



ARCONTECH GROUP PLC

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

Final Results for the year ended 30 June 2017

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 2017.

Financial Highlights:

- Revenue of £2,307,751 (2016:£2,141,630)
- Adjusted profit before tax* of £441,996 (2016: £329,260)
- Profit before tax of £373,263 (2016:£302,329)
- Cash balance of £2,636,471 (2016:£1,633,159)
- Basic earnings per share of 3.79p (2016 3.38p)
- Maiden final dividend of 1 pence per share

*Adjusted for share-based payments

Operational Highlights:

- Healthy injection of new contracts mainly through additional sales of server-side infrastructure solutions to existing customers, with full benefit to come in 2017/18
- New desktop software solution currently in proof of concept trials at five Tier 1 banks
- Continued investment in sales & marketing with increased sales focus on Asia
- Increased participation in the fintech community with wider benefits for the group
- Strong cash generation

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

Chairman's Statement

Arcontech Group plc ("Arcontech" or the "Company") is pleased to report a profit before share-based payments and taxation for the year ended 30 June 2017 of £441,996 (2016: £329,260), a year-on-year increase of 34.2%. After taking the benefit of the Research and Development tax credit of £96,988 (2016: £105,813) which the Company receives, due to the amount it has invested in qualifying product design and development and the cost of share based payments of £68,733 (2016: £26,931), Arcontech achieved a profit after tax of £470,251 (2016: £408,142) for the year.

Turnover for the year increased by 7.8% to £2,307,751 (2016: £2,141,630) this was achieved mainly through additional sales of server-side infrastructure solutions to existing customers. The level of new sales has not yet benefitted from the new business expected from our new desktop software solution launched earlier in the year. Expected desktop solution sales in 2018 and the full year effect of the net new sales achieved in the year ended 30 June 2017 is expected to lead to an increase in turnover for the year ending 30 June 2018.

We have continued to operate tight cost control throughout the year, whilst maintaining investment in product development and enhancement, which we expect to sustain going forward. The sales resource was increased during the year, which, together with marketing, are areas where we expect to see additional investment in 2018.

Financing

As at 30 June 2017 Arcontech had net cash balances of £2,636,471 (2016: £1,633,159), reflecting increased profitability and an improved working capital position. The business is well financed for the future and has a robust balance sheet.

Dividend and Share Consolidation

Having completed the cancellation of the share premium account (creating positive distributable reserves) and the share consolidation, 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 maiden dividend of 1 pence per share for the year ended 30 June 2017, to those shareholders on the register as at the close of business on 25 August 2017, with an ex-dividend date of 24 August 2017.

Employees

We have a small team of dedicated employees who are the core of our business. I would like to thank them for their hard work and continued support which is greatly appreciated.

Outlook

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.

Richard Last
Chairman and Non-Executive Director

Chief Executive's Review

I am pleased to report that during the year our continued attention to costs whilst building out and delivering on the sales pipeline resulted in a profit before tax of £373,263 (2016: £302,329), an increase of 23.5% compared to the previous year.

During the year under review we have further reconfirmed the value of our products and quality of support to the market by increasing the use of our server-side solutions such as our real-time last value cache and symbol mapper with existing clients, and on the desktop with Excelerator, whilst not receiving a single contract cancellation.

We continue to progress the sales pipeline and improve our product offering by adding functionality to existing products as well as enhancing our new desktop software solution. This software solution continues to be of significant interest to our clients, with one of the trials with Tier 1 clients culminating in a signed agreement for its deployment in New York. It is hoped by both ourselves, and our client, that it will expand from there and be rolled out in additional office locations over coming months. The prospects elsewhere, whilst taking time, continue to develop and are looking promising.

To increase sales growth, in January 2017 we recruited a sales person in Hong Kong to explore opportunities in this region.

During the year we have also increased our participation in the fintech community, where we believe we can both add and receive value. This includes becoming members of the OpenMAMA steering committee and more recently, the Symphony Foundation. Both these global, open source, not for profit organisations include major Tier 1 clients and non-clients as members, who we are working closely with, whilst providing vendor agnostic solutions to the market data needs of the broader financial community.

The outlook for the business remains positive and to date unaffected by the wider uncertainties surrounding Brexit. The length of the sales cycle is something that is a constant and the only realistic way to address it is to create more sales opportunities. This is being done by building solutions that increase the addressable market whilst increasing our sales resource. As a result, the sales pipeline is looking healthy.

In order to supplement the Company's growth strategy, we will continue to review prospective complementary acquisition opportunities.

With such a strong foundation, we will keep working to strengthen our position by focusing on increasing revenues. Going forward, sales growth remains our clear priority.

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 2017.

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 above.

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 £2,307,751 (2016: £2,141,630; 2015: £2,129,958)	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 £441,996 (2016: £329,260; 2015: £263,859)	Measurement: Profit before share based payments and tax Performance: Continued growth reflects increase in revenues whilst continuing to maintain tight cost control
Cash £2,636,471 (2016: £1,633,159; 2015: £1,069,755)	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) 100% (2016: 93%; 2015: 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 net increase
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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:

<u>Risk area</u>	<u>Mitigation</u>
Competition	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 11 August 2017 by:

Matthew Jeffs
Chief Executive

Michael Levy
Group Finance Director

Group Income Statement and Statement of Comprehensive Income

For the year ended 30 June 2017

	2017	2016
	£	as restated £
Revenue	2,307,751	2,141,630
Administrative costs	(1,942,430)	(1,849,257)
Operating profit	365,321	292,373
Finance income	7,942	9,956
Profit before taxation	373,263	302,329
Taxation	96,988	105,813
Profit for the year after tax	470,251	408,142
Total comprehensive income for the year	470,251	408,142
Earnings per share (basic)	3.79p	3.38p
Earnings per share (diluted)	3.68p	3.25p

Comparative figures for the year ended 30 June 2016 have been restated to take into account the share consolidation carried out in September 2016.

All of the results relate to continuing operations.

Statement of Changes in Equity

For the year ended 30 June 2017

Group:

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
Balance at 30 June 2015	1,536,672	9,430,312	92,761	(9,269,623)	1,790,122
Profit for the year	-	-	-	408,142	408,142
Total comprehensive income for the year	-	-	-	408,142	408,142
Cancellation of share premium account	-	(9,430,312)	-	9,430,312	-
Issue of shares	5,060	2,024	-	-	7,084
Share-based payments	-	-	26,931	-	26,931
Balance at 30 June 2016	1,541,732	2,024	119,692	568,831	2,232,279
Profit for the year	-	-	-	470,251	470,251
Total comprehensive income for the year	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
Balance at 30 June 2017	1,562,676	9,802	188,425	1,039,082	2,799,985

Company:

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
Balance at 30 June 2015	1,536,672	9,430,312	92,761	(7,797,685)	3,262,060
Profit for the year	-	-	-	10,899	10,899
Total comprehensive expense for the year	-	-	-	10,899	10,899
Cancellation of share premium account	-	(9,430,312)	-	9,430,312	-
Issue of shares	5,060	2,024	-	-	7,084
Share-based payments	-	-	26,931	-	26,931
Balance at 30 June 2016	1,541,732	2,024	119,692	1,643,526	3,306,974
Profit for the year	-	-	-	1,418,859	1,418,859
Total comprehensive income for the year	1,541,732	2,024	119,692	3,062,385	4,725,833
Issue of shares	20,944	7,778	-	-	28,722
Share-based payments	-	-	68,733	-	68,733
Balance as at 30 June 2017	1,562,676	9,802	188,425	3,062,385	4,823,288

Balance Sheets

Registered number: 04062416

As at 30 June 2017

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Non-current assets				
Goodwill	1,715,153	1,715,153	-	-
Property, plant and equipment	33,825	44,785	-	-
Investments in subsidiaries	-	-	2,017,373	2,017,373
Trade and other receivables	141,750	141,750	-	-
Total non-current assets	1,890,728	1,901,688	2,017,373	2,017,373
Current assets				
Trade and other receivables	175,496	265,360	1,806,341	206,769
Cash and cash equivalents	2,636,471	1,633,159	1,658,039	1,272,292
Total current assets	2,811,967	1,898,519	3,464,380	1,479,061
Current liabilities				
Trade and other payables	(1,902,710)	(1,567,928)	(658,465)	(189,460)
Total current liabilities	(1,902,710)	(1,567,928)	(658,465)	(189,460)
Net current assets	909,257	330,591	2,805,915	1,289,601
Net assets	2,799,985	2,232,279	4,823,288	3,306,974
Equity				
Called up share capital	1,562,676	1,541,732	1,562,676	1,541,732
Share premium account	9,802	2,024	9,802	2,024
Share option reserve	188,425	119,692	188,425	119,692
Retained earnings	1,039,082	568,831	3,062,385	1,643,526
	2,799,985	2,232,279	4,823,288	3,306,974

The profit dealt with in the financial statements of the Parent Company was £1,418,859 (2016: £10,899).

Approved on behalf of the board on 11 August 2017 by:

Matthew Jeffs
Chief Executive

Michael Levy
Group Finance Director

Group Cash Flow Statement

For the year ended 30 June 2017

	2017	2016
	£	£
Net cash generated from operating activities	974,800	567,420
Investing activities		
Interest received	7,942	9,956
Purchases of plant and equipment	(8,152)	(21,056)
Net cash invested in investing activities	(210)	(11,100)
Financing activities		
Issue of shares	28,722	7,084
Net cash generated from financing activities	28,722	7,084
Net increase in cash and cash equivalents	1,003,312	563,404
Cash and cash equivalents at beginning of year	1,633,159	1,069,755
Cash and cash equivalents at end of year	2,636,471	1,633,159

Company Cash Flow Statement

For the year ended 30 June 2017

	2017	2016
	£	£
Net cash generated from operating activities	349,506	605,860
Investing activities		
Interest received	7,519	9,441
Net cash generated from investing activities	7,519	9,441
Financing activities		
Issue of shares	28,722	7,084
Net cash generated from financing activities	28,722	7,084
Net increase in cash and cash equivalents	385,747	622,385
Cash and cash equivalents at beginning of year	1,272,292	649,907
Cash and cash equivalents at end of year	1,658,039	1,272,292

Notes to the Financial Statements For the year ended 30 June 2017

Status of financial information

Arcotech 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 11 August 2017. 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 2017 or 30 June 2016.

The financial information set out in this announcement does not comprise the Group's statutory accounts for the years ended 30 June 2017 or 30 June 2016.

The financial information has been extracted from the statutory accounts of the Company for the years ended 30 June 2017 or 30 June 2016. 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 2016 have been delivered to the Registrar of Companies, whereas those for the year ended 30 June 2017 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.

	2017	2016
	£	£
Revenue by segment		
Software development and licence fees	2,307,751	2,141,630
External segment revenue	2,307,751	2,141,630
Operating profit by segment		
Software development and licence fees	854,981	656,226
Unallocated overheads	(489,660)	(363,853)
Total operating profit	365,321	292,373
Finance income	7,942	9,956
Total profit before tax as reported in the Group income statement	373,263	302,329

	2017 £	2016 £
Segment total of assets		
Software development and licence fees	3,547,110	4,419,890
Unallocated assets	3,802,083	1,795,400
	7,349,193	6,215,290
Less inter company debtors	(2,646,498)	(2,415,083)
Total assets	4,702,695	3,800,207

	2017 £	2016 £
Segment total liabilities		
Software development and licence fees	3,890,649	3,792,521
Unallocated liabilities	658,560	190,490
	4,549,209	3,983,011
Less inter company creditors	(2,646,499)	(2,415,083)
Total liabilities	1,902,710	1,567,928

	2017 £	2016 £
Additions of property, plant and equipment assets by segment		
Software development and licence fees	8,152	21,056
Total additions	8,152	21,056

Disposals of property, plant and equipment assets by segment		
Software development and licence fees	2,699	26,462
Total disposals	2,699	26,462

	2017 £	2016 £
Depreciation of property, plant and equipment assets recognised in the period by segment		
Software development and licence fees	19,112	17,140
Total depreciation	19,112	17,140

Non-current assets by country	2017	2016
	£	£
UK	1,890,728	1,901,688
	1,890,728	1,901,688

Geographical information - External revenue	2017	2016
	£	£
UK	1,600,027	1,354,976
Europe (excluding UK)	652,894	463,437
North America	27,830	127,459
Asia Pacific	27,000	195,758
	2,307,751	2,141,630

During the year there were 3 customers (2016: 1) who accounted for more than 10% of the Group's revenues as follows:

	2017		2016	
	Value of sales £	% of Total	Value of sales £	% of Total
Customer 1	612,998	27%	601,616	28%
Customer 2	357,327	15%	-	-
Customer 3	309,232	13%	-	-
	1,279,557	55%	601,616	28%

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

Profit per share

	2017 £	2016 as restated £
Earnings		
Earnings for the purpose of basic and diluted earnings per share being net profit attributable to equity shareholders	470,251	408,142
	470,251	408,142
	No.	No.
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	12,396,220	12,297,590
Number of dilutive shares under option	367,595	213,457
Weighted average number of ordinary shares for the purposes of dilutive earnings per share	12,763,815	12,511,047

The number of shares for the year ended 30 June 2017 takes into account the share consolidation of 125:1 carried out in September 2016. The number of shares for the year ended 30 June 2016 has been restated accordingly.

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 pence will be proposed at the Annual General Meeting but has not been recognised as it requires approval (2016: £Nil).

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 26 September 2017 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