



ARCONTECH GROUP PLC

(“Arcontech” or the “Group”)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

Arcontech (AIM: ARC), the provider of products and services for real-time financial market data processing and trading, is pleased to report its unaudited results for the six months ended 31 December 2016.

Highlights:

- Turnover £1,115,232 (six months ended 31 December 2015: £1,132,246).
- Profit before tax increased by 3% to £216,270 (six months ended 31 December 2015: £209,660).
- Annual run-rate of recurring revenues at 31 December 2016 increased by 21% to £2.3 million (at 31 December 2015: £1.9 million).
- Net cash of £2,089,855 as at 31 December 2016 (31 December 2015: £1,538,519).

Richard Last, Chairman of Arcontech Group, said:

“The Board is pleased to report that the Group has continued to make progress. Revenue lost in early 2015 has been replaced such that recurring annual licence fees amounted to £2.3m as at 31 December 2016, a 21% increase compared to the level at 31 December 2015. In addition, the Group has continued to invest in product development. The launch of a new desktop software solution is gaining positive interest with existing customers. The Board expects results for the full year will be ahead of current market expectations and remains positive about the Group’s prospects.”

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To access more information on the Group please visit: www.arcontech.com

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

The interim report will only be available to view online enabling the Group to communicate in a more environmentally friendly and cost effective manner.

Chairman's Statement

I am pleased to report that Arcontech has continued to grow profits in the six month period ended 31 December 2016, reporting an operating profit of £212,006 (2015: £205,889) and profit before tax of £216,270 (2015: £209,660) despite a small reduction in turnover to £1,115,232 for the six month period ended 31 December 2016, compared to £1,132,246 for the corresponding period in 2015. This reflects the residual impact of the termination of a significant contract with an Asia focussed bank (announced on 26 March 2015), effective from 1 January 2016. In the six month period ended 31 December 2016 the Group has continued to grow its recurring annual licence fees to an annualised £2.3 million by the end of this period, compared to £1.9 million as at 31 December 2015. Fully diluted earnings per share were 2.45 pence per share compared to 2.50 pence per share for the corresponding period last year.

During the period we have continued to invest in the enhancement of our existing products to remain innovative and be in a position to respond to customers' changing needs. Additionally, we have allocated development resource and investment to building a new desktop software solution which is currently in the process of undergoing proof of concept trials at five Tier 1 banks. We believe this area holds significant potential for Arcontech.

Sales cycles remain long and unpredictable due mainly to the size of the organisations that the Group has as customers and the nature of our prospects. We continue to invest in sales and marketing and have recently employed a salesman in Asia to support our work with existing clients in the region and address the growing Asian financial markets.

Financing

Arcontech had net cash balances at 31 December 2016 of £2,089,855 (31 December 2015: £1,538,519). This reflects a cash conversion of 200% of operating profit (2015: 220%) which is in part due to timing of the collection of year-end debtors as well as good profit performance for the period. We expect the Group to maintain a good cash conversion ratio in the future.

The Group's positive financial position provides a sound basis for continued investment in product development and increased investment in sales and marketing resources and activity.

Dividend and Share Consolidation

At last year's Annual General Meeting shareholders supported the resolution to consolidate our shares which has subsequently been successfully completed. This paves the way to paying dividends as the business continues to progress. Although no interim dividend is proposed, subject to continued growth and meeting expectations for the business, the Board will review the payment of a dividend in respect of the full year ending 30 June 2017.

Employees

Arcontech is made up of a small, highly dedicated and productive team of people without whom the Group would not have been able to achieve the results, both financial and product-related. We thank them and look forward to continuing to work together in the future.

Outlook

The Board is pleased to report that the Group has continued to make good progress. Revenue lost in early 2015 has been replaced such that recurring annual licence fees amounted to £2.3m as at 31 December 2016, a 21% increase compared to the level at 31 December 2015. In addition, the Group has continued to invest in product development. The launch of a new desktop software solution is gaining positive interest with existing customers. The Board expects results for the full year will be ahead of current market expectations and remains positive about the Group's prospects.

Richard Last
Chairman and Non-Executive Director

GROUP INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 December 2016 (unaudited) £	Six months ended 31 December 2015 (unaudited) £	Year ended 30 June 2016 (audited) £
Revenue	1,115,232	1,132,246	2,141,630
Administrative costs	(903,226)	(926,657)	(1,849,257)
	212,006	205,589	292,373
Operating profit			
Finance income	4,264	4,071	9,956
	216,270	209,660	302,329
Profit before taxation			
Taxation	96,988	105,813	105,813
	313,258	315,473	408,142
Profit for the period after tax			
	313,258	315,473	408,142
Total comprehensive income			
	313,258	315,473	408,142
Profit per share (basic)	2.53p	2.63p	3.38p
Profit per share (diluted)	2.45p	2.50p	3.25p

All of the results relate to continuing operations.

BALANCE SHEETS

	31 December 2016 (unaudited) £	31 December 2015 (unaudited) £	30 June 2016 (audited) £
Non-current assets			
Goodwill	1,715,153	1,715,153	1,715,153
Property, plant and equipment	43,557	49,840	44,785
Trade and other receivables	141,750	141,750	141,750
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Total non-current assets	1,900,460	1,906,743	1,901,688
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Current assets			
Trade and other receivables	592,378	589,294	265,360
Cash and cash equivalents	2,089,855	1,538,519	1,633,159
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Total current assets	2,682,233	2,127,813	1,898,519
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Current liabilities			
Trade and other payables	(858,332)	(609,223)	(798,769)
Deferred income	(1,155,942)	(1,306,273)	(769,159)
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Total current liabilities	(2,014,274)	(1,915,496)	(1,567,928)
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Net current assets	667,959	212,317	330,591
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Net assets	2,568,419	2,119,060	2,232,279
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Equity			
Share capital	1,548,886	1,536,672	1,541,732
Share premium account	4,286	9,430,312	2,024
Share option reserve	133,158	106,226	119,692
Retained earnings	882,089	(8,954,150)	568,831
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	2,568,419	2,119,060	2,232,279
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GROUP CASH FLOW STATEMENT

	Six months ended 31 December	Six months ended 31 December	Year ended 30 June
	2016 (unaudited) £	2015 (unaudited) £	2016 (audited) £
Net cash generated from operating activities	450,431	481,898	567,420
Investing activities			
Interest received	4,264	4,071	9,956
Proceeds of sales of plant and equipment	-	-	-
Purchases of plant and equipment	(7,415)	(17,205)	(21,056)
Net cash (invested in)/generated from investing activities	(3,151)	(13,134)	(11,100)
Financing activities			
Issue of shares	9,416	-	7,084
Net cash generated from financing activities	9,416	-	7,084
Net increase in cash and cash equivalents	456,696	468,764	563,404
Cash and cash equivalents at beginning of period	1,633,159	1,069,755	1,069,755
Cash and cash equivalents at end of period	2,089,855	1,538,519	1,633,159

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Share- based payments reserve	Retained earnings	Total
	£	£	£	£	£
At 1 July 2015	1,536,672	9,430,312	92,761	(9,269,623)	1,790,122
Total comprehensive income for the period	-	-	-	315,473	315,473
Share-based payments	-	-	13,465	-	13,465
At 31 December 2015	1,536,672	9,430,312	106,226	(8,954,150)	2,119,060
Total comprehensive income for the period	-	-	-	92,669	92,669
Cancellation of share premium account	-	(9,430,312)	-	9,430,312	-
Issue of shares	5,060	2,024	-	-	7,084
Share-based payments	-	-	13,466	-	13,466
At 30 June 2016	1,541,732	2,024	119,692	568,831	2,232,279
Total comprehensive income for the period	-	-	-	313,258	313,258
Issue of shares	7,154	2,262	-	-	9,416
Share-based payments	-	-	13,466	-	13,466
At 31 December 2016	1,548,886	4,286	133,158	882,089	2,568,419

NOTES TO THE FINANCIAL INFORMATION

1. The figures for the six months ended 31 December 2016 and 31 December 2015 are unaudited and do not constitute statutory accounts. The interim results have been prepared using accounting policies which are consistent with International Financial Reporting Standards as adopted by the European Union and are expected to be adopted in the next annual accounts.
2. The financial information for the year ended 30 June 2016 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 2016, 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 and did not include references to any matters to which the auditor drew attention by way of emphasis.
3. Copies of this statement are available from the Company Secretary at the Company's registered office at 1st Floor 11-21 Paul Street, London, EC2A 4JU or from the Company's website at www.arcontech.com.
4. Earnings per share have been calculated based on the profit after tax and the weighted average number of shares in issue during the half year ended 31 December 2016 of 12,360,981 (31 December 2015: 12,293,376; 30 June 2016: 12,297,590). The number of shares for the period ended 31 December 2016 take into account the share consolidation of 125:1 carried out in September 2016. The number of shares for comparative periods has been restated accordingly.

The number of dilutive shares under option at 31 December 2016 was 427,317 (31 December 2015: 177,504; 30 June 2016: 213,457). 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 the average market price during the period, based upon the issue price of the outstanding share options including future charges to be recognised under the share based payment arrangements.

5. Taxation is based on the unaudited results and provision has been estimated at the rate applicable to the Company at the time of this statement and expected to be applied to the total annual earnings. No corporation tax has been charged in the period as any liability has been offset against tax losses brought forward from prior years. The tax credit represents the cash recovery of Research & Development tax credits during the period.
6. There were no dividends paid or proposed during the period (2015: Nil).
7. The Directors have elected not to apply IAS34 Interim financial reporting.