

## ARCONTECH GROUP PLC

(“Arcontech”, the “Company” or the “Group”)

### Final Results for the year ended 30 June 2018

Arcontech (AIM: ARC), the provider of products and services for real-time financial market data processing and trading, is pleased to announce its final audited results for the year ended 30 June 2018.

#### Financial Highlights:

- Revenue of £2,519,699 (2017: £2,307,751)
- Adjusted profit before tax\* of £626,856 (2017: £441,996)
- Profit before tax of £575,632 (2017: £373,263)
- Cash balance of £3,210,058 (2017: £2,636,471)
- Fully diluted earnings per share of 7.09p (2017: 3.68p)
- Final dividend of 1.3 pence per share (2017: 1.0 pence per share)

\*Adjusted for share-based payments

#### Operational Highlights:

- Secured two clients for the new Desktop software solution, different uses and global deployment
- Proof of concept trials at six more Tier 1 banks
- Secured first client on the African continent
- Continued investment in sales & marketing
- Healthy injection of new contracts through expanding server-side infrastructure solutions and new Desktop software solution to existing customers
- Strong cash generation and recurring revenue

#### Commenting on the results, Richard Last, Chairman of Arcontech said:

“Arcontech is a well-run business where costs, including continued product investment, are well controlled such that increases in revenue materially improve profitability. Our focus is, therefore, on winning new business. Whilst we believe the opportunities for increased sales exist, the sales cycle is unpredictable and remains longer than we would like. Our prospects are positive, albeit they need to be tempered against uncertainties in the investment banking and finance sectors, as a result of the low interest rate environment and issues following Brexit.”

The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

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Matthew Jeffs, Chief Executive

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To access more information on the Group please visit: [www.arcontech.com](http://www.arcontech.com)

## **Chairman's Statement**

Arcontech Group plc ("Arcontech" or the "Company") is pleased to report another year of good growth, with profit before taxation for the year ended 30 June 2018 of £575,632 (2017: £373,263), a year-on-year increase of 54% and ahead of expectations. Arcontech achieved a profit after tax of £915,084 (2017: £470,251) for the year, this included a deferred tax credit of £270,000 arising from recognising previous tax losses due to the improving profitability of the Group.

Turnover for the year increased by 9% to £2,519,699 (2017: £2,307,751). This was achieved mainly through additional annual licence sales to existing customers. During the year we redeployed our Hong Kong based salesman to the UK to focus on our Desktop software solution which was launched in late 2017. Since the year-end we have taken on additional sales resource to drive new sales activity whilst continuing to provide excellent account management to existing customers.

Fully diluted earnings per share for the year ended 30 June 2018 increased by 92% to 7.09 pence (2017: 3.68 pence).

Although we have invested in additional sales resource we have maintained tight cost control throughout the year. Investment in product development and enhancement continued at similar levels to the previous year, which we expect to sustain going forward. We also expect to invest in additional marketing of our MVCS and desktop software solution in the coming year.

### **Financing**

As at 30 June 2018 Arcontech had no debt and cash balances of £3,210,058 (2017: £2,636,471) after paying a maiden dividend, an increase of 21% reflecting increased profitability. The business continues to be well financed and has a robust balance sheet.

### **Dividend**

I am pleased to announce that subsequent to the year-end we agreed to propose, subject to approval at the Annual General Meeting, to pay a dividend of 1.30 pence per share for the year ended 30 June 2018 (1.0 pence per share for the year ended 30 June 2017), an increase of 30%, to those shareholders on the register as at the close of business on 7 September 2018, with an ex-dividend date of 6 September 2018.

### **Employees**

I would like to thank our employees and my colleagues on the Board for their hard work, continued support and dedication, which is greatly appreciated.

### **Outlook**

Arcontech is a well-run Company where operational gearing is such that increased sales will have a material positive impact on our profitability. We have added additional sales resource to increase our focus on new business growth and while this will add to our cost base we believe it will generate positive results in the near future. Our pipeline of prospects remains positive, albeit they need to be tempered by the traditionally long and complex sales cycles that are an enduring facet of our business.

Richard Last  
Chairman and Non-Executive Director

## Chief Executive's Review

I am pleased to report that during the year we maintained our focus on expanding and delivering on the sales pipeline, whilst continuing to control costs, which resulted in a profit before tax of £575,632 (2017: £373,263), an increase of 54% compared to the previous year and a creditable performance by the Group.

The year under review saw two global clients that were trialling our desktop software solution signed up as paying users. Pleasingly, they have both rolled out our solution internationally. We also have six other clients running trials and secured an additional client for our cache product in Africa, our first client on that continent. The majority of our business during the year was a result of expanding our existing client relationships.

Significantly, we renewed a multi-year agreement with an existing global client who is moving from a traditional market data platform to an open-source solution. As an integral part of the overall solution we expect the relationship will grow as the new solution is rolled out globally across the business. Other installations and upgrades, such as Windows to Linux, continue without issue.

We relocated our Hong Kong based salesperson to London, where we believe greater opportunities exist both within the UK and also by using it as a base from where we can target other regions. We have also recruited another salesperson to help accelerate sales growth further. Learning new products and building new relationships in our domain takes time and we expect to see an increasingly positive impact towards the latter part of the current year.

Our participation in the FinTech community, where we both add and receive value, continues to be beneficial for all parties. We have retained our membership of the OpenMAMA steering committee and changed our membership of the Symphony Foundation to now become a development partner with Symphony LLC. As these organisations evolve we will benefit through exposure of our solutions and the ways in which we can meet market data needs to the broader financial community.

The outlook for the business remains positive and unaffected by the wider uncertainties surrounding Brexit.

The length of the sales cycle has been longer than we would like, however, we believe the expanded product offering and sales capability should improve the frequency of sales. Coupled with the excellent work of our development and support teams, we continue to build on our strengths whilst working with our clients to help meet their ever-changing needs.

Our overriding focus remains on sales growth and continuing to build our pipeline. We are also exploring opportunities with other organisations that will complement our offerings, whilst continuing to look for strategic acquisition opportunities that will benefit the Group.

We look forward to continued growth in the year ahead.

Matthew Jeffs  
Chief Executive

## Strategic Report

The Directors present the group strategic report for Arcontech Group plc and its subsidiaries for the year ended 30 June 2018.

### 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 Review on pages 2 to 3.

### 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:

#### Financial KPIs:

Revenue £2,519,699 (2017: £2,307,751; 2016: £2,141,630)	Measurement: Revenue from sales made to all customers (excluding intra-group sales which eliminate on consolidation)  Performance: Continued growth driven by increased sales of our product offering
Adjusted profit £626,856 (2017: £441,996; 2016: £329,260)	Measurement: Profit before share based payments and tax  Performance: Continued growth reflects increase in revenues whilst continuing to maintain tight cost control
Cash £3,210,058 (2017: £2,636,471; 2016: £1,633,159)	Measurement: Cash and cash equivalents held at the end of the year  Performance: The Group intends to maintain cash balances at this level subject to any exceptional items or acquisition opportunities that may arise

#### Non-financial KPIs:

Staff retention rate (net) 92% (2017: 100%; 2016: 93%)	Measurement: Net movement in joiners and leavers as a percentage of the number of staff at the beginning of the year  Performance: Staff morale from our dedicated employees remains strong, reflected in the small net decrease
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### 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. The Group's principal risk areas and the action taken to mitigate their outcome are shown below:

#### Risk area

Competition

#### Mitigation

Ongoing investment in research and development  
Responding to the changing needs of clients to remain competitive

Loss of key personnel

Employee share option scheme in place

Approved on behalf of the board on 22 August 2018 by:

Matthew Jeffs  
Chief Executive

Michael Levy  
Group Finance Director

## Group Income Statement and Statement of Comprehensive Income

For the year ended 30 June 2018

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Revenue	2,519,699	2,307,751
Administrative costs	(1,958,176)	(1,942,430)
<b>Operating profit</b>	<b>561,523</b>	<b>365,321</b>
Finance income	14,109	7,942
<b>Profit before taxation</b>	<b>575,632</b>	<b>373,263</b>
Taxation	339,452	96,988
<b>Profit for the year after tax</b>	<b>915,084</b>	<b>470,251</b>
<b>Total comprehensive income for the year</b>	<b>915,084</b>	<b>470,251</b>
<b>Earnings per share (basic)</b>	<b>7.14p</b>	<b>3.79p</b>
<b>Earnings per share (diluted)</b>	<b>7.09p</b>	<b>3.68p</b>

All of the results relate to continuing operations.

**Statement of Changes in Equity****For the year ended 30 June 2018****Group:**

	<b>Share capital £</b>	<b>Share premium £</b>	<b>Share option reserve £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
<b>Balance at 30 June 2016</b>	1,541,732	2,024	119,692	568,831	2,232,279
Profit for the year	-	-	-	470,251	470,251
<b>Total comprehensive income for the year</b>	1,541,732	2,024	119,692	1,039,082	2,702,530
Issue of shares	20,944	7,778	-	-	28,722
Share-based payments	-	-	68,733	-	68,733
<b>Balance at 30 June 2017</b>	1,562,676	9,802	188,425	1,039,082	2,799,985
Dividend paid	-	-	-	(125,760)	(125,760)
Profit for the year	-	-	-	915,084	915,084
<b>Total comprehensive income for the year</b>	1,562,676	9,802	188,425	1,828,406	3,589,309
Issue of shares	88,638	46,579	-	-	135,217
Share-based payments	-	-	51,224	-	51,224
Realisation of share option reserve	-	-	(183,283)	183,283	-
<b>Balance at 30 June 2018</b>	1,651,314	56,381	56,366	2,011,689	3,775,750

## Balance Sheet

Registered number: 04062416

As at 30 June 2018

	<b>Group 2018 £</b>	<b>Group 2017 £</b>
<b>Non-current assets</b>		
Goodwill	1,715,153	1,715,153
Property, plant and equipment	17,941	33,825
Deferred tax asset	270,000	-
Trade and other receivables	141,750	141,750
<b>Total non-current assets</b>	<b>2,144,844</b>	<b>1,890,728</b>
<b>Current assets</b>		
Trade and other receivables	310,123	175,496
Cash and cash equivalents	3,210,058	2,636,471
<b>Total current assets</b>	<b>3,520,181</b>	<b>2,811,967</b>
<b>Current liabilities</b>		
Trade and other payables	(1,889,275)	(1,902,710)
<b>Total current liabilities</b>	<b>(1,889,275)</b>	<b>(1,902,710)</b>
<b>Net current assets</b>	<b>1,630,906</b>	<b>909,257</b>
<b>Net assets</b>	<b>3,775,750</b>	<b>2,799,985</b>
<b>Equity</b>		
Called up share capital	1,651,314	1,562,676
Share premium account	56,381	9,802
Share option reserve	56,366	188,425
Retained earnings	2,011,689	1,039,082
	<b>3,775,750</b>	<b>2,799,985</b>

The profit dealt with in the financial statements of the Parent Company was £1,076,709 (2017: £1,418,859).

Approved on behalf of the board on 22 August 2018 by:

Matthew Jeffs  
Chief Executive

Michael Levy  
Group Finance Director



*Group Cash Flow Statement*

**For the year ended 30 June 2018**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Net cash generated from operating activities</b>	<b>552,111</b>	<b>974,800</b>
<b>Investing activities</b>		
Interest received	14,109	7,942
Purchases of plant and equipment	(2,090)	(8,152)
<b>Net cash generated from/(invested in) investing activities</b>	<b>12,019</b>	<b>(210)</b>
<b>Financing activities</b>		
Issue of shares	135,217	28,722
Dividend paid	(125,760)	-
<b>Net cash generated from financing activities</b>	<b>9,457</b>	<b>28,722</b>
<b>Net increase in cash and cash equivalents</b>	<b>573,587</b>	<b>1,003,312</b>
Cash and cash equivalents at beginning of year	2,636,471	1,633,159
<b>Cash and cash equivalents at end of year</b>	<b>3,210,058</b>	<b>2,636,471</b>

**Status of financial information**

Arcontech Group plc is a public limited company incorporated in England and Wales whose ordinary shares of £0.125 each are traded on the AIM Market of the London Stock Exchange. The Company's registered office is 1st Floor, 11-21 Paul Street, London, EC2A 4JU.

The Board of Directors approved this preliminary announcement on 22 August 2018. Whilst the financial information included in this preliminary announcement has been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union, this announcement does not itself contain sufficient information to comply with all the disclosure requirements of IFRS and does not constitute statutory accounts of the Company for the years ended 30 June 2018 or 30 June 2017.

The financial information set out in this announcement does not comprise the Group's statutory accounts for the years ended 30 June 2018 or 30 June 2017.

The financial information has been extracted from the statutory accounts of the Company for the years ended 30 June 2018 or 30 June 2017. The auditors reported on those accounts; their reports were unqualified and did not contain a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006.

The statutory accounts for the year ended 30 June 2017 have been delivered to the Registrar of Companies, whereas those for the year ended 30 June 2018 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

**Operating segments:**

The Group reports internally to the Chief Operating Decision Maker (CODM), who is considered to be the Board. Intersegment license fees and management charges are not included in the reports reviewed by the CODM during the year but are calculated for statutory reporting purposes and therefore are excluded from the following revenue and operating profit disclosures.

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Revenue by segment</b>		
Software development and licence fees	2,519,699	2,307,751
External segment revenue	2,519,699	2,307,751
<b>Operating profit by segment</b>		
Software development and licence fees	1,126,932	854,981
Unallocated overheads	(565,409)	(489,660)
<b>Total operating profit</b>	<b>561,523</b>	<b>365,321</b>
Finance income	14,109	7,942
<b>Total profit before tax as reported in the Group income statement</b>	<b>575,632</b>	<b>373,263</b>
<b>Segment total of assets</b>		
Software development and licence fees	4,090,852	3,547,110
Unallocated assets	4,140,338	3,802,083
	8,231,190	7,349,193
Less inter company debtors	(2,566,166)	(2,646,498)
<b>Total assets</b>	<b>5,665,024</b>	<b>4,702,695</b>
<b>Segment total liabilities</b>		
Software development and licence fees	4,318,229	3,890,649
Unallocated liabilities	137,212	658,560
	4,455,441	4,549,209
Less inter company creditors	(2,566,166)	(2,646,499)
<b>Total liabilities</b>	<b>1,889,275</b>	<b>1,902,710</b>

	2018 £	2017 £
<b>Additions of property, plant and equipment assets by segment</b>		
Software development and licence fees	2,090	8,152
<b>Total additions</b>	<b>2,090</b>	<b>8,152</b>
<b>Disposals of property, plant and equipment assets by segment</b>		
Software development and licence fees	-	2,699
<b>Total disposals</b>	<b>-</b>	<b>2,699</b>
<b>Depreciation of property, plant and equipment assets recognised in the period by segment</b>		
Software development and licence fees	17,974	19,112
<b>Total depreciation</b>	<b>17,974</b>	<b>19,112</b>

	2018 £	2017 £
<b>Non-current assets by country</b>		
UK	2,144,844	1,890,728
<b>Total non-current assets</b>	<b>2,144,844</b>	<b>1,890,728</b>

	2018 £	2017 £
<b>Geographical information - External revenue</b>		
UK	1,669,949	1,600,027
Europe (excluding UK)	796,468	652,894
Africa	22,562	-
North America	28,488	27,830
Asia Pacific	2,232	27,000
	<b>2,519,699</b>	<b>2,307,751</b>

During the year there were 3 customers (2017: 3) who accounted for more than 10% of the Group's revenues as follows:

	2018		2017	
	Value of sales £	% of Total	Value of sales £	% of Total
Customer 1	620,630	25%	612,998	27%
Customer 2	477,258	19%	357,327	15%
Customer 3	375,219	15%	309,232	13%
	<b>1,473,107</b>	<b>59%</b>	<b>1,279,557</b>	<b>55%</b>

These revenues are attributable to the software development and licence fees segment.

#### Profit per share

	2018 £	2017 £
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share being net profit attributable to equity shareholders	915,084	470,251
	<b>915,084</b>	<b>470,251</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	12,821,702	12,396,220
Number of dilutive shares under option	77,699	367,595

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Weighted average number of ordinary shares for the purposes of dilutive earnings per share	12,899,401	12,763,815
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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.

#### **Dividends**

A final dividend of 1.3 pence will be proposed at the Annual General Meeting but has not been recognised as it requires approval (2017: 1.0 pence).

#### **Annual General Meeting**

The Annual General Meeting of Arcontech Group PLC will be held at the Company's offices, 1st Floor, 11-21 Paul Street, London EC2A 4JU on 27 September 2018 at 10.00 a.m.

#### **Annual report and accounts**

Copies of the annual report and accounts will be sent to shareholders shortly and will be 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](http://www.arcontech.com)