

## **ARCONTECH GROUP PLC**

("Arcontech" or the "Group")

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022**

Arcontech (AIM: ARC), the provider of products and services for real-time financial market data processing and trading, reports its unaudited results for the six months ended 31 December 2022.

#### **Overview:**

- Turnover decreased by 6.6% to £1,357,041 (H1 2021: £1,452,498) due to the effect of contract losses announced during the previous financial year
- Profit before tax decreased by 13.2% to £372,414 (H1 2021: £428,924) reflecting the lower turnover
- Our preferred measure of adjusted profit before tax, which excludes the release of accruals unrelated to the underlying business, declined by 13.3% to £367,914 (H1 2021: £424,425)
- Recurring revenues represented 100% of total revenues for the period (H1 2021: 98%)
- Net cash of £5,908,814 at 31 December 2022, up 5.13% (H1 2021: £5,620,352) after a record dividend payment of £434,616 paid on 24 October 2022
- Revenue and profit before tax for the year to 30 June 2023 are expected to be in line with current expectations

#### **Geoff Wicks, Chairman of Arcontech, said:**

"Our strategy to support our existing customers to maximise opportunities while building our sales capability to grow our customer base globally, ensures we focus on growth in our core market. We are starting to see small amounts of growth and are confident that this will continue, although this must be balanced against continuing difficult markets for our customers."

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

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

While our results for the first half of this year show a decline in both revenue and profit compared to the same period last year, this is the result of the loss of business in the second half of last year. This impact will continue in the second half of the year given the recurring nature of our revenue. However, we are starting to see some growth with new and existing clients although the market remains difficult with customers seeking to reduce spend and prospects continuing to take time to commit.

We have worked hard at retaining customers and now have a significant proportion of our customer base on longer term contracts. At the same time, we are building a prospect list that gives us confidence of sustainable growth in the future. We have also managed our costs appropriately to ensure continued strong profitability and excellent cash generation.

Revenue was £1,357,041, down 6.6% on the same period last year, due to the loss of two contracts in the second half of 2021/22. Profit before tax ("PBT") was £372,414, 13.2% lower than the same period last year, reflecting the loss of revenue. Adjusted profit before tax, which is PBT before the release of accruals for administrative costs in respect of prior years, was down 13.3% to £367,914.

We continue to invest in our sales, marketing and support teams which has helped us to retain our excellent customer list and to start to build back some of the business lost in the previous financial year.

## Financing

Our balance sheet remains robust with net cash of £5.9 million, £0.3 million higher than at 31 December 2022, and £0.1 million lower than the level at 30 June 2022 after payment to shareholders of a record dividend of £0.4 million. This cash position provides resources for continued investment in sales and products and for small complementary acquisitions.

## Dividend

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

## Outlook

Our strategy to support our existing customers to maximise opportunities while building our sales capability to grow our customer base globally, ensures we focus on growth in our core market. We are starting to see small amounts of growth and are confident that this will continue although this must be balanced against continuing difficult markets for our customers.

**Geoff Wicks**

**Chairman and Non-Executive Director**

## GROUP INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Note	Six months ended 31 December 2022	Six months ended 31 December 2021	Year ended 30 June 2022
	(unaudited) £	(unaudited) £	(audited) £

<b>Revenue</b>		1,357,041	1,452,498	2,757,795
Administrative costs		(995,636)	(1,021,879)	(1,999,523)
<b>Operating profit</b>	<b>4</b>	361,405	430,619	758,272
Finance income		15,840	6,521	13,911
Finance costs		(4,831)	(8,216)	(13,610)
<b>Profit before taxation</b>		372,414	428,924	758,573
Taxation	<b>6</b>	-	-	(148,007)
<b>Profit for the period after tax</b>		372,414	428,924	610,566
<b>Total comprehensive income</b>		372,414	428,924	610,566
<b>Profit per share (basic)</b>		2.78p	3.21p	4.57p
<b>Adjusted* Profit per share (basic)</b>		2.75p	3.18p	4.50p
<b>Profit per share (diluted)</b>		2.77p	3.20p	4.56p
<b>Adjusted* Profit per share (diluted)</b>		2.74p	3.16p	4.49p

All of the results relate to continuing operations and there was no other comprehensive income in the period.

\* Before release of accruals for administrative costs in respect of prior years.

#### GROUP BALANCE SHEET

	<b>Note</b>	31 December 2022 (unaudited) £	31 December 2021 (unaudited) £	30 June 2022 (audited) £
<b>Non-current assets</b>				
Goodwill		1,715,153	1,715,153	1,715,153
Property, plant and equipment		4,420	7,489	6,545
Right of use asset	12	146,303	292,606	219,455
Deferred tax asset		318,000	471,000	318,000
Trade and other receivables		141,750	141,750	141,750
<b>Total non-current assets</b>		2,325,626	2,627,998	2,400,903
<b>Current assets</b>				
Trade and other receivables	9	1,584,539	322,885	348,686
Cash and cash equivalents		5,908,814	5,620,352	6,026,468
<b>Total current assets</b>		7,493,353	5,943,237	6,375,154
<b>Current liabilities</b>				
Trade and other payables	10	(891,203)	(553,435)	(630,644)
Deferred income		(1,854,240)	(1,017,829)	(978,236)
Lease liabilities	12	(118,994)	(151,948)	(148,450)
<b>Total current liabilities</b>		(2,864,437)	(1,723,212)	(1,757,330)
<b>Non-current liabilities</b>				
Lease liabilities	12	-	(118,994)	(47,403)
<b>Total non-current liabilities</b>		-	(118,994)	(47,403)

<b>Net current assets</b>	4,628,916	4,220,025	4,617,824
<b>Net assets</b>	6,954,542	6,729,029	6,971,324
<b>Equity</b>			
Share capital	1,671,601	1,671,601	1,671,601
Share premium account	115,761	115,761	115,761
Share option reserve	306,440	290,713	270,825
Retained earnings	4,860,740	4,650,954	4,913,137
	6,954,542	6,729,029	6,971,324

## GROUP CASH FLOW STATEMENT

	Note	Six months ended 31 December	Six months ended 31 December	Year ended 30 June
		2022 (unaudited) £	2021 (unaudited) £	2022 (audited) £
<b>Cash generated from operating activities</b>	11	<b>383,087</b>	<b>630,439</b>	<b>1,109,608</b>
Tax paid	6	(4,993)	-	(2,642)
<b>Net cash generated from operating activities</b>		<b>378,094</b>	<b>630,439</b>	<b>1,106,966</b>
<b>Investing activities</b>				
Interest received		15,840	6,521	13,911
Purchases of plant and equipment		(114)	(527)	(2,688)
<b>Net cash generated from investing activities</b>		<b>15,726</b>	<b>5,994</b>	<b>11,223</b>
<b>Financing activities</b>				
Proceeds from the exercise of options		-	29,024	29,025
Dividends paid		(434,616)	(367,202)	(367,752)
Payment of lease liabilities		(76,859)	(73,360)	(148,450)
<b>Net cash used in financing activities</b>		<b>(511,475)</b>	<b>(411,538)</b>	<b>(487,177)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(117,655)</b>	<b>224,895</b>	<b>631,012</b>
Cash and cash equivalents at beginning of period		6,026,469	5,395,457	5,395,457
<b>Cash and cash equivalents at end of period</b>		<b>5,908,814</b>	<b>5,620,352</b>	<b>6,026,469</b>

## GROUP STATEMENT OF CHANGES IN EQUITY

Share capital	Share premium	Share-based payments reserve	Retained earnings	Total
£	£	£	£	£

<b>At 1 July 2021</b>	<b>1,665,977</b>	<b>92,360</b>	<b>271,207</b>	<b>4,553,329</b>	<b>6,582,873</b>
Profit for the period	-	-	-	428,924	428,924
Total comprehensive income for the period	-	-	-	428,924	428,924
Exercise of options <sup>[1]</sup>	5,624	23,401	-	-	29,025
Transfer between reserves	-	-	(35,904)	35,904	-
Dividends paid	-	-	-	(367,202)	(367,202)
Share-based payments	-	-	55,409	-	55,409
Total transactions with owners	5,624	23,401	19,505	(331,298)	(282,768)
<b>At 31 December 2021</b>	<b>1,671,601</b>	<b>115,761</b>	<b>290,712</b>	<b>4,650,955</b>	<b>6,729,029</b>
Profit for the period	-	-	-	181,642	181,642
Total comprehensive income for the period	-	-	-	181,642	181,642
Transfer between reserves	-	-	(81,090)	81,090	-
Dividends paid	-	-	-	(550)	(550)
Share-based payments	-	-	61,203	-	61,203
Total transactions with owners	-	-	(19,887)	80,540	60,653
<b>At 30 June 2022</b>	<b>1,671,601</b>	<b>115,761</b>	<b>270,825</b>	<b>4,913,137</b>	<b>6,971,324</b>
Profit for the period	-	-	-	372,414	372,414
Total comprehensive income for the period	-	-	-	372,414	372,414
Transfer between reserves	-	-	(9,805)	9,805	-
Dividends paid	-	-	-	(434,616)	(434,616)
Share-based payments	-	-	45,420	-	45,420
Total transactions with owners	-	-	35,615	(424,811)	(389,196)
<b>At 31 December 2022</b>	<b>1,671,601</b>	<b>115,761</b>	<b>306,440</b>	<b>4,860,740</b>	<b>6,954,542</b>

## NOTES TO THE FINANCIAL INFORMATION

1. The figures for the six months ended 31 December 2022, and 31 December 2021, are unaudited and do not constitute statutory accounts. The accounting policies adopted are consistent with those applied by the Group in the preparation of the annual consolidated financial statements for the year ended 30 June 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2022, but these do not have a material impact on the interim condensed consolidated financial statements of the Group.
2. The financial information for the year ended 30 June 2022 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 2022, which were prepared in accordance with UK-adopted international accounting standards, 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. Operating profit is stated after release of accruals for administrative expenses in respect of prior years of £4,500 (31 December 2021: £4,500; 30 June 2022: £9,000).
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 2022 of 13,372,811 (31 December 2021: 13,355,719 30 June 2022: 13,364,195).

The number of dilutive shares under option at 31 December 2022 was 18,612 (31 December 2021: 62,727; 30 June 2022: 25,145). 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 paid represents the cash payment of tax liability from the preceding income tax year.
7. A final dividend in respect of the year ended 30 June 2022 of 3.25 pence per share (2021: 2.75 pence per share) was paid on 24 October 2022.
8. The Directors have elected not to apply IAS 34 Interim financial reporting.

9. Trade and other receivables

	<b>31 December 2022 £ (unaudited)</b>	<b>31 December 2021 £ (unaudited)</b>	<b>30 June 2022 £ (audited)</b>
<b>Due within one year:</b>			
Trade and other receivables	1,468,165	209,800	196,541
Prepayments and accrued income	116,374	113,085	152,145
	<u>1,584,539</u>	<u>322,885</u>	<u>348,686</u>

10. Trade and other payables

	<b>31 December 2022 £ (unaudited)</b>	<b>31 December 2021 £ (unaudited)</b>	<b>30 June 2022 £ (audited)</b>
Trade payables	33,078	45,063	77,772
Other tax and social security payable	319,265	64,548	62,148
Other payables and accruals	538,860	443,824	490,724
	<u>891,203</u>	<u>553,435</u>	<u>630,644</u>

11. Cash generated from operations

	<b>Six months ended 31 December 2022 (unaudited) £</b>	<b>Six months ended 31 December 2021 (unaudited) £</b>	<b>Year ended 30 June 2022 (audited) £</b>
Operating profit	<b>361,405</b>	430,619	758,272
Depreciation charge	<b>75,390</b>	77,337	153,594
Non-cash share option charges	<b>45,420</b>	55,410	116,612

Lease interest paid	(4,141)	(7,640)	(13,550)
Other interest paid	(690)	(576)	(60)
(Increase)/decrease in trade and other receivables	(1,240,846)	147,432	126,624
Increase/(decrease) in trade and other payables	1,146,549	(72,143)	(31,884)
<b>Cash generated from operations</b>	<b>383,087</b>	<b>630,439</b>	<b>1,109,608</b>

## 12. Leases

As a lessee, 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 £	Lease liability £	Income statement £
As at 1 July 2022	219,455	(195,853)	-
Depreciation	(73,152)	-	(73,152)
Interest	-	(4,141)	(4,141)
Lease payments	-	81,000	-
<b>Carrying value at 31 December 2022</b>	<b>146,303</b>	<b>(118,994)</b>	<b>(77,293)</b>

	Right of use asset £	Lease liability £	Income statement £
As at 1 July 2021	365,758	(344,303)	-
Depreciation	(73,152)	-	(73,152)
Interest	-	(7,640)	(7,640)
Lease payments	-	81,000	-
<b>Carrying value at 31 December 2021</b>	<b>292,606</b>	<b>(270,943)</b>	<b>(80,792)</b>

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