



ARCONTECH GROUP PLC

("Arcontech" or the "Group")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

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 2018.

Highlights:

- Turnover increased by 13% to £1,371,107 (six months ended 31 December 2017: £1,213,776)
- Profit before tax increased by 91% to £452,756 (six months ended 31 December 2017: £237,581)
- Adjusted profit before tax (before release of accruals for administrative costs in respect of prior years) increased by 41% to £335,470 (six months ended 31 December 2017: £237,581)
- Annual run-rate of recurring revenues at 31 December 2018 increased by 14% to £2.78 million (at 31 December 2017: £2.43 million)
- Cash of £3,231,830 as at 31 December 2018 (31 December 2017: £2,663,935)
- Trading in line and on track to meet management's full year 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 £567,895 higher than the previous half year, further strengthening the Balance Sheet. We have continued to invest in product development to maintain and enhance our propositions to the market. Our sales cycle is often long and unpredictable however 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."

Enquiries:

Arcontech Group plc
Richard Last, Chairman and Non-Executive Director
Matthew Jeffs, Chief Executive

020 7256 2300

finnCap Ltd (Nomad & Broker)
Carl Holmes/Simon Hicks

020 7220 0500

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 2018, reporting an adjusted profit before tax of £335,470 (six months ended 31 December 2017: £237,581) an increase of 41%. Turnover increased by 13% to £1,371,107 compared to the corresponding six-month period in 2017 where turnover amounted to £1,213,776. This reflects the growth in recurring annual licence fees, primarily from existing customers, which on an annualised basis amounted to £2.78 million at 31 December 2018, compared to £2.43 million as at 31 December 2017. Fully diluted earnings per share were 3.72 pence per share compared to 2.36 pence per share for the corresponding period last year.

During the half year to 31 December 2018 Arcontech's increase in revenues reflects the full year effect of sales made during the year to 30 June 2018 and the impact of selling more products into the existing customer base. We are continuing to trial our Desktop software solution and have made a number of enhancements following positive comments from customers and prospective users. Usage has increased with existing customers by approximately 75% to 70. We also continue to see demand for our Excelerator product with additional users to an approximate value of £225,000-pa being deployed by two existing clients.

For the server-side of the business our MVCS (Multi-Vendor Contribution System) and Real-time Cache continue to make a significant contribution to group revenue. We have continued to invest in the development and enhancement of these products to further optimise their efficiency whilst enhancing the customer experience. This work helps integrate the products further within the client environment, however, new sales in this area are significant projects in themselves and although we have a number of qualified prospects, none have contracted in the half year. A further benefit of that work is that both the MVCS and our Real-time Cache are increasingly seen as preferable alternatives to competitive offerings which also help our pipeline.

Financing

The Group has a strong financial position with cash balances at the 31 December 2018 of £3,231,830 (31 December 2017 £2,663,935), an increase of £567,895, providing a sound basis for continued investment in the business. The small increase in cash between 30 June 2018 and 31 December 2018 principally reflects timing differences in relation to advance payments.

Dividend

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

Employees

I should 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 sound 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. As such it is the Board's view that we are unlikely to be adversely affected by Brexit. We propose to maintain ongoing investment in product development and enhancement, and as a result of working with existing customers we are delivering world class solutions which provide cost savings and competitive advantage. 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. Nevertheless, 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 expectations.

Richard Last
Chairman and Non-Executive Director

GROUP INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 31 December 2018 (unaudited) £	Six months ended 31 December 2017 (unaudited) £	Year ended 30 June 2018 (audited) £
Revenue		1,371,107	1,213,776	2,519,699
Administrative costs		(931,902)	(982,528)	(1,958,176)
Operating profit	4	439,205	231,248	561,523
Finance income		13,551	6,333	14,109
Profit before taxation		452,756	237,581	575,632
Taxation	6	45,318	69,452	339,452
Profit for the period after tax		498,074	307,033	915,084
Total comprehensive income		498,074	307,033	915,084
Profit per share (basic)		3.77p	2.42p	7.14p
Adjusted* Profit per share (basic)		2.88p	2.42p	6.94p
Profit per share (diluted)		3.72p	2.36p	7.09p
Adjusted* Profit per share (diluted)		2.84p	2.36p	6.90p

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

All of the results relate to continuing operations.

GROUP BALANCE SHEET

	31 December 2018 (unaudited) £	31 December 2017 (unaudited) £	30 June 2018 (audited) £
Non-current assets			
Goodwill	1,715,153	1,715,153	1,715,153
Property, plant and equipment	11,398	24,834	17,941
Deferred tax asset	270,000	-	270,000
Trade and other receivables	141,750	141,750	141,750
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Total non-current assets	2,138,301	1,881,737	2,144,844
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Current assets			
Trade and other receivables	320,608	624,781	310,123
Cash and cash equivalents	3,231,830	2,663,935	3,210,058
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Total current assets	3,552,438	3,288,716	3,520,181
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Current liabilities			
Trade and other payables	(769,105)	(865,561)	(863,156)
Deferred income	(801,409)	(1,233,990)	(1,026,119)
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Total current liabilities	(1,570,514)	(2,099,251)	(1,889,275)
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Net current assets	1,981,924	1,189,465	1,630,906
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Net assets	4,120,225	3,071,202	3,775,750
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Equity			
Share capital	1,651,314	1,600,375	1,651,314
Share premium account	56,381	24,881	56,381
Share option reserve	74,101	225,591	56,366
Retained earnings	2,338,429	1,220,355	2,011,689
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	4,120,225	3,071,202	3,775,750
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GROUP CASH FLOW STATEMENT

	Note	Six months ended 31 December 2018 (unaudited) £	Six months ended 31 December 2017 (unaudited) £	Year ended 30 June 2018 (audited) £
Net cash generated from operating activities	9	181,880	94,113	552,111
Investing activities				
Interest received		13,551	6,333	14,109
Purchases of plant and equipment		(2,325)	-	(2,090)
Net cash generated from investing activities		11,226	6,333	12,019
Financing activities				
Issue of shares		-	52,778	135,217
Dividends paid		(171,334)	(125,760)	(125,760)
Net cash (used in)/generated from financing activities		(171,334)	(72,982)	9,457
Net increase in cash and cash equivalents		21,772	27,464	573,587
Cash and cash equivalents at beginning of period		3,210,058	2,636,471	2,636,471
Cash and cash equivalents at end of period		3,231,830	2,663,935	3,210,058

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Share- based payments reserve	Retained earnings	Total
	£	£	£	£	£
At 1 July 2017	1,562,676	9,802	188,425	1,039,082	2,799,985
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
At 31 December 2017	1,600,375	24,881	225,591	1,220,355	3,071,202
Total comprehensive income for the period	-	-	-	608,051	608,051
Issue of shares	50,939	31,500	-	-	82,439
Share-based payments	-	-	14,058	-	14,058
Realisation of share option reserve	-	-	(183,283)	183,283	-
At 30 June 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

NOTES TO THE FINANCIAL INFORMATION

1. The figures for the six months ended 31 December 2018 and 31 December 2017 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 2018 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 2018, 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. Operating profit is stated after release of accruals for administrative expenses in respect of prior years of £117,286 (31 December 2017: Nil; 30 June 2018: £25,500).
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 2018 of 13,210,510 (31 December 2017: 12,675,498; 30 June 2018: 12,396,220).

The number of dilutive shares under option at 31 December 2018 was 189,343 (31 December 2017: 330,023; 30 June 2018: 77,699). 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 2018 of 1.30 pence per share (2017 1.0 pence per share) was paid on 4 October 2018.
8. The Directors have elected not to apply IAS34 Interim financial reporting.

9. Net cash generated from operations

	Six months ended 31 December	Six months ended 31 December	Year ended 30 June
	2018 (unaudited) £	2017 (unaudited) £	2018 (audited) £
Operating profit	439,205	231,248	561,523
Depreciation charge	8,868	8,991	17,974
Non cash share option charges	17,735	37,166	51,224
Increase in trade and other receivables	(10,485)	(379,833)	(134,626)
(Decrease)/increase in trade and other payables	(318,761)	196,541	(13,436)
Tax recovered	45,318	-	69,452
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Cash generated from operations	181,880	94,113	552,111
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