



## ARCONTECH GROUP PLC

(“Arcontech” or the “Group”)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

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 2017.

#### Highlights:

- Turnover increased by 9% to £1,213,776 (six months ended 31 December 2016: £1,115,232)
- Profit before tax increased by 10% to £237,581 (six months ended 31 December 2016: £216,270)
- Annual run-rate of recurring revenues at 31 December 2017 increased by 13% to £2.43 million (at 31 December 2016: £2.15 million). Net cash of £2,663,935 as at 31 December 2017 (31 December 2016: £2,089,855)
- Trading in line and on track to meet management’s full year expectations

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

“Arcontech’s ongoing investment in product development and enhancement, coupled with the flexibility provided by its strong balance sheet and high level of recurring revenues, supports the Board’s confidence in the Groups long term future and its ability to meet the challenges in its business environment. Although we remain mindful of the long and unpredictable sales cycles we often face and the challenges this brings in predicting the timing of contract wins, the Board expects results for the full year to be in line with expectations.”

#### Enquiries:

|   |               |
|---|---------------|
| Arcontech Group plc                               | 020 7256 2300 |
| Richard Last, Chairman and Non-Executive Director |               |
| Matthew Jeffs, Chief Executive                    |               |
| <br>  |               |
| finnCap Ltd (Nomad & Broker)                      | 020 7220 0500 |
| Carl Holmes/Simon Hicks                           |               |

**To access more information on the Group please visit: [www.arcontech.com](http://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 2017, reporting an operating profit of £231,248 (2016: £212,006) and profit before tax of £237,581 (2016: £216,270). Turnover increased by 9% to £1,213,776 compared to the corresponding six-month period where turnover amounted to £1,115,232. This reflects the continued steady growth in recurring annual licence fees, which on an annualised basis amounted to £2.43 million at 31 December 2017, compared to £2.15 million as at 31 December 2016.

Fully diluted earnings per share were 2.36 pence per share compared to 2.45 pence per share for the corresponding period last year. This reduction is attributable to the reduction in tax credits in respect of our investment in eligible product Research and Development compared to the same period last year.

During the half year to 31 December 2017 we have secured another client for our new desktop software solution, now giving Arcontech a presence in two large global financial institutions. This new client sees much potential in the offering and we hope to expand its usage across the organisation as we jointly identify and incorporate additional features and functionality to enable greater efficiencies to be achieved. Details of the product enhancements have been well received by our trial base of Tier 1 banks. Usage of our Excelerator product has also grown with 70 additional positions across three existing clients.

For the server-side of the business we have been busy installing the previously contracted and reported MVCS upgrades which have gone to plan. Arcontech has also signed an agreement with a new client for our real-time cache and calculations engine which is scheduled to be commissioned in the near future.

As usual the sales cycles remain long and unpredictable due mainly to the nature of our customer base and our prospects. To an extent the situation has been exacerbated by our client's need to focus on meeting MiFID II and GDPR requirements. We have relocated our Hong Kong sales resource to London to enable us to focus on the larger global organisations which are in the main, headquartered in London, New York and Europe.

## **Financing**

Arcontech had net cash balances at 31 December 2017 of £2,663,935 (31 December 2016: £2,089,855). The small increase in cash resources between the year-end and 31 December, 2017, reflects the payment of our maiden dividend and timing issues related to the collection of year-end debtors and the Research and Development tax credit. The Group's strong financial position provides a sound basis for future growth and continued investment in product development.

## **Dividend**

Although no interim dividend is proposed, subject to continued growth and meeting expectations for the business, the Board expects to continue its policy of paying a dividend following the announcement of its full year results.

## **Employees**

I should like to take this opportunity to thank our employees and Directors for their hard work and dedication, and I look forward to continuing to work together in the future.

## **Outlook**

Arcontech's ongoing investment in product development and enhancement, coupled with the flexibility provided by its strong balance sheet and high level of recurring revenues, supports the Board's confidence in the Groups long term future and its ability to meet the challenges in its business environment. Although we remain mindful of the long and unpredictable sales cycles we often face and the challenges this brings in predicting the timing of contract wins, the Board expects results for the full year to be in line with expectations.

**Richard Last**  
**Chairman and Non-Executive Director**

## GROUP INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

|  | <b>Six months<br/>ended 31<br/>December<br/>2017<br/>(unaudited)<br/>£</b> | <b>Six months<br/>ended 31<br/>December<br/>2016<br/>(unaudited)<br/>£</b> | <b>Year ended<br/>30 June<br/>2017<br/>(audited)<br/>£</b> |
|--|--|--|--|
| <b>Revenue</b>                         | 1,213,776  | 1,115,232  | 2,307,751  |
| Administrative costs                   | (982,528)  | (903,226)  | (1,942,430)  |
| <b>Operating profit</b>                | 231,248  | 212,006  | 365,321  |
| Finance income                         | 6,333  | 4,264  | 7,942  |
| <b>Profit before taxation</b>          | 237,581  | 216,270  | 373,263  |
| Taxation                               | 69,452   | 96,988   | 96,988   |
| <b>Profit for the period after tax</b> | 307,033  | 313,258  | 470,251  |
| <b>Total comprehensive income</b>      | 307,033  | 313,258  | 470,251  |
| <b>Profit per share (basic)</b>        | 2.42p  | 2.53p  | 3.79p  |
| <b>Profit per share (diluted)</b>      | 2.36p  | 2.45p  | 3.68p  |

All of the results relate to continuing operations.

## BALANCE SHEETS

|                               | 31 December<br>2017<br>(unaudited)<br>£ | 31 December<br>2016<br>(unaudited)<br>£ | 30 June<br>2017<br>(audited)<br>£ |
|-------------------------------|---|---|-----------------------------------|
| <b>Non-current assets</b>     |   |   |                                   |
| Goodwill                      | 1,715,153                               | 1,715,153                               | 1,715,153                         |
| Property, plant and equipment | 24,834                                  | 43,557                                  | 33,825                            |
| Trade and other receivables   | 141,750                                 | 141,750                                 | 141,750                           |
|                               | <hr/>                                   | <hr/>                                   | <hr/>                             |
| Total non-current assets      | 1,881,737                               | 1,900,460                               | 1,890,728                         |
|                               | <hr/>                                   | <hr/>                                   | <hr/>                             |
| <b>Current assets</b>         |   |   |                                   |
| Trade and other receivables   | 624,781                                 | 592,378                                 | 175,496                           |
| Cash and cash equivalents     | 2,663,935                               | 2,089,855                               | 2,636,471                         |
|                               | <hr/>                                   | <hr/>                                   | <hr/>                             |
| Total current assets          | 3,288,716                               | 2,682,233                               | 2,811,967                         |
|                               | <hr/>                                   | <hr/>                                   | <hr/>                             |
| <b>Current liabilities</b>    |   |   |                                   |
| Trade and other payables      | (865,561)                               | (858,332)                               | (915,101)                         |
| Deferred income               | (1,233,990)                             | (1,155,942)                             | (987,609)                         |
|                               | <hr/>                                   | <hr/>                                   | <hr/>                             |
| Total current liabilities     | (2,099,251)                             | (2,014,274)                             | (1,902,710)                       |
|                               | <hr/>                                   | <hr/>                                   | <hr/>                             |
| <b>Net current assets</b>     | 1,189,465                               | 667,959                                 | 909,257                           |
|                               | <hr/>                                   | <hr/>                                   | <hr/>                             |
| <b>Net assets</b>             | 3,071,202                               | 2,568,419                               | 2,799,985                         |
|                               | <hr/> <hr/>                             | <hr/> <hr/>                             | <hr/> <hr/>                       |
| <b>Equity</b>                 |   |   |                                   |
| Share capital                 | 1,600,375                               | 1,548,886                               | 1,562,676                         |
| Share premium account         | 24,881                                  | 4,286                                   | 9,802                             |
| Share option reserve          | 225,591                                 | 133,158                                 | 188,425                           |
| Retained earnings             | 1,220,355                               | 882,089                                 | 1,039,082                         |
|                               | <hr/>                                   | <hr/>                                   | <hr/>                             |
|                               | 3,071,202                               | 2,568,419                               | 2,799,985                         |
|                               | <hr/> <hr/>                             | <hr/> <hr/>                             | <hr/> <hr/>                       |

## GROUP CASH FLOW STATEMENT

|   | Six months<br>ended 31<br>December<br><br>2017<br>(unaudited)<br>£ | Six months<br>ended 31<br>December<br><br>2016<br>(unaudited)<br>£ | Year ended<br>30 June<br><br>2017<br>(audited)<br>£ |
|---|--|--|---|
| <b>Net cash generated from operating activities</b>               | <b>94,113</b>  | <b>450,431</b>   | <b>974,800</b>                                      |
| <b>Investing activities</b>                                       |  |  |   |
| Interest received   | 6,333  | 4,264  | 7,942   |
| Purchases of plant and equipment                                  | -  | (7,415)  | (8,152)   |
| <b>Net cash generated from/(invested in) investing activities</b> | <b>6,333</b>   | <b>(3,151)</b>   | <b>(210)</b>  |
| <b>Financing activities</b>                                       |  |  |   |
| Issue of shares   | 52,778   | 9,416  | 28,722  |
| Dividends paid  | (125,760)  | -  | -   |
| <b>Net cash (used in)/generated from financing activities</b>     | <b>(72,982)</b>  | <b>9,416</b>   | <b>28,722</b>                                       |
| <b>Net increase in cash and cash equivalents</b>                  | <b>27,464</b>  | <b>456,696</b>   | <b>1,003,312</b>                                    |
| Cash and cash equivalents at beginning of period                  | 2,636,471  | 1,633,159  | 1,633,159   |
| <b>Cash and cash equivalents at end of period</b>                 | <b>2,663,935</b>   | <b>2,089,855</b>   | <b>2,636,471</b>                                    |

## STATEMENT OF CHANGES IN EQUITY

|   | Share<br>capital | Share<br>premium | Share-<br>based<br>payments<br>reserve | Retained<br>earnings | Total            |
|---|------------------|------------------|--|----------------------|------------------|
|   | £                | £                | £                                      | £                    | £                |
| <b>At 1 July 2016</b>                     | <b>1,541,732</b> | <b>2,024</b>     | <b>119,692</b>                         | <b>568,831</b>       | <b>2,232,279</b> |
| 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           |
| <b>At 31 December 2016</b>                | <b>1,548,886</b> | <b>4,286</b>     | <b>133,158</b>                         | <b>882,089</b>       | <b>2,568,419</b> |
| Total comprehensive income for the period | -                | -                | -                                      | 156,993              | 156,993          |
| Issue of shares                           | 13,790           | 5,516            | -                                      | -                    | 19,306           |
| Share-based payments                      | -                | -                | 55,267                                 | -                    | 55,267           |
| <b>At 30 June 2017</b>                    | <b>1,562,676</b> | <b>9,802</b>     | <b>188,425</b>                         | <b>1,039,082</b>     | <b>2,799,985</b> |
| Total comprehensive income for the period | -                | -                | -                                      | 307,033              | 307,033          |
| Issue of shares                           | 37,699           | 15,079           | -                                      | -                    | 52,778           |
| Dividends paid                            | -                | -                | -                                      | (125,760)            | (125,760)        |
| Share-based payments                      | -                | -                | 37,166                                 | -                    | 37,166           |
| <b>At 31 December 2017</b>                | <b>1,600,375</b> | <b>24,881</b>    | <b>225,591</b>                         | <b>1,220,355</b>     | <b>3,071,202</b> |



## NOTES TO THE FINANCIAL INFORMATION

1. The figures for the six months ended 31 December 2017 and 31 December 2016 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 2017 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 2017, 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 1<sup>st</sup> Floor 11-21 Paul Street, London, EC2A 4JU or from the Company's website at [www.arcontech.com](http://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 2017 of 12,675,498 (31 December 2016: 12,360,981; 30 June 2017: 12,396,220). 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 dilutive shares under option at 31 December 2017 was 330,023 (31 December 2016: 427,317; 30 June 2017: 367,595). 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. A final dividend in respect of the year ended 30 June 2017 of 1.0 pence per share (2016 Nil) was paid on 29 September 2017.
7. The Directors have elected not to apply IAS34 Interim financial reporting.