



## ARCONTECH GROUP PLC

### INTERIM REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

Arcontech Group PLC (AIM: ARC), providers of products and services for real-time financial market data processing and trading, reports its unaudited results for the six months ended 31 December 2009.

#### **Financial and business highlights:**

- Turnover £471,945 (six months to 31 December 2008: £466,409).
- Loss before taxation for the period reduced to £396,775 (six months to 31 December 2008: £465,156 for continuing business).
- Recurring revenues amount to £1.1 million (2008: £0.68 million) and now cover 58% of our cost base.
- Net cash of £1.7 million at 31 December 2009

#### **Richard Last, Chairman of Arcontech Group, said:**

“Much of the uncertainty that has characterised the financial services markets in the recent past has diminished, and we have started to experience an increase in sales opportunities. This together with our increased investment in Sales and Marketing resources gives us optimism for the future growth of our business.”

#### **Enquiries: please contact:**

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## **Chairman's Statement**

The six months ended 31 December 2009 have been a period of continued development and progress for Arcontech Group Plc ("Arcontech") and its products, in particular the contributions and distribution software which has achieved new sales in what has been an uncertain market.

Turnover from continuing operations for the six month period to 31 December 2009 amounted to £471,945 (six month period to 31 December 2008: £466,409). The operating loss from continuing operations for the same period amounted to £396,775 (2008: £465,156). This reduced loss is due in the main to a reduction in the cost base of the business during the period, compared to the corresponding period in 2008. All product development costs are written off as incurred.

The increase in turnover for the period to 31 December 2009 appears quite modest when compared to the turnover for the same period last year. This is primarily due to the nature of the new contracts signed for our contributions and distribution software, which included a number of positions for our Excelerator real-time desktop product. Over three years these contracts are expected to amount to over £1.7 million and are being taken to revenue evenly over the period. Had the contracts been of a more traditional licencing nature, with a large up front payment taken to revenue on delivery of the software, then turnover for the six month period to 31 December 2009 would have been substantially higher and the group would have shown an operating profit. The positive consequence of this is that annual contracted recurring revenues now amount to approximately £1.10 million compared to £0.68 million as at 30 June 2009, an increase of 62%.

We have continued to keep a tight rein on costs and have sought improvements in the efficiency of our operations which has led to a reduction in costs for the period. Recognising that the market opportunities for our product are starting to improve as confidence in the financial services markets returns, we have invested in additional sales and marketing personnel and expect to increase our marketing spend going forward, this will lead to an increase in the overall cost base of the business, but we believe this is essential if we are to achieve future growth. Despite this increase in costs going forward our annual contracted revenues cover 58% of our increased cost base compared to only 51% at 31 December 2008.

## **Financing**

In September 2009 we successfully raised cash of approximately £1.5 million net of expenses by way of a placing of new ordinary shares at a price of 0.2 pence per share. As at close of business on 31 December 2009 Arcontech had net cash balances of approximately £1.7 million; since then this has risen to nearly £2.0 million, although we expect this level to have reduced by the financial year-end due to the timing of new business and the completion of projects. We believe that Arcontech now has the cash resources necessary to invest in business and product development and to move the company towards sustained profitability.

## **Management and staff**

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

## **Outlook**

Much of the uncertainty that has characterised the financial services markets in the recent past has diminished, and we have started to experience an increase in sales opportunities. This together with our increased investment in Sales and Marketing resources gives us optimism for the future growth of our business. However, as I have noted on previous occasions with businesses of the size of Arcontech, coupled with the difficulty in predicting the timing of contract wins and precise point of system delivery, forecasting accurately the financial results is less certain than we should like. A delay in winning or delivering any one such contract can have a significant adverse impact on the financial performance of the business in the short term. As Arcontech continues to grow and develop the level of certainty in the performance of our business should undoubtedly improve.

**Richard Last**  
**Chairman**

**CONSOLIDATED INCOME STATEMENT for the six months ended  
31 December 2009**

	Notes	Six months ended 31 December 2009 £	Six months ended 31 December 2008 £	Year ended 30 June 2009 £
<b>Continuing operations</b>				
<b>Revenue</b>		<b>471,945</b>	<b>466,409</b>	<b>1,395,078</b>
Distribution costs		(11,994)	(6,352)	(37,138)
Administrative costs excluding exceptional items		(856,828)	(930,556)	(1,930,576)
Exceptional administrative costs		-	(2,103)	(2,103)
<b>Operating loss</b>		<b>(396,877)</b>	<b>(472,602)</b>	<b>(574,739)</b>
Finance income		102	7,446	8,417
<b>Loss before taxation</b>		<b>(396,775)</b>	<b>(465,156)</b>	<b>(566,322)</b>
Taxation	4	-	-	38,458
<b>Loss for the period from continuing operations</b>		<b>(396,775)</b>	<b>(465,156)</b>	<b>(527,864)</b>
<b>Discontinued operations</b>				
Profit for the period after tax from discontinued operations	3	6,373	65,843	57,314
<b>Loss for the period</b>		<b>(390,402)</b>	<b>(399,313)</b>	<b>(470,550)</b>
<b>Loss per share (basic and diluted)</b>				
	5			
From continuing operations		(0.035)p	(0.063)p	(0.072)p
From discontinued operations		0.001p	0.009p	0.008p
From continuing and discontinued operations		(0.034)p	(0.054)p	(0.064)p

**CONSOLIDATED BALANCE SHEET as at 31 December 2009**

Notes	<b>31 December 2009 £</b>	<b>31 December 2008 £</b>	<b>30 June 2009 £</b>
<b>Non-current assets</b>			
Goodwill	1,715,153	1,634,547	1,715,153
Plant and equipment	50,365	131,589	57,638
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Total non-current assets	1,765,518	1,766,136	1,772,791
	<hr/>	<hr/>	<hr/>
<b>Current assets</b>			
Trade and other receivables	837,726	606,268	521,328
Cash and cash equivalents	1,715,070	374,478	426,710
	<hr/>	<hr/>	<hr/>
Total current assets	2,552,796	980,746	948,038
	<hr/>	<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	(993,694)	(736,831)	(545,772)
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Total current liabilities	(993,694)	(736,831)	(545,772)
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<b>Net current assets</b>	<b>1,559,102</b>	<b>243,915</b>	<b>402,266</b>
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<b>Net assets</b>	<b>3,324,620</b>	<b>2,010,051</b>	<b>2,175,057</b>
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<b>Equity</b>			
Share capital	1,531,315	736,443	736,443
Shares to be issued	-	-	200,606
Share premium account	9,428,989	8,516,940	8,516,940
Share option reserve	142,392	73,105	108,742
Retained earnings	(7,778,076)	(7,316,437)	(7,387,674)
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	<b>3,324,620</b>	<b>2,010,051</b>	<b>2,175,057</b>
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**CONSOLIDATED CASH FLOW STATEMENT for the six months ended  
31 December 2009**

	Notes	Six months ended 31 December 2009 £	Six months ended 31 December 2008 £	Year ended 30 June 2009 £
<b>Continuing operations</b>				
<b>Net cash used in operating activities</b>	6	(222,416)	(705,110)	(687,627)
<b>Investing activities</b>				
Interest received		102	7,446	7,193
Purchases of plant and equipment		(2,014)	(1,956)	(1,956)
Disposal of plant and equipment		-	-	19,500
<b>Net cash received/(used) in investing activities</b>		<b>(224,328)</b>	<b>(699,620)</b>	<b>24,737</b>
<b>Financing activities</b>				
Proceeds on issue of shares		1,553,270	-	-
Expenses paid in connection with share issues		(46,955)	-	-
<b>Net cash generated from financing activities</b>		<b>1,506,315</b>	<b>-</b>	<b>-</b>
<b>Net increase /(decrease) in cash and cash equivalents from continuing operations</b>		<b>1,281,987</b>	<b>(699,620)</b>	<b>(662,890)</b>
<b>Discontinued operations</b>				
Cash flows from operating activities		6,373	(10,757)	4,067
Cash flows from investing activities		-	2,251	2,929
<b>Net increase /(decrease) in cash and cash equivalents from discontinued operations</b>		<b>6,373</b>	<b>(8,506)</b>	<b>6,996</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,288,360</b>	<b>(708,126)</b>	<b>(655,894)</b>
Cash and cash equivalents at beginning of period		426,710	1,082,604	1,082,604
<b>Cash and cash equivalents at end of period</b>		<b>1,715,070</b>	<b>374,478</b>	<b>426,710</b>

ARCONTECH GROUP PLC

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the six months ended  
31 December 2009**

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Shares to be issued £	Total equity £
<b>At 1 July 2008</b>	736,443	8,516,940	45,920	(6,917,124)	-	2,382,179
Loss and comprehensive income for the period	-	-	-	(399,313)	-	(399,313)
Share-based payments	-	-	27,185	-	-	27,185
<b>At 31 December 2008</b>	<b>736,443</b>	<b>8,516,940</b>	<b>73,105</b>	<b>(7,316,437)</b>	<b>-</b>	<b>2,010,051</b>
Loss and comprehensive income for the period	-	-	-	(71,237)	-	(71,237)
Share-based payments	-	-	35,637	-	-	35,637
Recognition of equity shares to be issued	-	-	-	-	200,606	200,606
<b>At 30 June 2009</b>	<b>736,443</b>	<b>8,516,940</b>	<b>108,742</b>	<b>(7,387,674)</b>	<b>200,606</b>	<b>2,175,057</b>
Loss and comprehensive income for the period	-	-	-	(390,402)	-	(390,402)
Issue of share capital	794,872	912,049	-	-	(200,606)	1,506,315
Share-based payments	-	-	33,650	-	-	33,650
<b>At 31 December 2009</b>	<b>1,531,315</b>	<b>9,428,989</b>	<b>142,392</b>	<b>(7,778,076)</b>	<b>-</b>	<b>3,324,620</b>

**NOTES TO THE FINANCIAL INFORMATION for the six months ended  
31 December 2009**

**1 Basis of preparation**

The financial information for the year ended 30 June 2009 set out in this interim report does not comprise the Group's statutory accounts as defined in section 434 of the Companies Act 2006.

The statutory accounts for the year ended 30 June 2009, which were prepared under International Financial Reporting Standards (IFRS) as adopted for use in the EU, applied in accordance with the provisions of the Companies Act 2006, have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under either Section 498(2) or Section 498(3) of the Companies Act 2006.

The figures for the six months ended 31 December 2009 and 31 December 2008 are unaudited and do not constitute statutory accounts.

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

**2 Accounting policies**

The Group's results for the six months ended 31 December 2009 have been prepared on a basis consistent with the Group's accounting policies published in the financial statements for the year ended 30 June 2009. These accounting policies reflect International Financial Reporting Standards (IFRS) and interpretations that are expected to be applicable to the Group for its financial statements for the year ending 30 June 2010.



**NOTES TO THE FINANCIAL INFORMATION for the six months ended  
31 December 2009 (continued)**

**3 Discontinued operations**

On 29 August 2008 Knowledge Technology Services Limited terminated its MarketTerminal subscription service.

	<b>Six months ended 31 December 2009</b>	<b>Six months ended 31 December 2008</b>	<b>Year ended 30 June 2009</b>
	£	£	£
<b>Results of discontinued operations</b>			
<b>Revenue</b>	-	-	-
Distribution costs	-	117,396	117,639
Administrative costs	6,373	(53,804)	(63,254)
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<b>Operating profit from discontinued operations</b>	<b>6,373</b>	<b>63,592</b>	<b>54,385</b>
Finance income	-	2,251	2,929
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<b>Profit before taxation</b>	<b>6,373</b>	<b>65,843</b>	<b>57,314</b>
Taxation	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Profit for the period</b>	<b>6,373</b>	<b>65,843</b>	<b>57,314</b>
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<b>Earnings per share – discontinued operations (Basic and diluted)</b>	<b>(0.001)p</b>	<b>0.009p</b>	<b>0.010p</b>

The results for the six months ended 31 December 2009 and 31 December 2008 reflect the adjustment to the provision made in respect of forecast net costs relating to the termination of the Market Terminal subscription service.

**4 Taxation from continuing activities**

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

**NOTES TO THE FINANCIAL INFORMATION for the six months ended  
31 December 2009 (continued)**

**5 Earnings per share**

	Six months ended 31 December 2009 £	Six months ended 31 December 2008 £	Year ended 30 June 2009 £
<b>Earnings</b>			
Earnings for the purposes of basic and diluted earnings per share being net loss attributable to equity shareholders:			
<b>From continuing operations</b>	(396,775)	(465,156)	(527,864)
<b>From discontinued operations</b>	6,373	65,843	57,314
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<b>Number of shares</b>			
Weighted average number of ordinary shares for the purposes of basic earnings per share			
	1,147,281,895	736,442,943	736,442,943
Number of dilutive shares under option			
	-	-	-
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Weighted average number of ordinary shares for the purposes of dilutive earnings per share			
	1,147,281,895	736,442,943	736,442,943
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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 INFORMATION for the six months ended  
31 December 2009 (continued)**

**6 Cash used in operations**

	<b>Six months ended 31 December 2009 £</b>	<b>Six months ended 31 December 2008 £</b>	<b>Year ended 30 June 2009 £</b>
<b>Continuing operations</b>			
Operating loss	(396,877)	(472,602)	(574,739)
Depreciation charge	9,287	24,757	41,983
Non cash share option charges	33,650	27,185	62,822
Increase in trade and other receivables	(316,398)	(128,522)	(32,965)
Increase/(decrease) in trade and other payables	447,922	(155,928)	(221,953)
Loss on disposal of plant and equipment	-	-	37,225
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<b>Cash used in continuing operations</b>	(222,416)	(705,110)	(687,627)
Tax paid	-	-	-
	<hr/>	<hr/>	<hr/>
	(222,416)	(705,110)	(687,627)
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**7 Dividends**

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

**8 Copies of this statement**

Copies of this statement 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).