ARCONTECH GROUP PLC

("Arcontech" or the "Group")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

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 2019.

Highlights:

- Turnover increased by 7.5% to £1,473,651 (six months ended 31 December 2018: £1,371,107)
- Profit before tax increased by 22% to £551,847 (six months ended 31 December 2018: £452,756)
- Adjusted profit before tax (before release of accruals for administrative costs in respect of prior years but including share based payments) increased by 52% to £509,347 (six months ended 31 December 2018: £335,470)
- Annual run-rate of recurring revenues at 31 December 2019 increased by 3% to £2.87 million (at 31 December 2018: £2.78 million)
- Cash of £4,400,455 as at 31 December 2019 (31 December 2018: £3,231,830)
- Trading in line and on track to meet full year market expectations

Richard Last, Chairman of Arcontech Group, said:

"The Board is pleased with Arcontech's growth in revenue and adjusted profit before tax. Cash at the half year was £1,168,625 higher than the previous half year, further strengthening the Balance Sheet and demonstrating the cash generative and robust nature of the business. We have continued to invest in product development to add value to existing and prospective clients whilst making our products more competitive and compelling when compared with alternatives. Whilst there remain global factors that can affect our always long and unpredictable sales cycle, we remain positive about the Group's long term prospects and the Board expects results for the full year to be in line with expectations."

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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 2019 in line with expectations, reporting an adjusted profit before tax of £509,347 (six months ended 31 December 2018: £335,470) an increase of 52%. Turnover increased by 7.5% to £1,473,651 compared to the corresponding six-month period in 2018 where turnover amounted to £1,371,107. This reflects the growth in recurring annual licence fees, primarily from existing customers, which on an annualised basis amounted to £2.87 million at 31 December 2019, compared to £2.78 million as at 31 December 2018. Declared fully diluted earnings per share were 4.17 pence per share compared to 3.72 pence per share for the corresponding period last year, while adjusted fully diluted earnings per share increased by 36% to 3.85p over the same period.

During the half year to 31 December 2019 Arcontech’s increase in revenues reflects the full year effect of sales made during the year to 30 June 2019 and the impact of selling more Excelerator Add-in’s into the existing customer base. During the half year and in the run up to Brexit we did notice decisions being put on hold as clients considered their options. That said, we continue to trial our Desktop software solution with a number of blue chip organisations and usage has increased by approximately 71% to 120 (70 in December 2018). We also added a new client user. Excelerator users have remained stable.

For the server-side of the business which consists of our MVCS (Multi-Vendor Contribution System) and Real-time Cache, we have continued developments to provide visualisation of data throughput, which is in Alpha-test and for which client feedback is very positive. This will make our server-side software more competitive and add value in terms of faster identification and resolution of any data or performance issues thus reducing risk for the client.

Financing

The Group has a strong financial position with cash balances at the 31 December 2019 of £4,400,455 (31 December 2018 £3,231,830), an increase of £1,168,625, providing a sound basis for continued investment in the business and demonstrating the cash generative nature of the business. The increase in cash between 30 June 2019 and 31 December 2019 principally reflects net cash inflows from operations less dividends paid to shareholders during the period.

Dividend

No interim dividend is proposed to be paid in respect of the half year.The Board does expect to continue its policy of paying a dividend following the announcement of its full year results.

Employees

I would like to thank our employees and directors for their continued hard work and dedication, which I know is appreciated by our customers and shareholders alike.

Outlook

Arcontech has a robust business base supported by a high level of recurring revenues and a strong balance sheet. Our business is international with customers operating in the UK, Europe, the USA, Hong Kong and Singapore. We propose to maintain ongoing investment in product development and to bolster our sales efforts. As we repeatedly note in our statements to shareholders 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 is also currently monitoring the Coronavirus and assessing the possible impact on the Group's business. While there has been no impact to date, if the spread of the virus is prolonged it may lead to companies delaying capital expenditure, which may reduce new business. There is expected to be no impact on existing revenues. That said, the Board views the long term future for the business with optimism and in the short term expects results for the full year to be in line with market expectations.

Richard Last
Chairman and Non-Executive Director

GROUP INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

	Note	**Six months ended 31 December 2019 £**	Six months ended 31 December 2018 £	Restated* Year ended 30 June 2019 £
Revenue		1,473,651	1,371,107	2,841,362
Administrative costs		(924,211)	(931,902)	(1,936,829)
Operating profit	4	549,440	439,205	904,533
Finance income		16,573	13,551	27,184
Finance costs		(14,166)	-	-
Profit before taxation		551,847	452,756	931,717
Taxation	6	9,734	45,318	60,318
Profit for the period after tax		561,581	498,074	992,035
Total comprehensive income		561,581	498,074	992,035
Profit per share (basic)		4.25p	3.77p	7.40p
Adjusted Profit per share (basic)**		3.93p	2.88p	6.88p
Profit per share (diluted)		4.17p	3.72p	7.30p
Adjusted Profit per share (diluted)**		3.85p	2.84p	6.79p

* See note 11

**Adjusted to exclude the release of accruals for administrative expenses in respect of prior years

All of the results relate to continuing operations.

GROUP BALANCE SHEET

	Note	31 December 2019 £	31 December 2018 £	Restated* 30 June 2019 £
Non-current assets				
Goodwill		1,715,153	1,715,153	1,715,153
Property, plant and equipment		17,084	11,398	15,011
Right of use asset	10	588,212	-	-
Deferred tax asset		285,000	270,000	285,000
Trade and other receivables		141,750	141,750	141,750
Total non-current assets		2,747,199	2,138,301	2,156,914
Current assets				
Trade and other receivables		608,910	320,608	263,875
Cash and cash equivalents		4,400,455	3,231,830	4,063,484
Total current assets		5,009,365	3,552,438	4,327,359
Current liabilities				
Trade and other payables		(694,215)	(769,105)	(682,420)
Deferred income		(1,513,941)	(801,409)	(1,151,545)
Lease liabilities	10	(162,000)	-	-
Total current liabilities		(2,370,156)	(1,570,514)	(1,833,965)
Non-current liabilities				
Lease liabilities	10	(392,405)	-	-
Total non-current liabilities		(392,405)	-	-
Net current assets		2,639,209	1,981,924	2,493,394
Net assets		4,994,003	4,120,225	4,650,308
Equity				
Share capital		1,651,314	1,651,314	1,651,314
Share premium account		56,381	56,381	56,381
Share option reserve		145,352	74,101	99,647
Retained earnings		3,140,956	2,338,429	2,842,966
		4,994,003	4,120,225	4,650,308

* See note 11

GROUP CASH FLOW STATEMENT

	Note	**Six months ended 31 December 2019 £**	Six months ended 31 December 2018 £	Year ended 30 June 2019 £
Cash generated from operating activities	9	**661,027**	**136,562**	**966,060**
Tax recovered		9,734	45,318	45,318
Net cash generated from operating activities		**670,761**	**181,880**	**1,011,378**
Investing activities				
Interest received		16,573	13,551	27,184
Purchases of plant and equipment		(5,772)	(2,325)	(13,802)
Net cash generated from investing activities		**10,801**	**11,226**	**13,382**
Financing activities				
Dividends paid		(263,591)	(171,334)	(171,334)
Payment of lease liabilities		(81,000)	-	-
Net cash used in financing activities		**(344,591)**	**(171,334)**	**(171,334)**
Net increase in cash and cash equivalents		**336,971**	**21,772**	**853,426**
Cash and cash equivalents at beginning of period		4,063,484	3,210,058	3,210,058
Cash and cash equivalents at end of period		**4,400,455**	**3,231,830**	**4,063,484**

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Share-based payments reserve	Retained earnings	Total
	£	£	£	£	£
At 1 July 2018	**1,651,314**	**56,381**	**56,366**	**2,011,689**	**3,775,750**
Total comprehensive income for the period	-	-	-	498,074	498,074
Dividends paid	-	-	-	(171,334)	(171,334)
Share-based payments	-	-	17,735	-	17,735
At 31 December 2018	**1,651,314**	**56,381**	**74,101**	**2,338,429**	**4,120,225**
Total comprehensive income for the period	-	-	-	493,961	493,961
Share-based payments	-	-	36,122	-	36,122
Realisation of share option reserve	-	-	(10,576)	10,576	-
At 30 June 2019	**1,651,314**	**56,381**	**99,647**	**2,842,966**	**4,650,308**
Total comprehensive income for the period	-	-	-	561,581	561,581
Dividends paid	-	-	-	(263,591)	(263,591)
Share-based payments	-	-	45,705	-	45,705
At 31 December 2019	**1,651,314**	**56,381**	**145,352**	**3,140,956**	**4,994,003**

NOTES TO THE FINANCIAL INFORMATION

1. The figures for the six months ended 31 December 2019 and 31 December 2018 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. IFRS 16 Leases has been applied for the first time in preparing the interim financial information. Note 10 sets out the key impacts on the Statement of Comprehensive Income and the Statement of Financial Position of the adoption of the new standard.

2. The financial information for the year ended 30 June 2019 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 2019, 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. The auditors have not reported on the restatement of the information for the year ended 30 June 2019 as explained in note 11.

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. Operating profit is stated after release of accruals for administrative expenses in respect of prior years of £42,500 (31 December 2018: £117,286; 30 June 2019: £156,786).

5. 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 2019 of 13,210,510 (31 December 2018: 13,210,510; 30 June 2019: 13,210,510).

   The number of dilutive shares under option at 31 December 2019 was 256,341 (31 December 2018: 189,343; 30 June 2019: 165,223). 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.

6. 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.

7. A final dividend in respect of the year ended 30 June 2019 of 2.0 pence per share (2018: 1.3 pence per share) was paid on 11 October 2019.

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

9. Cash generated from operations

	Six months ended 31 December	Six months ended 31 December	Year ended 30 June
	2019	2018	2019
	£	£	£
Operating profit	**549,440**	439,205	904,533
Depreciation charge	**77,226**	8,868	16,732
Non-cash share option charges	**45,705**	17,735	53,857
Adjustment for adoption of IFRS 16	**(40,500)**	-	-
(Increase)/decrease in trade and other receivables	**(345,035)**	(10,485)	46,248
Increase/(Decrease) in trade and other payables	**374,191**	(318,761)	(55,310)
Cash generated from operations	**661,027**	136,562	966,060

10. Adoption of accounting standard IFRS 16

The Group has adopted IFRS 16 using the modified retrospective approach with the effect of applying this standard at the date of initial recognition of 1 July 2019, consequently comparatives have not been restated.

As a lessee, the Group has previously classified leases as operating or finance leases based on whether the lease transferred significantly all of the risks and rewards incidental to the ownership of the underlying asset. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for all leases on its balance sheet. The only lease applicable under IFRS 16 is the Group's office.

The key impacts on the Statement of Comprehensive Income and the Statement of Financial Position are as follows:

	Right of use asset	Prepayments	Lease liability	Income statement
	£	£	£	£
As at 1 July 2019	-	-	-	-
Recognised on adoption of IFRS 16	661,739	(40,500)	(621,239)	-
Depreciation	(73,527)	-	-	(73,527)
Interest	-	-	(14,166)	(14,166)
Lease payments	-	-	81,000	81,000
Carrying value at 31 December 2019	**588,212**	**(40,500)**	**(554,405)**	**(6,693)**

11. Revision to revenue recognition policy under IFRS 15

IFRS 15 “Revenue from contracts with customers” was adopted from 1 July 2018 in line with transitional provisions provided in the new standards. The audited financial statements for the year ended 30 June 2019 recognised revenue from recurring license fees on an ‘at a point in time’ basis. The Group has undertaken a further review and analysis of its offering and performance obligations under the terms of recurring license fee contracts. The conclusion reached is that in the context of IFRS 15 the correct approach for the recognition of revenue is on an over time basis whereby deferred income arises upon entering into a license fee agreement and is then subsequently recognised as revenue across the remaining passage of time on the license.

This is consistent with the Group’s approach to revenue recognition for recurring license fees prior to the introduction of IFRS 15.

The interim report for the six months ended 31 December 2018 reported revenue on an over time basis and accordingly there have been no changes to six month comparatives presented in this report.

The comparatives for the twelve month period to 30 June 2019 have been restated in this report to recognise revenue from recurring license fee contracts on an over time basis. The effect of this change on the trading result for the twelve months to 30 June 2019 as a result of this change in revenue recognition policy is shown below.

Group Income Statement and Statement of Comprehensive Income:
Revenue decreased by £125,426
Profit for the year before taxation and after taxation decreased by £125,426

Statement of Changes in Equity:
Total comprehensive income for the year at 30 June 2019 decreased by £125,426
Retained earnings at 30 June 2019 decreased by £1,151,545

Group Balance Sheet:
Deferred income increased by £1,151,545