nexia Smith & Williamson LLP as Auditors of the Company and to authorise the Directors to fix their remuneration		
3. Ordinary resolution - To re-elect Louise Barton as a Director		
4. Ordinary resolution - Directors' authority to allot shares		
5. Special resolution - Disqualification 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. 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.

5. 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.

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

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

8. 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 – Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 48 hours before the time appointed for the holding of the meeting or adjourned meeting at which it is to be used.

3rd Fold and tuck in

BUSINESS REPLY SERVICE
Licence No. MB122

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Capita Registrars
(Proxies)
P O Box 25
Beckenham
Kent BR3 4BR

1st Fold

2nd Fold

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