

# Appointment of Non-Executive Director

## ARCONTECH GROUP PLC

("Arcontech" or the "Company")

### Appointment of Non-Executive Director

Arcontech (AIM: ARC), the provider of products and services for real-time financial market data processing and trading, is pleased to announce the appointment of Raj Nagevadia as Non-Executive Director, effective on 26 October 2022.

Raj is the current Chief Financial Officer (CFO) of Bfinance, a financial services consultancy, and holds a wealth of experience in financial managerial roles across the technology sector, primarily as a CFO. Prior to Bfinance, Raj was CFO of SecureData Europe, a cyber security management service, where he oversaw a broad range of acquisitions. Before this, Raj was CFO of NetNames (formerly Group NBT), the AIM quoted internet services provider, for over 10 years. Here, Raj managed the company's acquisition strategy as well as aiding in the sale of the Company to Hg Capital in 2011.

| <b>Enquiries:</b>                                |                  |
|--------------------------------------------------|------------------|
| <b>Arcontech Group plc</b>                       |                  |
| Geoff Wicks, Chairman and Non-Executive Director | 07713<br>214484  |
| Matthew Jeffs, Chief Executive                   | 020 7256<br>2300 |
|                                                  |                  |
| <b>finnCap Ltd (Nomad &amp; Broker)</b>          | 020 7220<br>0500 |

|                                                                                                                       |  |
|-----------------------------------------------------------------------------------------------------------------------|--|
| Carl Holmes / George Dollemore (Corporate Finance)Harriet Ward (ECM)                                                  |  |
|                                                                                                                       |  |
| <b>To access more information on the Group please visit: <a href="http://www.arcontech.com">www.arcontech.com</a></b> |  |
|                                                                                                                       |  |

The following information on Rajesh Prabhudas Nagevadia, aged 58, is provided in accordance with Rule 17 and Schedule 2, Paragraph (g) of the AIM Rules for Companies:

Mr. Nagevadia holds or has held the following directorships/partnerships in the past five years:

| Current<br>Directorships/Partnerships | Former<br>Directorships/Partnerships |
|---------------------------------------|--------------------------------------|
| Bfinance Group Holdings Limited       | None                                 |

There is no further information to be disclosed pursuant to Schedule 2, Paragraph (g) of the AIM Rules for Companies.

# Grant of Options

## ARCONTECH GROUP PLC

("Arcontech" or the "Company")

### Grant of Options

Arcontech (AIM: ARC), the provider of products and services for real-time financial market data processing and trading, announces that on 21 October 2022 it granted a total of 120,000 options ("Options") over ordinary shares of £0.125 in the Company ("Ordinary Shares") under the Company's EMI and non EMI schemes to various employees.

Options were granted to the following persons disclosing managerial responsibility (“PDMRs”): Matthew Jeffs (Chief Executive), Ben Hodges (Finance Director) and Darren Lewis (Head of Development).

The Options have been granted at a price of 76.5p pence per Ordinary Share, being the closing mid-market price of an Ordinary Share on 20 October 2022. They will be exercisable from 30 June 2025.

For Matthew Jeffs and Darren Lewis, the Options will vest subject to the Company’s compound annual rate of growth in fully diluted earnings\* for the three financial years ending 30 June 2025, subject to performance criteria as follows:

- compound annual earnings growth of 10% or more – fully vested (100%);
- compound annual earnings growth between 5%-10% – partial vesting between 0% and 100% on a sliding scale; and
- compound annual earnings growth of 5% and below – nil.

Dependent on the performance criteria above being achieved, the maximum number of Options that will vest and become exercisable is as follows:

| <b><i>Director/PDMR</i></b> | <b><i>Number of Options</i></b> |
|-----------------------------|---------------------------------|
| Matthew Jeffs               | 50,000                          |
| Darren Lewis                | 20,000                          |

Any Ordinary Shares arising from the vesting of performance based Options must be held for a period of two years.

Ben Hodges has been granted 5,000 Options that are not subject to performance criteria. The 50,000 Options granted to non-PDMR employees are also not subject to performance criteria.

Following this grant, there are a total of 666,500 options outstanding, representing approximately 5.0% of the current

issued share capital of the Company.

Further detail is set out in the PDMR disclosure tables below.

\* Fully diluted earnings will be based on: (a) the Company's pre-tax profit excluding exceptional items and the share option charge and (b) the current UK corporation tax rate of 19%, such that the fully diluted earnings calculation takes no account of R&D and deferred tax credits. For the purposes of the fully diluted earnings calculation, the applied rate of corporation tax will remain constant at 19% irrespective of any current or future changes to corporation tax.

| <b>Enquiries:</b>                                                                                                 |                  |
|-------------------------------------------------------------------------------------------------------------------|------------------|
| <b>Arcontech Group plc</b>                                                                                        | 020 7256<br>2300 |
| Geoff Wicks, Chairman and Non-Executive Director                                                                  |                  |
| Matthew Jeffs, Chief Executive                                                                                    |                  |
|                                                                                                                   |                  |
| <b>finnCap Ltd (Nomad &amp; Broker)</b>                                                                           |                  |
| Carl Holmes/George Dollemore (corporate<br>finance)Harriet Ward (ECM)                                             | 020 7220<br>0500 |
|                                                                                                                   |                  |
| To access more information on the Group please<br>visit: <a href="http://www.arcontech.com">www.arcontech.com</a> |                  |
|                                                                                                                   |                  |

**Notification and public disclosure of transactions by persons discharging managerial responsibilities and persons closely associated with them**

| 1. | Details of the person discharging managerial responsibilities / person closely associated |               |
|----|-------------------------------------------------------------------------------------------|---------------|
| a) | Name                                                                                      | Matthew Jeffs |

|                     |                                                                                                                                                                                                          |                                        |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| 2.                  | <b>Reason for the Notification</b>                                                                                                                                                                       |                                        |
| a)                  | Position/status                                                                                                                                                                                          | Chief Executive                        |
| b)                  | Initial notification/Amendment                                                                                                                                                                           | Initial notification                   |
| 3.                  | <b>Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor</b>                                                                                     |                                        |
| a)                  | Name                                                                                                                                                                                                     | Arcontech Group Plc                    |
| b)                  | LEI                                                                                                                                                                                                      | 21380007PM9V79TP7523                   |
| 4.                  | <b>Details of the transaction(s): section to be repeated for (i) each type of instrument; (ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted</b> |                                        |
| a)                  | Description of the Financial instrument, type of instrument                                                                                                                                              | Options over Ordinary Shares of £0.125 |
| Identification code | ARC GB00BDBBJZ03                                                                                                                                                                                         |                                        |
| b)                  | Nature of the transactions                                                                                                                                                                               | Grant of Options over Ordinary Shares  |
| c)                  | Price(s) and volume(s)                                                                                                                                                                                   | Price(s)Volume(s)76.5p50,000           |
| d)                  | Aggregated information:<br>· Aggregated volumes<br>· Prices                                                                                                                                              | See 4(c) above                         |
| e)                  | Date of the transaction                                                                                                                                                                                  | 21 October 2022                        |
| f)                  | Place of the transaction                                                                                                                                                                                 | Off market transaction                 |
| 1.                  | <b>Details of the person discharging managerial responsibilities / person closely associated</b>                                                                                                         |                                        |
| a)                  | Name                                                                                                                                                                                                     | Darren Lewis                           |

|                     |                                                                                                                                                                                                          |                                        |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| 2.                  | <b>Reason for the Notification</b>                                                                                                                                                                       |                                        |
| a)                  | Position/status                                                                                                                                                                                          | Head of Development                    |
| b)                  | Initial notification/Amendment                                                                                                                                                                           | Initial notification                   |
| 3.                  | <b>Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor</b>                                                                                     |                                        |
| a)                  | Name                                                                                                                                                                                                     | Arcontech Group Plc                    |
| b)                  | LEI                                                                                                                                                                                                      | 21380007PM9V79TP7523                   |
| 4.                  | <b>Details of the transaction(s): section to be repeated for (i) each type of instrument; (ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted</b> |                                        |
| a)                  | Description of the Financial instrument, type of instrument                                                                                                                                              | Options over Ordinary Shares of £0.125 |
| Identification code | ARC GB00BDBBJZ03                                                                                                                                                                                         |                                        |
| b)                  | Nature of the transactions                                                                                                                                                                               | Grant of Options over Ordinary Shares  |
| c)                  | Price(s) and volume(s)                                                                                                                                                                                   | Price(s)Volume(s)76.5p20,000           |
| d)                  | Aggregated information:<br>· Aggregated volumes<br>· Prices                                                                                                                                              | See 4(c) above                         |
| e)                  | Date of the transaction                                                                                                                                                                                  | 21 October 2022                        |
| f)                  | Place of the transaction                                                                                                                                                                                 | Off market transaction                 |
| 1.                  | <b>Details of the person discharging managerial responsibilities / person closely associated</b>                                                                                                         |                                        |
| a)                  | Name                                                                                                                                                                                                     | Ben Hodges                             |

|                     |                                                                                                                                                                                                          |                                        |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| 2.                  | <b>Reason for the Notification</b>                                                                                                                                                                       |                                        |
| a)                  | Position/status                                                                                                                                                                                          | Finance Director                       |
| b)                  | Initial notification/Amendment                                                                                                                                                                           | Initial notification                   |
| 3.                  | <b>Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor</b>                                                                                     |                                        |
| a)                  | Name                                                                                                                                                                                                     | Arcontech Group Plc                    |
| b)                  | LEI                                                                                                                                                                                                      | 21380007PM9V79TP7523                   |
| 4.                  | <b>Details of the transaction(s): section to be repeated for (i) each type of instrument; (ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted</b> |                                        |
| a)                  | Description of the Financial instrument, type of instrument                                                                                                                                              | Options over Ordinary Shares of £0.125 |
| Identification code | ARC GB00BDBBJZ03                                                                                                                                                                                         |                                        |
| b)                  | Nature of the transactions                                                                                                                                                                               | Grant of Options over Ordinary Shares  |
| c)                  | Price(s) and volume(s)                                                                                                                                                                                   | Price(s)Volume(s)76.5p5,000            |
| d)                  | Aggregated information:<br>· Aggregated volumes<br>· Prices                                                                                                                                              | See 4(c) above                         |
| e)                  | Date of the transaction                                                                                                                                                                                  | 21 October 2022                        |
| f)                  | Place of the transaction                                                                                                                                                                                 | Off market transaction                 |

# **Posting of Annual Report & Notice of AGM**

[Please click here to view details](#)

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## **Report and accounts for the Year Ended 30 June 2022**

[Please click here to view details](#)

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## **Notice of Annual General Meeting 17 October 2022**

[Please click here to view details](#)

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## **Preliminary Results for the year ended 30 June 2022**

**ARCONTECH GROUP PLC**

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

## **Final Results for the year ended 30 June 2022**

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 2022.

### **Financial Highlights:**

- Turnover was £2,757,795 (2021: £2,988,842)
- Profit before tax was £758,573 (2021: £1,036,314)
- Cash balances up 11.7% to £6,026,468 as at 30 June 2022 (30 June 2021: £5,395,457)
- Fully diluted earnings per share of 4.56p (2021: 7.79p)
- Final dividend increased 18% to 3.25 pence per share (2021: 2.75 pence per share)

### **Operational Highlights:**

- Turnover and profit impacted by earlier announced contract losses
- Continued investment in sales and new product development
- Greater level of engagement from both existing customers and new prospects
- Sales team has built a strong pipeline of near and mid-term prospects
- Continued cash generation and robust balance sheet and high proportion of recurring revenue

**Commenting on the results, Geoff Wicks, Chairman and Non-Executive Director of Arcontech said:**

“Several years of inactivity at many of our clients and

prospects has created pent up demand which is demonstrated by our robust pipeline. Although conditions remain uncertain, as economies globally face well documented challenges, we are confident that we can convert some of the current interest to orders and start to build back the revenue we lost during the pandemic”.

*This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“MAR”), and is disclosed in accordance with the company’s obligations under Article 17 of MAR.*

### **Enquiries:**

|                                                  |                  |
|--------------------------------------------------|------------------|
| <b>Arcontech Group plc</b>                       | 020 7256<br>2300 |
| Geoff Wicks, Chairman and Non-Executive Director |                  |
| Matthew Jeffs, Chief Executive                   |                  |
|                                                  |                  |
| <b>finnCap Ltd (Nomad &amp; Broker)</b>          | 020 7220<br>0500 |
| Carl Holmes/Tim HarperHarriet Ward – ECM         |                  |
|                                                  |                  |

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

### **Chairman’s Statement**

The market for our products continued to experience challenges through 2021/2022. Customers generally were streamlining operations to manage costs and we have done well to maintain most of our customer base. As previously reported we lost two customers and this impacted the second half of the year and will have an impact on our results for 2022/2023 as well.

However, we have closed some new sales towards the end of last year and we are well placed to make up some of the lost revenue during the current year.

Turnover was £2,757,795 (2021: £2,988,842) down by £231,047 on last year as a result of the customer losses. Profit before taxation was £758,573 (2021: £1,036,314) reflecting the lower second half revenue. Over 90% of our revenue is recurring and average contract periods have increased over the last year so while revenue has reduced, it has increased in resilience and quality. Statutory earnings per share for the year to 30 June 2022 were 4.57p (2021: 7.88p).

Through the pandemic it was difficult to visit our customer base in the UK and internationally with many of our usual contacts working from home. Budgets were tightly controlled across the board with new projects put on hold and some consolidation taking place. While this has impacted our business we remain in good shape, with a strong balance sheet, and able to take advantage of opportunities as the market improves.

We have used this period to strengthen our sales and marketing team and have worked hard to maintain a high level of customer support. Our product line has been upgraded and work is continuing on additions to products with some early-stage work on extensions to our product range for new areas of the market.

Our recurring revenue base enables us to have confidence to continue with our strategy to grow our core business and to expand into new market areas. We have made good progress with a number of prospective customers over the year but recognise that lead times are longer than before the pandemic. In recent months we have seen signs of improvement in the market with new projects being discussed with existing customers and prospective new customers.

## Financing

Cash balances were £6,026,469 (2021: £5,395,457) at the period end, an increase of 11.7%. This strong balance sheet allows the Company to invest in both organic growth and to identify complementary acquisitions.

## Dividend

I am pleased to announce that subject to approval at the Annual General Meeting we intend to pay a dividend of 3.25p per share for the year ended 30 June 2022 (2021: 2.75 pence) an increase of 18.2%, to those shareholders on the register as at the close of business on 30 September 2022 with a dividend payment date of 24 October 2022.

## Employees

Through the difficult period of the pandemic, we have retained most of our staff and where necessary we have been able to replace leavers with candidates of a high calibre. Staff are back in the office for most of the week but we continue to operate a hybrid working environment to allow greater flexibility.

## Outlook

Several years of inactivity at many of our clients and prospects has created pent up demand which is demonstrated by our robust pipeline. Although conditions remain uncertain, as economies globally face well documented challenges, we are confident that we can convert some of the current interest to orders and start to build back the revenue we lost during the pandemic.

Geoff Wicks

Chairman and Non-Executive Director

## **Chief Executive's Review**

The 2021/22 financial year was challenging reflecting the impact Covid had on our customer landscape and we performed well to deliver revenues and profit before tax in line with market expectations.

Our pipeline is growing and prospects along with existing clients are beginning to engage. We have also managed to extend the length of contracts with some of our larger clients to multi-year terms, reflecting their confidence and satisfaction in our products and service.

The year has further seen us continue to improve and build out our software solutions to meet client needs and to differentiate us from the competition. Our tick history server, which is a development of our desktop product, is close to being ready for alpha testing as is our permissioning system. The tick history server which stores pricing data so that it can be used for other purposes, will allow us to address new markets, currently occupied by two dominant providers, whilst our permissioning system which ensures users only receive data they are licensed for allows us to replace incumbent platforms wholesale whilst targeting a wider range of prospects.

At the request of a client we have also built additional feed handlers to enable direct delivery of data by content creators, in this instance, for two of the largest inter-dealer brokers. These are currently in User Acceptance Testing at the client and add to the direct feeds we will be able to integrate to all clients. This is a good example of how closely we work with our clients and highlights the bespoke service we are able to provide.

The website and marketing materials have also been refreshed to better reflect what we do. This is a work in progress and we have more improvements planned.

We continue to grow our cash resources which enables us to

proactively look for suitable acquisitions. At the same time we are researching alternative products linked to the services we already provide to create additional paths for organic growth. We are in very early-stage discussions with several clients in this regard.

Our staff are a key asset to the Company and have continued to provide exemplary service and support to our clients. I would like to express my thanks for their continued commitment.

During the year we made changes to our sales personnel which has enabled us to focus on new markets. We are also adding to our support team to provide desktop support along with the technical support we have provided to date.

With clients returning to the office and travel restrictions largely over we are seeing encouraging signs from existing clients and prospects alike. As a result we are cautiously optimistic for the year ahead and beyond.

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 2022.

## **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      £2,757,795      (2021:      £2,988,842;      2020:  
£2,955,314)      Measurement:

Revenue from sales made to all customers (excluding intra-group sales which eliminate on consolidation)

### **Performance:**

Loss of two customers during the year impacted sales in the second half of the year

Adjusted profit      £601,566      (2021:      £959,110;      2020:  
£1,131,203)      Measurement:

Profit after tax and before release of accruals for administrative costs in respect of prior years . This is an alternative, non-IFRS performance measure, that is considered relevant as it provides a more accurate reflection of trading performance than net profit after tax. The adjusted profit is Net profit after tax less the amount of accruals for administrative costs released as disclosed in the footnote to the Income Statement

### **Performance:**

Decrease reflects the loss of two customers. However costs continued to be controlled tightly

Cash      £6,026,469      (2021:      £5,395,457;      2020:  
£5,006,969)      Measurement:

Cash and cash equivalents held at the end of the year

Performance:

The Group continues to maintain healthy cash balances subject to any exceptional circumstances or acquisition opportunities

Earnings per share (basic) 4.57p (2021: 7.88; 2020: 9.22p) Measurement:

Earnings after tax divided by the weighted average number of shares

Performance:

Decrease due to the loss of two customers during the year

Earnings per share (diluted) 4.56p (2021: 7.79p; 2020: 9.03p) Measurement:

Earnings after tax divided by the fully diluted number of shares

Performance:

Decrease due to the loss of two customers during the year

### **Strategic Report (continued)**

Non-financial KPIs:

Staff retention rate (net) 87% (2021: 93%; 2020: 91%) Measurement:

Net retention after adjusting for joiners and leavers during the year

Performance:

Staff morale from our dedicated employees remains strong,

reflected in the stable retention rate

## 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             | Nature                                                                                                                                                                    | Mitigation                                                                                                                                       |
|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
|                       |                                                                                                                                                                           |                                                                                                                                                  |
| Competition           | Loss of business due to existing competition                                                                                                                              | Ongoing investment in research and development                                                                                                   |
|                       | Or new entrants into the market                                                                                                                                           | Responding to the changing needs of clients to remain competitive                                                                                |
|                       |                                                                                                                                                                           |                                                                                                                                                  |
| Loss of key personnel | Inability to execute business plan due to the risk of losing key personnel                                                                                                | Employee share option scheme in place                                                                                                            |
|                       |                                                                                                                                                                           |                                                                                                                                                  |
| Covid-19 pandemic     | Inability to execute business plan due to staff absence.<br>Difficulty in winning new business due to potential customers being hard to engage with due to remote working | The Directors and employees returned to the office on a hybrid basis, but maintain strict health and safety protocols in order to protect staff. |

|        |                                                                                                 |                                                                                                      |
|--------|-------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
|        |                                                                                                 | At present the Company believes that there should be no significant material disruption to its work  |
|        |                                                                                                 |                                                                                                      |
| Brexit | Business made difficult due to increased regulations between the UK and Europe caused by Brexit | Arcontech is a global company and as such seeks growth across a geographically diverse customer base |

## **Relations with shareholders**

### **Section 172(1) Statement – Promotion of the Company for the benefit of the members as a whole**

The Directors believe they have acted in the way most likely to promote the success of the Group for the benefit of its members as a whole, as required by s172 of the Companies Act 2006.

The requirements of s172 are for the Directors to:

- Consider the likely consequences of any decision in the long term;
- Act fairly between the members of the Company;
- Maintain a reputation for high standards of business conduct;
- Consider the interests of the Company's employees;
- Foster the Company's relationships with suppliers, customers and others;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and

- Consider the impact of the Company's operations on the community and the environment.

## **Section 172(1) Companies Act 2006**

The Board takes decisions with the long term in mind, and collectively and individually aims to uphold the highest standards of conduct. Similarly, the Board understands that the Company can only prosper over the long term if it understands and respects the views and needs of its customers, distributors, employees, suppliers and the wider community in which it operates.

A firm understanding of investor needs is also vital to the Company's success. The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with Section 172(1) of the Companies Act 2006. The text of Section 172(1) of the Companies Act 2006 has been sent out to each main Board Director.

## **Strategic Report (continued)**

The Board ensures that the requirements are met, and the interests of stakeholders are considered as referred to elsewhere in this report and through a combination of the following:

- A rolling agenda of matters to be considered by the Board through the year, which includes an annual strategy review meeting, where the strategic options for the following year are developed;
- At each board meeting, to receive and discuss a will report on customers, employees and other colleagues, and investors;
- Standing agenda points and papers;
- A review of certain of these topics through the Audit Committee and the Remuneration Committee agenda items referred

to in this report; and

- Detailed consideration is given to of any of these factors where they are relevant to any major decisions taken by the Board during the year.

The Group's operation is the development and sale of proprietary software and provision of computer consultancy services. The Board has identified its key stakeholders as its customers, shareholders, employees and suppliers. The Board keeps itself apprised of its key stakeholders' interests through a combination of both direct and indirect engagement, and the Board has regard to these interests when discharging its duties.

The application of the s172 requirements can be demonstrated in relation to some of the key decisions made during the year to 30 June 2022:

- Allocation of the Group's capital in a way which offers significant returns to shareholders in line with the Company's dividend policy, while also ensuring that the Group retains flexibility to continue to deploy capital towards profitable growth;

- Implementing a new hybrid location working format for staff as working environments continue to evolve post Covid-19, while ensuring that the Group continued to deliver both the high level of service and security that our customers depend on without compromising the health and safety of employees.

During the year to 30 June 2022, the Board assessed its current activities between the Board and its stakeholders, which demonstrated that the Board actively engages with its stakeholders and takes their various objectives into consideration when making decisions. Specifically, actions the Board has taken to engage with its stakeholders over the last twelve months include:

- All Directors attended the 2021 AGM to answer questions and receive additional feedback from investors;
- The outcome of the AGM is published on the Company's corporate website;
- The Board receives regular updates on the views of shareholders through briefings and reports from the executive directors, and the Company's brokers;
- Arranged meetings with certain stakeholders to provide them with updates on the Company's operational activities and other general corporate updates;
- We discussed feedback from investors' and analysts' meetings following the release of our annual and half-year announcements. We have an investor relations programme of meetings with existing and potential shareholders;
- Monitored company culture and engaged with employees on efforts to continuously improve company culture and morale; and
- A range of corporate information (including all Company announcements) is also available to shareholders, investors and the public on the Company's corporate website: [www.arcontech.com](http://www.arcontech.com).

The Board believes that appropriate steps and considerations have been taken during the year so that each Director has an understanding of the various key stakeholders of the Company. The Board recognises its responsibility to contemplate all such stakeholder needs and concerns as part of its discussions, decision-making, and in the course of taking actions, and will continue to make stakeholder engagement a top priority in the coming years.

Approved on behalf of the board on 9 September 2022 by:

|                 |  |
|-----------------|--|
| Matthew Jeffs   |  |
| Chief Executive |  |

## Group Income Statement and Statement of Comprehensive Income

For the year ended 30 June 2022

|                                                    | Note |  |  | 2022        |  | 2021        |
|----------------------------------------------------|------|--|--|-------------|--|-------------|
|                                                    |      |  |  | £           |  | £           |
|                                                    |      |  |  |             |  |             |
| Revenue                                            | 3    |  |  | 2,757,795   |  | 2,988,842   |
|                                                    |      |  |  |             |  |             |
| Administrative costs                               |      |  |  | (1,999,523) |  | (1,945,481) |
|                                                    |      |  |  |             |  |             |
| <b>Operating profit</b>                            | 4    |  |  | 758,272     |  | 1,043,361   |
| Net finance income /<br>(expense)                  | 5    |  |  | 301         |  | (7,047)     |
|                                                    |      |  |  |             |  |             |
| <b>Profit before taxation</b>                      |      |  |  | 758,573     |  | 1,036,314   |
|                                                    |      |  |  |             |  |             |
| Taxation                                           | 9    |  |  | (148,007)   |  | 10,796      |
| <b>Profit for the year<br/>after tax</b>           |      |  |  | 610,566     |  | 1,047,110   |
| <b>Total comprehensive<br/>income for the year</b> |      |  |  | 610,566     |  | 1,047,110   |
| <b>Earnings per share<br/>(basic)</b>              | 10   |  |  | 4.57p       |  | 7.88p       |
| <b>Adjusted* Earnings per<br/>share (basic)</b>    | 10   |  |  | 4.50p       |  | 7.22p       |
| <b>Earnings per share<br/>(diluted)</b>            | 10   |  |  | 4.56p       |  | 7.79p       |
| <b>Adjusted* Earnings per share (diluted)</b>      | 10   |  |  | 4.49p       |  | 7.14p       |

\*Adjusted to exclude the release of accruals for

administrative costs of £9,000 (2021: £88,000) in respect of prior years. This is a non-IFRS alternative performance measure that the Board considers to be a more accurate indicator of underlying trading performance. This measure has been adopted as a KPI and is disclosed in the Strategic Report on page 4.

All of the results relate to continuing operations.

There was no Other Comprehensive Income other than Profit for the year after tax for the year under review.

The notes on pages 32 to 56 form part of these financial statements

## Statement of Changes in Equity

**For the year ended 30 June 2022**

**Group:**

|                                                | Sharecapital | Sharepremium | Share<br>option<br>reserve | Retainedearnings | Totalequity |
|------------------------------------------------|--------------|--------------|----------------------------|------------------|-------------|
|                                                | £            | £            | £                          | £                | £           |
| <b>Balance at 30 June 2020</b>                 | 1,651,314    | 56,381       | 188,639                    | 3,806,514        | 5,702,848   |
| Profit for the year                            | –            | –            | –                          | 1,047,110        | 1,047,110   |
| <b>Total comprehensive income for the year</b> | –            | –            | –                          | 1,047,110        | 1,047,110   |
|                                                |              |              |                            |                  |             |
| Dividend paid                                  | –            | –            | –                          | (333,594)        | (333,594)   |
|                                                |              |              |                            |                  |             |
| Exercise of options                            | 14,663       | 35,979       | –                          | –                | 50,642      |

|                                                |                  |                |                |                  |                  |
|------------------------------------------------|------------------|----------------|----------------|------------------|------------------|
| Share-based payments                           | –                | –              | 115,866        | –                | 115,866          |
|                                                |                  |                |                |                  |                  |
| Transfer between reserves                      | –                | –              | (33,298)       | 33,298           | –                |
| <b>Balance at 30 June 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 year                            | –                | –              | –              | 610,566          | 610,566          |
| <b>Total comprehensive income for the year</b> | <b>–</b>         | <b>–</b>       | <b>–</b>       | <b>610,566</b>   | <b>610,566</b>   |
|                                                |                  |                |                |                  |                  |
| Dividend paid                                  | –                | –              | –              | (367,752)        | (367,752)        |
|                                                |                  |                |                |                  |                  |
| Exercise of options                            | 5,624            | 23,401         | –              | –                | 29,025           |
|                                                |                  |                |                |                  |                  |
| Share-based payments                           | –                | –              | 116,612        | –                | 116,612          |
|                                                |                  |                |                |                  |                  |
| Transfer between reserves                      | –                | –              | (116,994)      | 116,994          | –                |
| <b>Balance 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> |

### Company:

|                                | Share capital    | Share premium | Share option reserve | Retained earnings | Total equity     |
|--------------------------------|------------------|---------------|----------------------|-------------------|------------------|
|                                | £                | £             | £                    | £                 | £                |
| <b>Balance at 30 June 2020</b> | <b>1,651,314</b> | <b>56,381</b> | <b>188,639</b>       | <b>4,450,302</b>  | <b>6,346,636</b> |
|                                |                  |               |                      |                   |                  |

|                                                 |           |         |           |           |           |
|-------------------------------------------------|-----------|---------|-----------|-----------|-----------|
| Profit for the year                             | –         | –       | –         | 181,744   | 181,744   |
| <b>Total comprehensive expense for the year</b> | –         | –       | –         | 181,744   | 181,744   |
|                                                 |           |         |           |           |           |
| Dividend paid                                   | –         | –       | –         | (333,594) | (333,594) |
|                                                 |           |         |           |           |           |
| Exercise of options                             | 14,663    | 35,979  | –         | –         | 50,642    |
| Share-based payments                            | –         | –       | 115,866   | –         | 115,866   |
| Transfer between reserves                       | –         | –       | (33,298)  | 33,298    | –         |
| <b>Balance at 30 June 2021</b>                  | 1,665,977 | 92,360  | 271,207   | 4,331,751 | 6,361,295 |
|                                                 |           |         |           |           |           |
| Profit for the year                             | –         | –       | –         | 273,286   | 273,286   |
| <b>Total comprehensive income for the year</b>  | –         | –       | –         | 273,286   | 273,286   |
|                                                 |           |         |           |           |           |
| Dividend paid                                   | –         | –       | –         | (367,752) | (367,752) |
|                                                 |           |         |           |           |           |
| Exercise of options                             | 5,624     | 23,401  | –         | –         | 29,025    |
|                                                 |           |         |           |           |           |
| Share-based payments                            | –         | –       | 116,612   | –         | 116,612   |
|                                                 |           |         |           |           |           |
| Transfer between reserves                       | –         | –       | (116,994) | 116,994   | –         |
| <b>Balance as at 30 June 2022</b>               | 1,671,601 | 115,761 | 270,825   | 4,354,279 | 6,412,466 |

The notes on pages 32 to 56 form part of these financial

statements.

## Statements of Financial Position

Registered number: 04062416

As at 30 June 2022

|                               |      | Group<br>2022<br>£ |  | Group<br>2021£ |  | Company<br>2022<br>£ |  | Company<br>2021£ |
|-------------------------------|------|--------------------|--|----------------|--|----------------------|--|------------------|
|                               | Note |                    |  |                |  |                      |  |                  |
| <b>Non-current assets</b>     |      |                    |  |                |  |                      |  |                  |
|                               |      |                    |  |                |  |                      |  |                  |
| Goodwill                      | 11   | 1,715,153          |  | 1,715,153      |  | –                    |  | –                |
| Property, plant and equipment | 12   | 6,545              |  | 11,147         |  | –                    |  | –                |
| Right of use asset            | 17   | 219,455            |  | 365,758        |  | –                    |  | –                |
| Investments in subsidiaries   | 13   | –                  |  | –              |  | 2,017,471            |  | 2,017,471        |
| Deferred tax asset            | 18   | 318,000            |  | 471,000        |  | 56,000               |  | 55,000           |
| Trade and other receivables   | 14   | 141,750            |  | 141,750        |  | –                    |  | –                |
|                               |      |                    |  |                |  |                      |  |                  |
| Total non-current assets      |      | 2,400,903          |  | 2,704,809      |  | 2,073,471            |  | 2,072,471        |
|                               |      |                    |  |                |  |                      |  |                  |
| <b>Current assets</b>         |      |                    |  |                |  |                      |  |                  |
|                               |      |                    |  |                |  |                      |  |                  |
| Trade and other receivables   | 14   | 348,686            |  | 470,317        |  | 3,322,737            |  | 3,263,467        |
| Cash and cash equivalents     | 15   | 6,026,468          |  | 5,395,457      |  | 1,074,294            |  | 1,077,741        |
|                               |      |                    |  |                |  |                      |  |                  |

|                                |    |             |  |             |  |           |  |           |
|--------------------------------|----|-------------|--|-------------|--|-----------|--|-----------|
| Total current assets           |    | 6,375,154   |  | 5,865,774   |  | 4,397,031 |  | 4,341,208 |
|                                |    |             |  |             |  |           |  |           |
| <b>Current liabilities</b>     |    |             |  |             |  |           |  |           |
|                                |    |             |  |             |  |           |  |           |
| Trade and other payables       | 16 | (1,608,880) |  | (1,643,407) |  | (58,036)  |  | (52,384)  |
| Lease liabilities              | 17 | (148,450)   |  | (148,450)   |  | –         |  | –         |
|                                |    |             |  |             |  |           |  |           |
| Total current liabilities      |    | (1,757,330) |  | (1,791,857) |  | (58,036)  |  | (52,384)  |
|                                |    |             |  |             |  |           |  |           |
| <b>Non-current liabilities</b> |    |             |  |             |  |           |  |           |
|                                |    |             |  |             |  |           |  |           |
| Lease liabilities              | 17 | (47,403)    |  | (195,853)   |  | –         |  | –         |
|                                |    |             |  |             |  |           |  |           |
| Total Non-current liabilities  |    | (47,403)    |  | (195,853)   |  | –         |  | –         |
|                                |    |             |  |             |  |           |  |           |
| <b>Net current assets</b>      |    | 4,617,824   |  | 4,073,917   |  | 4,338,995 |  | 4,288,824 |
| <b>Net assets</b>              |    | 6,971,324   |  | 6,582,873   |  | 6,412,466 |  | 6,361,295 |
|                                |    |             |  |             |  |           |  |           |
| <b>Equity</b>                  |    |             |  |             |  |           |  |           |
|                                |    |             |  |             |  |           |  |           |
| Called up share capital        | 19 | 1,671,601   |  | 1,665,977   |  | 1,671,601 |  | 1,665,977 |
| Share premium account          | 20 | 115,761     |  | 92,360      |  | 115,760   |  | 92,360    |
| Share option reserve           | 20 | 270,825     |  | 271,207     |  | 270,825   |  | 271,207   |

|                   |    |           |  |           |  |           |  |           |
|-------------------|----|-----------|--|-----------|--|-----------|--|-----------|
| Retained earnings | 20 | 4,913,137 |  | 4,553,329 |  | 4,354,279 |  | 4,331,751 |
|                   |    | 6,971,324 |  | 6,582,873 |  | 6,412,466 |  | 6,361,295 |

As permitted by s408 of the Companies Act 2006, the Company has not presented its own income statement. The parent Company profit for the year was £273,286 (2021: £181,744).

Approved on behalf of the board on 9 September by:

|                 |  |
|-----------------|--|
| Matthew Jeffs   |  |
| Chief Executive |  |

The notes on pages 32 to 56 form part of these financial statements.

## Group Statement of Cash Flows

For the year ended 30 June 2022

|                                                     | Note | 2022             |  | 2021           |  |
|-----------------------------------------------------|------|------------------|--|----------------|--|
|                                                     |      | £                |  | £              |  |
|                                                     |      |                  |  |                |  |
| <b>Cash generated from operations</b>               | 21   | <b>1,109,608</b> |  | <b>809,559</b> |  |
|                                                     |      |                  |  |                |  |
| Tax paid                                            |      | (2,642)          |  | (8,204)        |  |
|                                                     |      |                  |  |                |  |
| <b>Net cash generated from operating activities</b> |      | <b>1,106,966</b> |  | <b>801,355</b> |  |
| <b>Investing activities</b>                         |      |                  |  |                |  |
|                                                     |      |                  |  |                |  |
| Interest received                                   |      | 13,911           |  | 13,260         |  |
|                                                     |      |                  |  |                |  |
| Purchases of plant and equipment                    |      | (2,688)          |  | (1,482)        |  |
|                                                     |      |                  |  |                |  |

|                                                     |           |                  |  |                  |  |
|-----------------------------------------------------|-----------|------------------|--|------------------|--|
| <b>Net cash generated from investing activities</b> |           | <b>11,223</b>    |  | <b>11,778</b>    |  |
|                                                     |           |                  |  |                  |  |
| <b>Financing activities</b>                         |           |                  |  |                  |  |
|                                                     |           |                  |  |                  |  |
| Proceeds from the issue of shares                   |           | 29,025           |  | 50,642           |  |
|                                                     |           |                  |  |                  |  |
| Dividend paid                                       |           | (367,752)        |  | (333,594)        |  |
|                                                     |           |                  |  |                  |  |
| Payment of lease liabilities                        |           | (148,450)        |  | (141,693)        |  |
|                                                     |           |                  |  |                  |  |
| <b>Net cash used in financing activities</b>        |           | <b>(487,177)</b> |  | <b>(424,645)</b> |  |
| <b>Net increase in cash and cash equivalents</b>    |           | <b>631,012</b>   |  | <b>388,488</b>   |  |
|                                                     |           |                  |  |                  |  |
| Cash and cash equivalents at beginning of year      |           | 5,395,457        |  | 5,006,969        |  |
| <b>Cash and cash equivalents at end of year</b>     | <b>15</b> | <b>6,026,469</b> |  | <b>5,395,457</b> |  |

For the year to 30 June 2022, the Group had no debt, and there were no material non-cash transactions.

The notes on pages 32 to 56 form part of these financial statements.

## Company Statement of Cash Flows

For the year ended 30 June 2022

|  | <b>Note</b> | <b>2022</b> |  | <b>2021</b> |  |
|--|-------------|-------------|--|-------------|--|
|  |             | <b>£</b>    |  | <b>£</b>    |  |

|                                                     |    |                  |  |                  |  |
|-----------------------------------------------------|----|------------------|--|------------------|--|
| <b>Net cash generated by operating activities</b>   | 21 | <b>330,075</b>   |  | <b>210,920</b>   |  |
|                                                     |    |                  |  |                  |  |
| Tax paid                                            |    | (1,221)          |  | (3,319)          |  |
|                                                     |    |                  |  |                  |  |
| <b>Net cash generated from operating activities</b> |    | <b>328,854</b>   |  | <b>207,601</b>   |  |
| <b>Investing activities</b>                         |    |                  |  |                  |  |
|                                                     |    |                  |  |                  |  |
| Interest received                                   |    | 6,426            |  | 6,392            |  |
|                                                     |    |                  |  |                  |  |
| <b>Net cash generated from investing activities</b> |    | <b>6,426</b>     |  | <b>6,392</b>     |  |
|                                                     |    |                  |  |                  |  |
| <b>Financing activities</b>                         |    |                  |  |                  |  |
|                                                     |    |                  |  |                  |  |
| Proceeds from the issue of shares                   |    | 29,025           |  | 50,642           |  |
| Dividend paid                                       |    | (367,752)        |  | (333,594)        |  |
|                                                     |    |                  |  |                  |  |
| <b>Net cash used in financing activities</b>        |    | <b>(338,727)</b> |  | <b>(282,952)</b> |  |
| <b>Net decrease in cash and cash equivalents</b>    |    | <b>(3,447)</b>   |  | <b>(68,959)</b>  |  |
|                                                     |    |                  |  |                  |  |
| Cash and cash equivalents at beginning of year      |    | 1,077,741        |  | 1,146,700        |  |
| <b>Cash and cash equivalents at end of year</b>     | 15 | <b>1,074,294</b> |  | <b>1,077,741</b> |  |

The notes on pages 32 to 56 form part of these financial statements.

# **Notes to the Financial Statements**

**For the year ended 30 June 2022**

## **1. Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the period covered by these financial statements except where changes have been noted below.

### **Reporting entity**

Arcontech Group plc ("the Company") is a company incorporated in England and Wales with a registered address at 1<sup>st</sup> floor, 11-21 Paul Street, London, EC2A 4JU. The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (together referred to as "the Group").

### **Principal Activity**

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.

### **Basis of preparation**

These financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006.

On the basis of current projections, confidence of future profitability and cash balances held, the Directors have adopted the going concern basis in the preparation of the financial statements.

The financial statements have been prepared under the historical cost convention. As at 30 June 2022 all assets and liabilities are recorded at amortised cost, and there were no

assets or liabilities recorded at fair value.

### **Going Concern**

On the basis of current projections and having regard to the Group's existing cash reserves, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion the Directors have projected cash flow out twelve months from the date of signing this report. Revenue projection has been based on recurring revenue streams from existing customers and a forecast for new revenue from additional sales that the Directors feel is achievable, and in line with average new business generation pre-Covid-19. The Group has a highly stable cost base which has been reviewed to incorporate the impact of additional costs for revenue generation activities such as industry trade shows. The Directors have stress tested the cash flow projections assuming no new revenue generation and an increase in costs of up to 15%, given the current inflationary environment. Under this scenario given expected cash generation from operations and existing cash balances, the Group will have sufficient resources to continue trading for well in excess of the next twelve months. Accordingly, the Directors have adopted the going concern basis in the preparation of the financial statements.

### **Changes in accounting policies and disclosures**

#### *a) New and amended Standards and Interpretations adopted by the Group and Company*

The International Accounting Standards Board (IASB) issued various amendments and revisions to International Financial Reporting Standards and IFRIC interpretations. The amendments and revisions were applicable for the period year 30 June 2022 but did not result in any material changes to the financial statements of the Group.

*b) New and amended Standards and Interpretations issued but not effective for the financial year beginning 1 July 2022*

| <b>Standard</b>      | <b>Impact on initial application</b>                                | <b>Effective date</b> |
|----------------------|---------------------------------------------------------------------|-----------------------|
| IAS 1 (Amendments)   | Classification of Liabilities as Current or Non-Current             | TBC                   |
| IAS 1 (Amendments)   | Disclosure of Accounting Policies                                   | TBC                   |
| IAS 1 (Amendments)   | Definition of Accounting Estimates                                  | TBC                   |
| IFRS 17 (Amendments) | Initial Application of IFRS 17 and IFRS 9 – Comparative Information | TBC                   |

The new and amended Standards and Interpretations which are in issue but not yet mandatorily effective is not expected to be material.

## **Notes to the Financial Statements**

**For the year ended 30 June 2022 (continued)**

### **1. Accounting policies (continued)**

#### **Basis of consolidation**

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared to 30 June 2022. Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give

it the current ability to direct the relevant activities of the investee).

- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. The acquisition method is used to account for the acquisition of subsidiaries.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### **Business combinations and goodwill**

On acquisition, the assets and liabilities and contingent liabilities of subsidiaries are measured at their f

air value at the date of acquisition. Any excess of cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. Goodwill arising on consolidation is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

## **Revenue recognition**

Revenue is recognised in accordance with the transfer of promised services to customers (i.e. when the customer gains control of the service) and is measured as the consideration which the group expects to be entitled to in exchange for those services. Consideration is typically fixed on the agreement of a contract except for quarterly flexible license contracts. Payment terms are agreed on a contract by contract basis.

A service is distinct if the customer can benefit from the service on its own or together with other resources that are readily available to the customer and the entity's promise to transfer the service to the customer is separately identifiable from other promises in the contract.

Contracts with customers do not contain a financing component.

Under IFRS 15, revenue earned from contracts with customers is recognised based on a five-step model which requires the transaction price for each identified contract to be apportioned to separate performance obligations arising under the contract and recognised either when the performance obligation in the contract has been performed (point in time

recognition) or over time as control of the performance obligation is transferred to the customer.

## **Notes to the Financial Statements**

**For the year ended 30 June 2022 (continued)**

### **1. Accounting policies (continued)**

#### **Revenue recognition (continued)**

The group recognises revenue when it satisfies a performance obligation by transferring a promised service to the customer as follows:

- Revenue from recurring license fees and other license fees is recognised on an over time basis via a straight line across the period the services are provided. In reaching this conclusion the group has assessed that ongoing contractual obligations are not separately identifiable from other promises in the contract and are not distinct from the licence, and hence are accounted for as a single performance obligation. As the license is not distinct the combined performance obligation is recognised over time.

In assessing whether a licence is distinct the Group considered the continuing requirement to:-

- optimise functionality;
- optimise performance; and
- provide enhancements to ensure user regulatory compliance.

- Revenue from flexible license contracts that include variable consideration are quarterly contracts assessed at the end of each calendar quarter and revenue is recognised based on actual usage confirmed for that quarter at the point of customer acceptance,

- Revenue from project work is recognised on satisfactory completion of each project, as this is considered to be the point in time the customer gains control over the results of the project work.

## **Taxation**

The tax charge/(credit) represents the sum of the tax payable/(receivable) and any deferred tax.

Research and development tax credits are recognised when received.

The tax payable/(receivable) is based on the taxable result for the year. The taxable result differs from the net result as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally

recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in

a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

## **Notes to the Financial Statements**

**For the year ended 30 June 2022 (continued)**

### **1. Accounting policies (continued)**

#### **Share-based payments**

The cost of share-based employee compensation arrangements, whereby employees receive

remuneration in the form of shares or share options, is recognised as an employee benefit expense in the income statement.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non market-

based vesting conditions) at the date of grant. Fair value is measured by the use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of the non-transferability, exercise restrictions and behavioural considerations. A cancellation of a share award by the Group or an employee is treated consistently, resulting in an acceleration of the remaining charge within the consolidated income statement in the year of cancellation.

### **Impairment of tangible and intangible assets**

The carrying amounts of the Group's and Company's tangible and intangible assets are reviewed at each year end date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Expenses incurred on Research & Development are currently expensed through the income statement as the expenditure is incurred on the maintenance and enhancement of existing products. The applicability of this treatment is reviewed regularly by the Company.

For goodwill, the recoverable amount is estimated at each year end date, based on value in use. The recoverable amount of other assets is the greater of their net selling price and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount

rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, on the following bases:

|                                |                                         |
|--------------------------------|-----------------------------------------|
| Leasehold property             | – over the period of the lease          |
| Computer equipment             | – 33% – 40% on cost                     |
| Office furniture and equipment | – 20% – 25% on cost or reducing balance |

### **Investments in subsidiaries**

Investments in subsidiaries are stated at cost less any provis

ion for impairment.

## **Notes to the Financial Statements**

**For the year ended 30 June 2022 (continued)**

### **1. Accounting policies (continued)**

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

##### *Financial assets*

The Group does not hold any investments other than investments in subsidiaries.

Trade receivables are held in order to collect the contractual cash flows and are initially measured at the transaction price as defined in IFRS 15, as the contracts of the Group do not contain significant financing components. Impairment losses are recognised based on lifetime expected credit losses in profit or loss.

Other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost and are subsequently measured at cost less impairment due to their short-term nature. A provision for impairment is established based on 12-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in the income statement.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three

months or less.

### *Financial liabilities and equity*

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

### *Effective interest rate method*

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### (a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI. For investments

in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). See Note 16 for further details.

## **Notes to the Financial Statements**

**For the year ended 30 June 2022 (continued)**

### **1. Accounting policies (continued)**

#### **Financial instruments (continued)**

##### **(b) Recognition**

Purchases and sales of financial assets are recognised on trade date (that is, the date on which the Group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

##### **(c) Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

#### **Debt instruments**

Amortised cost; Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate

method.

Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

#### (d) Impairment

The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### **Leases**

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;

- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

## **Notes to the Financial Statements**

### **For the year ended 30 June 2022 (continued)**

#### **1. Accounting policies (continued)**

##### **Leases (continued)**

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period.

Right-of-use assets are measured at cost which comprises the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and

- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases (term less than 12 months) and all leases of low-value assets (generally less than £4k) are recognised on a straight-line basis as an expense in profit or loss.

## **Provisions**

Provisions are recognised when the Group has a present obligation, legal or constructive, resulting from past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

## **Research and development**

Research costs are charged to the income statement in the year incurred. Development expenditure is capitalised to the extent that it meets all of the criteria required by IAS 38, otherwise it is charged to the income statement in the year incurred. In order for development expenditure to meet the capitalisation criteria of IAS 38, it must be both technically feasible to complete the work, and there must be the intention to either use or sell the asset created.

## **Pension costs and other post-retirement benefits**

The Group makes payments to occupational and employees' personal pension schemes. Contributions payable for the year are charged in the income statement.

## **Foreign currencies**

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Where consideration is received in advance of revenue being recognised the date of the transaction reflects the date the consideration is received. Foreign currency monetary assets and liabilities are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange gains or losses are included in operating profit.

## **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker as required by IFRS 8 "Operating Segments". The chief operating decision-maker responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors. The accounting policies of the reportable segments are consistent with the accounting policies of the group as a whole. Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of foreign exchange gains or losses, investment income, interest payable and tax. This is the measure of profit that is reported to the Board of Directors for the purpose of resource allocation and the assessment of segment performance. When assessing segment performance and considering the allocation of resources, the Board of Directors review information about segment assets and liabilities. For this purpose, all assets and liabilities are allocated to reportable segments with the exception of cash and cash equivalents and current and deferred tax assets and liabilities.

## **Notes to the Financial Statements**

**For the year ended 30 June 2022 (continued)**

### **2. Critical accounting judgments and key sources of**

## **estimation uncertainty**

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## **Judgements**

Determination of performance obligations and satisfaction thereof

For the purposes of recognising revenue, the Directors are required to identify distinct services in contracts and allocate the transaction price to the performance obligations. Details of determining performance obligations, passing of control and amounts recognised as costs incurred to obtain or fulfil a contract are given in Note 1 – Revenue recognition. There has been no change in the Group's business model from the previous year and the Directors are satisfied that the revenue recognition policy remains correct for the year under review.

Capitalisation of development costs

As described in Note 1, the Group capitalises development costs when certain criteria are met including the probability of relevant future economic benefits. The key variable in making judgement of the correct treatment of development costs is new product development versus modification and maintenance

of existing products. The development work undertaken has been to existing products, and having assessed the likelihood of future economic benefit, the Directors have judged it appropriate to not capitalise any development costs (2021 – £Nil).

## **Estimates**

### **Impairment of non-current assets**

Determining whether non-current assets are impaired requires an estimation of the value in use of the cash generating units to which non-current assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The key variables used in cash flow projections are: a timeline of fourteen years (the “time period”); the forecast for the next year which is used as the base for future years; revenue and cost projections for the time period using the average rate of increase / (decrease) achieved over the preceding ten years, No provision for impairment was made in the year to the carrying value of goodwill (see *note 11*) or investments in subsidiaries (see *note 13*).

### **Recognition of deferred tax assets**

As described in Note 1, the Group recognises deferred tax assets arising from unused tax losses when certain criteria are met including the probability that future relevant taxable profits will be available. The directors have assessed the likelihood of future taxable profits being available and have judged it appropriate to recognise deferred tax assets for unused losses. The key variables used in the calculation of deferred tax assets are: a timeline of three years out from reporting date; revenue and cost projections on the same basis

as used in the assessment of impairment of goodwill; a cost of capital of 8.44%. At the year-end a deferred tax asset of £318,000 (2021 – £471,000) was recognised.

#### Share based payment transactions

The Company has made awards of options and over its unissued share capital to certain Directors and employees as part of their remuneration package.

The valuation of these options involves making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and forfeiture rates. These assumptions have been described in more detail in Note 19.

### Notes to the Financial Statements

#### For the year ended 30 June 2022 (continued)

#### 3. Revenue

An analysis of the Group's revenue is as follows:

|                                                     |  | 2022<br>£ |  | 2021<br>£ |  |
|-----------------------------------------------------|--|-----------|--|-----------|--|
|                                                     |  |           |  |           |  |
| Software development, licence fees and project work |  | 2,757,795 |  | 2,988,842 |  |

All of the Group's revenue relates to continuing activities.

#### 4. Operating profit for the year is stated after charging/(crediting):

|                                                   |  | 2022<br>£ |  | 2021<br>£ |  |
|---------------------------------------------------|--|-----------|--|-----------|--|
| Depreciation of plant and equipment (see note 12) |  | 7,291     |  | 9,651     |  |

|                                                                        |  |           |  |           |
|------------------------------------------------------------------------|--|-----------|--|-----------|
| Depreciation of leased assets (see note 17)                            |  | 146,303   |  | 146,303   |
| Interest on leased assets (see note 17)                                |  | 13,550    |  | 20,307    |
| Staff costs (see note 8)                                               |  | 1,491,348 |  | 1,491,063 |
| Research and development                                               |  | 409,618   |  | 506,893   |
| Release of accruals for administrative costs in respect of prior years |  | (9,000)   |  | (88,000)  |

## 5. Finance income and Finance costs:

|                                       | 2022<br>£ | 2021<br>£ |
|---------------------------------------|-----------|-----------|
| <b>Finance income</b>                 |           |           |
| Income on cash and cash equivalents   | 13,911    | 13,260    |
|                                       |           |           |
| <b>Finance costs</b>                  |           |           |
| Lease interest expense                | (13,550)  | (20,307)  |
| Other interest expense                | (60)      | –         |
| <b>Net finance income / (expense)</b> | 301       | (7,047)   |

## 6. Auditor's remuneration:

|                                                                                  | 2022<br>£ | 2021<br>£ |
|----------------------------------------------------------------------------------|-----------|-----------|
| Fees payable to the Group's auditor for the audit of the Group's annual accounts | 31,500    | 29,750    |
| Fees payable to the Group's auditor for other services:                          |           |           |
| – audit of the Company's subsidiaries                                            | 7,000     | 6,000     |
|                                                                                  | 38,500    | 35,750    |

## Notes to the Financial Statements

For the year ended 30 June 2022 (continued)

## 7. 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.

|                                                                          |  | 2022      |  | 2021      |  |
|--------------------------------------------------------------------------|--|-----------|--|-----------|--|
|                                                                          |  | £         |  | £         |  |
| <b>Revenue by segment</b>                                                |  |           |  |           |  |
|                                                                          |  |           |  |           |  |
| Software development and licence fees                                    |  | 2,757,795 |  | 2,988,842 |  |
| External segment revenue                                                 |  | 2,757,795 |  | 2,988,842 |  |
|                                                                          |  |           |  |           |  |
| <b>Operating profit by segment</b>                                       |  |           |  |           |  |
|                                                                          |  |           |  |           |  |
| Software development and licence fees                                    |  | 1,193,637 |  | 1,468,132 |  |
|                                                                          |  |           |  |           |  |
| Unallocated overheads                                                    |  | (448,975) |  | (445,078) |  |
| <b>Total operating profit</b>                                            |  | 744,662   |  | 1,023,054 |  |
|                                                                          |  |           |  |           |  |
| Finance income                                                           |  | 13,911    |  | 13,260    |  |
| <b>Total profit before tax as reported in the Group income statement</b> |  | 758,573   |  | 1,036,314 |  |
|                                                                          |  |           |  |           |  |
|                                                                          |  | 2022      |  | 2021      |  |

|                                          |  |                  |  |                  |  |
|------------------------------------------|--|------------------|--|------------------|--|
|                                          |  | <b>£</b>         |  | <b>£</b>         |  |
| <b>Segment total of assets</b>           |  |                  |  |                  |  |
| Software development and<br>licence fees |  | 7,541,527        |  | 7,337,340        |  |
|                                          |  |                  |  |                  |  |
| Unallocated assets                       |  | 4,545,031        |  | 4,492,208        |  |
|                                          |  | 12,086,558       |  | 11,829,548       |  |
|                                          |  |                  |  |                  |  |
| Less intercompany debtors                |  | (3,310,501)      |  | (3,258,968)      |  |
| <b>Total assets</b>                      |  | <b>8,776,057</b> |  | <b>8,570,580</b> |  |
|                                          |  | <b>2022</b>      |  | <b>2021</b>      |  |
|                                          |  | <b>£</b>         |  | <b>£</b>         |  |
| <b>Segment total of liabilities</b>      |  |                  |  |                  |  |
|                                          |  |                  |  |                  |  |
| Software development and<br>licence fees |  | 5,056,787        |  | 5,193,528        |  |
|                                          |  |                  |  |                  |  |
| Unallocated liabilities                  |  | 58,447           |  | 53,150           |  |
|                                          |  | 5,115,234        |  | 5,246,678        |  |
|                                          |  |                  |  |                  |  |
| Less intercompany creditors              |  | (3,310,501)      |  | (3,258,968)      |  |
| <b>Total liabilities</b>                 |  | <b>1,804,733</b> |  | <b>1,987,710</b> |  |

## Notes to the Financial Statements

For the year ended 30 June 2022 (continued)

### 7. Operating segments (continued):

|                                                                         |  |             |  |             |  |
|-------------------------------------------------------------------------|--|-------------|--|-------------|--|
|                                                                         |  | <b>2022</b> |  | <b>2021</b> |  |
|                                                                         |  | <b>£</b>    |  | <b>£</b>    |  |
| <b>Additions of property, plant and equipment<br/>assets by segment</b> |  |             |  |             |  |

|                                                                                                 |  |             |  |             |  |
|-------------------------------------------------------------------------------------------------|--|-------------|--|-------------|--|
|                                                                                                 |  |             |  |             |  |
| Software development and licence fees                                                           |  | 2,688       |  | 1,482       |  |
| <b>Total additions</b>                                                                          |  | 2,688       |  | 1,482       |  |
|                                                                                                 |  |             |  |             |  |
|                                                                                                 |  | <b>2022</b> |  | <b>2021</b> |  |
|                                                                                                 |  | <b>£</b>    |  | <b>£</b>    |  |
| <b>Depreciation of property, plant and equipment assets recognised in the period by segment</b> |  |             |  |             |  |
| Software development and licence fees                                                           |  | 7,291       |  | 9,651       |  |
| <b>Total depreciation</b>                                                                       |  | 7,291       |  | 9,651       |  |
| <b>Non-current assets by country</b>                                                            |  | <b>2022</b> |  | <b>2021</b> |  |
|                                                                                                 |  | <b>£</b>    |  | <b>£</b>    |  |
| UK                                                                                              |  | 2,400,903   |  | 2,704,809   |  |
| Total non-current assets                                                                        |  | 2,400,903   |  | 2,704,809   |  |
| <b>Geographical information – External revenue</b>                                              |  | <b>2022</b> |  | <b>2021</b> |  |
|                                                                                                 |  | <b>£</b>    |  | <b>£</b>    |  |
| UK                                                                                              |  | 2,013,140   |  | 2,065,903   |  |
| Europe (excluding UK)                                                                           |  | 581,981     |  | 771,541     |  |
| Africa                                                                                          |  | 40,000      |  | 42,500      |  |
| North America                                                                                   |  | 89,447      |  | 83,637      |  |
| Australia                                                                                       |  | 12,603      |  | 11,838      |  |
| Asia Pacific                                                                                    |  | 20,624      |  | 13,423      |  |
|                                                                                                 |  | 2,757,795   |  | 2,988,842   |  |

During the year there were 4 customers (2021: 3) who accounted for more than 10% of the Group's revenues as follows:

|  |             |  |             |  |
|--|-------------|--|-------------|--|
|  | <b>2022</b> |  | <b>2021</b> |  |
|--|-------------|--|-------------|--|

|            | Value of sales<br>£ | % of Total |  | Value of sales£ | % of Total |  |
|------------|---------------------|------------|--|-----------------|------------|--|
| Customer 1 | 716,386             | 28%        |  | 668,122         | 22%        |  |
| Customer 2 | 520,990             | 21%        |  | 522,149         | 17%        |  |
| Customer 3 | 353,975             | 14%        |  | 375,168         | 13%        |  |
| Customer 4 | 241,556             | 10%        |  | —               | —          |  |
|            | 1,832,907           | 73%        |  | 1,565,439       | 52%        |  |

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

## Notes to the Financial Statements

For the year ended 30 June 2022 (continued)

### 8. Staff costs:

|                                                                      | 2022£     | 2021£     |    |
|----------------------------------------------------------------------|-----------|-----------|----|
| <b>a) Aggregate staff costs, including Directors' remuneration</b>   |           |           |    |
| Wages and salaries                                                   | 1,197,220 | 1,206,748 |    |
| Social security costs                                                | 153,261   | 144,131   |    |
| Pension contributions                                                | 24,255    | 24,318    |    |
| Share-based payments                                                 | 116,612   | 115,866   |    |
|                                                                      | 1,491,348 | 1,491,063 |    |
| <b>b) The average number of employees (including Directors) was:</b> |           |           |    |
| Sales and administration                                             |           | 7         | 6  |
| Development and support                                              |           | 7         | 11 |
|                                                                      |           | 14        | 17 |
|                                                                      | £         | £         |    |
| <b>c) Directors' emoluments</b>                                      |           |           |    |

|                              |         |         |
|------------------------------|---------|---------|
| Short-term employee benefits | 231,714 | 232,352 |
| Pension contributions        | 5,250   | 5,250   |
| Share-based payments         | 57,200  | 63,030  |
|                              | 294,164 | 300,632 |
| Social security costs        | 30,843  | 49,351  |
| Total Director compensation  | 325,007 | 349,983 |

Directors' emoluments represent the staff costs of the parent company.

The average number of employees of the parent company is 3 (2021: 3)

The highest paid Director received remuneration of £183,464 (2021: £186,178).

The number of Directors that are members of a defined contribution pension scheme is 1 (2021: 1). Pension contributions paid to a defined contribution scheme in respect of the highest paid Director amounted to £5,250 (2021: £5,250).

## Notes to the Financial Statements

**For the year ended 30 June 2022 (continued)**

### 9. Taxation

|                                        | 2022      | 2021     |
|----------------------------------------|-----------|----------|
|                                        | £         | £        |
| Current tax                            | 4,993     | (8,204)  |
| Deferred tax                           | (153,000) | 19,000   |
| Total tax charge (credit) for the year | 148,007   | (10,796) |

The difference between the total tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

|                                                                                                                |  | <b>2022£</b> |  | <b>2021£</b> |  |
|----------------------------------------------------------------------------------------------------------------|--|--------------|--|--------------|--|
| Profit on ordinary activities before tax                                                                       |  | 758,573      |  | 1,036,314    |  |
|                                                                                                                |  |              |  |              |  |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19 % (2021: 19%) |  | 144,128      |  | 196,900      |  |
|                                                                                                                |  |              |  |              |  |
| Effects of:                                                                                                    |  |              |  |              |  |
|                                                                                                                |  |              |  |              |  |
| Disallowed expenses                                                                                            |  | 288          |  | 97           |  |
|                                                                                                                |  |              |  |              |  |
| Temporary differences on deferred tax                                                                          |  | 796          |  | 1,457        |  |
|                                                                                                                |  |              |  |              |  |
| Income taxes paid                                                                                              |  | –            |  | 8,204        |  |
|                                                                                                                |  |              |  |              |  |
| Research and development tax credits                                                                           |  | (4,993)      |  | –            |  |
|                                                                                                                |  |              |  |              |  |
| Deferred tax asset movement                                                                                    |  | 153,000      |  | (19,000)     |  |
|                                                                                                                |  |              |  |              |  |
| Brought forward losses utilised                                                                                |  | (145,212)    |  | (198,454)    |  |
| Total tax / (credit) for the year                                                                              |  | 148,007      |  | (10,796)     |  |

### **Factors which may affect future tax charges**

At 30 June 2022 the Group has tax losses of approximately £8,300,000 (2021: £8,500,000) to offset against future trading profits.

### **Notes to the Financial Statements**

**For the year ended 30 June 2022 (continued)**

**10. Earnings per share**

|                                                                                                                       |  | <b>2022</b> |  | <b>2021</b> |  |
|-----------------------------------------------------------------------------------------------------------------------|--|-------------|--|-------------|--|
|                                                                                                                       |  | <b>£</b>    |  | <b>£</b>    |  |
| <b>Earnings</b>                                                                                                       |  |             |  |             |  |
| Earnings for the purpose of basic and diluted earnings per share being net profit attributable to equity shareholders |  | 610,566     |  | 1,047,110   |  |
|                                                                                                                       |  | 610,566     |  | 1,047,110   |  |
|                                                                                                                       |  | <b>No.</b>  |  | <b>No.</b>  |  |
| <b>Number of shares</b>                                                                                               |  |             |  |             |  |
| Weighted average number of ordinary shares for the purpose of basic earnings per share                                |  | 13,364,195  |  | 13,290,672  |  |
|                                                                                                                       |  |             |  |             |  |
| Number of dilutive shares under option                                                                                |  | 25,145      |  | 143,168     |  |
| Weighted average number of ordinary shares for the purposes of dilutive earnings per share                            |  | 13,389,340  |  | 13,433,840  |  |

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.

**11. Goodwill**

|  |  | <b>2022</b> |  | <b>2021</b> |  |
|--|--|-------------|--|-------------|--|
|--|--|-------------|--|-------------|--|

|                                    |  |           |  |           |  |
|------------------------------------|--|-----------|--|-----------|--|
|                                    |  | <b>£</b>  |  | <b>£</b>  |  |
| <b>Cost and net book amount</b>    |  |           |  |           |  |
|                                    |  |           |  |           |  |
| At 1 July 2021 and at 30 June 2022 |  | 1,715,153 |  | 1,715,153 |  |

Goodwill acquired in a business combination is allocated at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

|                   |  |             |  |             |  |
|-------------------|--|-------------|--|-------------|--|
|                   |  | <b>2022</b> |  | <b>2021</b> |  |
|                   |  | <b>£</b>    |  | <b>£</b>    |  |
| Arcontech Limited |  | 1,715,153   |  | 1,715,153   |  |
|                   |  | 1,715,153   |  | 1,715,153   |  |

The CGU used in these calculations is Arcontech Limited. The group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The discount rate is estimated using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Long-term growth rates are based on industry growth forecasts. Changes in selling prices are based on past practices and expectations of future changes in the market. Changes in direct costs are based on expected cost of inflation of 8.9% and 1.8% after year 5.

Cashflow forecasts are based on the latest financial budgets and extrapolate the cashflows for the next five years based on an estimated growth in revenue

representing an average rate of 4% (2021: 5%) per annum, after which the UK long-term growth rate of 1.8% is applied. The Directors consider that this rate is appropriate, given the current sales pipeline. Fluctuation in revenue is the most sensitive of assumptions. Should revenue fall by more than an average of 5% per annum then this could result in the value of goodwill being impaired.

As the Group does not have any borrowings, the rate used to discount all the forecast cash flows is 8.8% (2021: 8.8%), which represents the Group's cost of capital.

Goodwill on the purchase of Arcontech Limited is attributable to the operating synergies that have arisen as a result of the combination.

## Notes to the Financial Statements

For the year ended 30 June 2022 (continued)

### 12. Property, plant and equipment – Group

|                |  | Leasehold<br>Property |  | Office<br>furniture &<br>equipment |  | Total   |  |
|----------------|--|-----------------------|--|------------------------------------|--|---------|--|
| Cost           |  | £                     |  | £                                  |  | £       |  |
|                |  |                       |  |                                    |  |         |  |
| At 1 July 2020 |  | 26,199                |  | 142,218                            |  | 168,417 |  |
|                |  |                       |  |                                    |  |         |  |
| Additions      |  | –                     |  | 1,482                              |  | 1,482   |  |
|                |  |                       |  |                                    |  |         |  |
| At 1 July 2021 |  | 26,199                |  | 143,700                            |  | 169,899 |  |
|                |  |                       |  |                                    |  |         |  |
| Additions      |  | –                     |  | 2,688                              |  | 2,688   |  |
|                |  |                       |  |                                    |  |         |  |

|                                        |  |        |  |          |  |          |  |
|----------------------------------------|--|--------|--|----------|--|----------|--|
| Disposals                              |  | –      |  | (40,447) |  | (40,447) |  |
|                                        |  |        |  |          |  |          |  |
| At 30 June 2022                        |  | 26,199 |  | 105,941  |  | 132,140  |  |
| <b>Depreciation</b>                    |  |        |  |          |  |          |  |
|                                        |  |        |  |          |  |          |  |
| At 1 July 2020                         |  | 20,597 |  | 128,504  |  | 149,101  |  |
|                                        |  |        |  |          |  |          |  |
| Charge for the year                    |  | 1,461  |  | 8,190    |  | 9,651    |  |
|                                        |  |        |  |          |  |          |  |
| At 1 July 2021                         |  | 22,058 |  | 136,694  |  | 158,752  |  |
|                                        |  |        |  |          |  |          |  |
| Charge for the year                    |  | 1,462  |  | 5,829    |  | 7,291    |  |
|                                        |  |        |  |          |  |          |  |
| Disposals                              |  | –      |  | (40,447) |  | (40,447) |  |
|                                        |  |        |  |          |  |          |  |
| At 30 June 2022                        |  | 23,520 |  | 102,076  |  | 125,596  |  |
| <b>Net book amount at 30 June 2022</b> |  | 2,679  |  | 3,865    |  | 6,544    |  |
| <b>Net book amount at 30 June 2021</b> |  | 4,141  |  | 7,008    |  | 11,147   |  |

### 13. Investment in subsidiaries

|                        |  |             |  |             |  |
|------------------------|--|-------------|--|-------------|--|
|                        |  | <b>2022</b> |  | <b>2021</b> |  |
| <b>Carrying amount</b> |  | <b>£</b>    |  | <b>£</b>    |  |
|                        |  |             |  |             |  |
| At 1 July 2021         |  | 2,017,471   |  | 2,017,471   |  |
|                        |  |             |  |             |  |

|                 |  |           |  |           |  |
|-----------------|--|-----------|--|-----------|--|
|                 |  |           |  |           |  |
| At 30 June 2022 |  | 2,017,471 |  | 2,017,471 |  |

Details of the investments in which the Group and the Company holds 20% or more of the nominal value of any class of share capital are listed below. The Goodwill recognised in Note 11 is in connection with investments made in subsidiaries:

|                              | Country of Incorporation | Address                            | Nature of business                   | Ordinary shares held |
|------------------------------|--------------------------|------------------------------------|--------------------------------------|----------------------|
| Arcontech Solutions Limited  | England                  | 11-21 Paul Street, London EC2A 4JU | Dormant                              | 100%                 |
| Cognita Technologies Limited | England                  | 11-21 Paul Street, London EC2A 4JU | Software development                 | 100%                 |
| Arcontech Limited            | England                  | 11-21 Paul Street, London EC2A 4JU | Software development and consultancy | 100%                 |

## Notes to the Financial Statements

For the year ended 30 June 2022 (continued)

### 14. Trade and other receivables

|                      | Group<br>2022<br>£ |  | Group<br>2021£ |  | Company<br>2022<br>£ |  | Company<br>2021<br>£ |  |
|----------------------|--------------------|--|----------------|--|----------------------|--|----------------------|--|
| Due within one year: |                    |  |                |  |                      |  |                      |  |
|                      |                    |  |                |  |                      |  |                      |  |

|                                      |                             |                        |                               |                               |
|--------------------------------------|-----------------------------|------------------------|-------------------------------|-------------------------------|
| Trade and other receivables          | 196,541                     | 330,740                | –                             | –                             |
|                                      |                             |                        |                               |                               |
| Amounts owed by group undertakings   | –                           | –                      | 3,310,401                     | 3,258,868                     |
|                                      |                             |                        |                               |                               |
| Prepayments and accrued income       | 152,145                     | 139,577                | 12,336                        | 4,599                         |
|                                      | 348,686                     | 470,317                | 3,322,737                     | 3,263,467                     |
|                                      |                             |                        |                               |                               |
|                                      | <b>Group<br/>2022<br/>£</b> | <b>Group<br/>2021£</b> | <b>Company<br/>2022<br/>£</b> | <b>Company<br/>2021<br/>£</b> |
| <b>Due after more than one year:</b> |                             |                        |                               |                               |
|                                      |                             |                        |                               |                               |
| Other receivables                    | 141,750                     | 141,750                | –                             | –                             |
|                                      | 141,750                     | 141,750                | –                             | –                             |

Trade receivables, which are the only financial assets at amortised cost, are non-interest bearing and generally have a 30-90 day term. Due to their short maturities, the carrying amount of trade and other receivables is a reasonable approximation of their fair value. A provision for impairment of trade receivables is established using an expected loss model. Expected loss is calculated from a provision based on the expected lifetime default rates and estimates of loss on default.

As at 30 June 2022, trade receivables of £Nil were impaired (2021: £Nil) and during the year an impairment charge relating to trade receivables of £Nil (2021: £Nil) was recognised. As at 30 June 2022 trade receivables of £nil (2021: £100,469) were past due but not impaired. The ageing an

alysis of these trade receivables is as follows:

|                         | <b>Group<br/>2022<br/>£</b> |  | <b>Group<br/>2021£</b> |  | <b>Company<br/>2022<br/>£</b> |  | <b>Company<br/>2021<br/>£</b> |  |
|-------------------------|-----------------------------|--|------------------------|--|-------------------------------|--|-------------------------------|--|
|                         |                             |  |                        |  |                               |  |                               |  |
| Up to 3 months past due | –                           |  | 100,469                |  | –                             |  | –                             |  |
|                         |                             |  |                        |  |                               |  |                               |  |
| 3 to 6 months past due  | –                           |  | –                      |  | –                             |  | –                             |  |
|                         | –                           |  | 100,469                |  | –                             |  | –                             |  |

## 15. Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

## Notes to the Financial Statements

For the year ended 30 June 2022 (continued)

## 16. Trade and other payables

|                                    | <b>Group<br/>2022<br/>£</b> |  | <b>Group<br/>2021<br/>£</b> |  | <b>Company<br/>2022<br/>£</b> |  | <b>Company<br/>2021<br/>£</b> |  |
|------------------------------------|-----------------------------|--|-----------------------------|--|-------------------------------|--|-------------------------------|--|
|                                    |                             |  |                             |  |                               |  |                               |  |
| Trade payables                     | 77,772                      |  | 52,881                      |  | 3,849                         |  | 4,155                         |  |
|                                    |                             |  |                             |  |                               |  |                               |  |
| Amounts owed to group undertakings | –                           |  | –                           |  | 100                           |  | 100                           |  |

|                                       |           |  |           |  |        |  |        |
|---------------------------------------|-----------|--|-----------|--|--------|--|--------|
|                                       |           |  |           |  |        |  |        |
| Other tax and social security payable | 62,148    |  | 113,083   |  | 7,843  |  | 8,844  |
|                                       |           |  |           |  |        |  |        |
| Other payables and accruals*          | 490,724   |  | 388,137   |  | 46,244 |  | 39,285 |
|                                       |           |  |           |  |        |  |        |
| Deferred income                       | 978,236   |  | 1,089,306 |  | –      |  | –      |
|                                       | 1,608,880 |  | 1,643,407 |  | 58,036 |  | 52,384 |

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Trade payables and other payables and accruals constitute the financial liabilities within the category “Financial liabilities at amortised cost” with a total value of £568,496 (2021: £441,018).

\*Other payables and Accruals includes a provision for dilapidations for the Office premises of £50,000 (2021: £50,000). Refer to note 1 for the Accounting Policy for Provisions.

## 17. Leases

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:

| As at 30 June 2022 |  |  | Lease liability <sup>f</sup> |  | Right of use asset <sup>f</sup> |  | Income statement <sup>f</sup> |
|--------------------|--|--|------------------------------|--|---------------------------------|--|-------------------------------|
|--------------------|--|--|------------------------------|--|---------------------------------|--|-------------------------------|

|                                       |                      |                      |            |                |  |                  |
|---------------------------------------|----------------------|----------------------|------------|----------------|--|------------------|
| Carrying value at 30 June 2021        |                      | (344,303)            |            | 365,758        |  | –                |
|                                       |                      |                      |            |                |  |                  |
| Depreciation                          |                      | –                    |            | (146,303)      |  | (146,303)        |
| Interest                              |                      | (13,550)             |            | –              |  | (13,550)         |
| Lease payments                        |                      | 162,000              |            | –              |  | –                |
|                                       |                      |                      |            |                |  |                  |
|                                       |                      |                      |            |                |  |                  |
| <b>Carrying value at 30 June 2022</b> |                      | <b>(195,853)</b>     |            | <b>219,455</b> |  | <b>(159,853)</b> |
| Reconciliation of lease liabilities   | Operating cash flow£ | Financing cash flow£ | Non-cash £ | Total £        |  |                  |
| As at 1 July 2021                     | –                    | –                    | –          | 344,303        |  |                  |
| Cash flows:                           |                      |                      |            |                |  |                  |
| Interest paid                         | (13,550)             | –                    | –          | (13,550)       |  |                  |
| Liability reduction                   | –                    | (148,450)            | –          | (148,450)      |  |                  |
| Non-cash changes:                     |                      |                      |            |                |  |                  |
| Interest expense                      | –                    | –                    | 13,550     | 13,550         |  |                  |
| As at 30 June 2022                    | (13,550)             | (148,450)            | 13,550     | (195,853)      |  |                  |

## Notes to the Financial Statements

For the year ended 30 June 2022 (continued)

### 17. Leases (continued)

|                           |  |                  |  |                     |  |                   |
|---------------------------|--|------------------|--|---------------------|--|-------------------|
| <b>As at 30 June 2021</b> |  | Lease liability£ |  | Right of use asset£ |  | Income statement£ |
|---------------------------|--|------------------|--|---------------------|--|-------------------|

|                                                                       |                      |  |                      |  |            |  |           |
|-----------------------------------------------------------------------|----------------------|--|----------------------|--|------------|--|-----------|
| Carrying value at 30 June 2020                                        |                      |  | (485,996)            |  | 512,061    |  | –         |
|                                                                       |                      |  |                      |  |            |  |           |
| Depreciation                                                          |                      |  | –                    |  | (146,303)  |  | (146,303) |
| Interest                                                              |                      |  | (20,307)             |  | –          |  | (20,307)  |
| Lease payments                                                        |                      |  | 162,000              |  | –          |  | –         |
|                                                                       |                      |  |                      |  |            |  |           |
|                                                                       |                      |  |                      |  |            |  |           |
| Carrying value at 30 June 2021                                        |                      |  | (344,303)            |  | 365,758    |  | (166,610) |
| Reconciliation of lease liabilities                                   | Operating cash flow£ |  | Financing cash flow£ |  | Non-cash £ |  | Total £   |
| As at 1 July 2020                                                     | –                    |  | –                    |  | –          |  | 485,996   |
| Cash flows:                                                           |                      |  |                      |  |            |  |           |
| Interest paid                                                         | (20,307)             |  | –                    |  | –          |  | (20,307)  |
| Liability reduction                                                   | –                    |  | (141,693)            |  | –          |  | (141,693) |
| Non-cash changes:                                                     |                      |  |                      |  |            |  |           |
| Interest expense                                                      | –                    |  | –                    |  | 20,307     |  | 20,307    |
| As at 30 June 2021                                                    | (20,307)             |  | (141,693)            |  | 20,307     |  | (344,303) |
| Contractual maturity analysis of lease liabilities as at 30 June 2022 |                      |  |                      |  |            |  |           |

|                      | Less<br>than3<br>months£ | 3 –<br>12Months£ | 1 –<br>5Year£ | Longer<br>than5<br>years£ | Total£  |
|----------------------|--------------------------|------------------|---------------|---------------------------|---------|
| Lease<br>liabilities | 40,500                   | 121,500          | 40,500        | –                         | 202,500 |

## 18. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the tax rate of 17% which came into effect from 1 April 2020. The movement on the deferred tax account is as shown below:

|                                                                            | Group<br>2022<br>£ | Group<br>2021<br>£ | Company<br>2022<br>£ | Company<br>2021<br>£ |
|----------------------------------------------------------------------------|--------------------|--------------------|----------------------|----------------------|
| At 1 July                                                                  | 471,000            | 452,000            | 55,000               | 151,000              |
| Tax credit (de-<br>recognised)/ recognised<br>in group income<br>statement | (153,000)          | 19,000             | 1,000                | (96,000)             |
|                                                                            |                    |                    |                      |                      |
| At 30 June                                                                 | 318,000            | 471,000            | 56,000               | 55,000               |

The deferred tax asset has been recognised in relation to forecast taxable profits which are considered probable.

Losses to offset against future trading profits at 30 June 2022 amounted to approximately £8,300,000 (2021: £8,500,000).

## Notes to the Financial Statements

For the year ended 30 June 2022 (continued)

## 19. Share capital

| CompanyAllotted and<br>fully paid: | Sharesof<br>12.5p each | Share<br>Capital<br>£ | Share<br>Premium£ |
|------------------------------------|------------------------|-----------------------|-------------------|
|------------------------------------|------------------------|-----------------------|-------------------|

|                                                     |  |                   |  |                  |  |                |
|-----------------------------------------------------|--|-------------------|--|------------------|--|----------------|
| As at 1 July 2021                                   |  | 13,327,811        |  | 1,665,976        |  | 92,360         |
| September 2021<br>– Exercise of<br>options at 64.5p |  | 45,000            |  | 5,625            |  | 23,401         |
| <b>As at 30 June 2022</b>                           |  | <b>13,372,811</b> |  | <b>1,671,601</b> |  | <b>115,761</b> |

## Share options

Under the Company's approved 2002 Share Option Scheme, certain Directors and employees held options at 30 June 2022 for unissued Ordinary Shares of 12.5 pence each as follows:

| Share options | At 1 July 2021 | Granted | Exercised | Lapsed   | At 30 June 2022 | Exercise price | Normal exercise period |
|---------------|----------------|---------|-----------|----------|-----------------|----------------|------------------------|
|               |                |         |           |          |                 |                |                        |
|               |                |         |           |          |                 |                |                        |
| Employees:    | 125,000        | –       | (25,000)  | –        | 100,000         | 64.50 pence    | 25 Apr 20 – 24 Apr 27  |
|               | 50,000         | –       | –         | –        | 50,000          | 110.00 pence   | 30 Jun 21 – 29 Jun 28  |
|               | 55,000         | –       | –         | (23,000) | 32,000          | 196.00 pence   | 30- Jun 22 – 27 Sep 29 |
|               | 75,000         | –       | –         | –        | 75,000          | 164.50 pence   | 30 Jun 23 – 2 Oct 30   |
|               | –              | 73,500  | –         | –        | 73,500          | 130.50 pence   | 30 Jun 24 – 11 Oct 31  |
| Directors:    |                |         |           |          |                 |                |                        |
|               |                |         |           |          |                 |                |                        |
| Richard Last  | 24,762         | –       | –         | (24,762) | –               | 64.50 pence    | 25 Apr 20 – 24 Apr 27  |
|               |                |         |           |          |                 |                |                        |

|                                        |             |             |            |             |             |              |                        |
|----------------------------------------|-------------|-------------|------------|-------------|-------------|--------------|------------------------|
| Geoff Wicks                            | 30,000      | –           | –          | –           | 30,000      | 164.50 pence | 30 Jun 23 – 2 Oct 30   |
|                                        |             |             |            |             |             |              |                        |
| Louise Barton                          | 40,000      | –           | –          | (40,000)    | –           | 23.75 pence  | 1 Sep 17 – 31 Aug 21   |
|                                        |             |             |            |             |             |              |                        |
|                                        | 20,000      | –           | (20,000)   | –           | –           | 64.50 pence  | 25 Apr 20 – 24 Apr 27  |
|                                        |             |             |            |             |             |              |                        |
| Matthew Jeffs                          | 100,000     | –           | –          | –           | 100,000     | 110.00 pence | 30 Jun 21 – 29 Jun 28  |
|                                        | 50,000      | –           | –          | (50,000)    | –           | 196.00 pence | 30- Jun 22 – 27 Sep 29 |
|                                        | 50,000      | –           | –          | –           | 50,000      | 164.50 pence | 30 Jun 23 – 2 Oct 30   |
|                                        | –           | 50,000      | –          | –           | 50,000      | 130.50 pence | 30 Jun 24 – 11 Oct 31  |
|                                        |             |             |            |             |             |              |                        |
| Total                                  | 619,762     | 123,500     | (45,000)   | (137,762)   | 560,500     |              |                        |
|                                        |             |             |            |             |             |              |                        |
| <b>Weighted average exercise price</b> | 120.2 pence | 130.5 pence | 64.5 pence | 122.3 pence | 126.4 pence |              |                        |

The number of options exercisable at 30 June 2022 was 282,000 (at 30 June 2021: 359,762), these had a weighted average exercise price of 103.6 pence (2021: 78.9 pence).

The weighted average share price as at the exercise date of the shares exercised in the year was 64.5 pence (2021: 43.2 pence) and of the shares were forfeited in the year was 122.3 pence (2021: 196.0).

Options granted under the Company's approved 2002 Share Option Scheme are forfeited when the Optionholder ceases to be a Director or employee of a Participating Company. The Directors may before the expiry of 3 months following cessation of employment permit an Optionholder to exercise their Option within a period ending no later than 12 months from the cessation of employment.

The highest price of the Company's shares during the year was 175.0 pence, the lowest price was 72.0 pence and the price at the year-end was 73.5 pence.

The weighted average remaining contractual life of share options outstanding at 30 June 2022 was 7 years (2021: 7 years).

## **Notes to the Financial Statements**

### **For the year ended 30 June 2022 (continued)**

#### **19. Share capital (continued)**

##### **Share-based payments**

The Group operates an approved Share Option Scheme for the benefit of Directors and employees. Options are granted to acquire shares at a specified exercise price at any time following but no later than 10 years after the grant date. There are no performance conditions on the exercise of the options granted prior to 1 July 2018. The performance conditions of those granted after 1 July 2018 which apply to executive directors and certain key staff, are set out below.

The options issued in November 2018, September 2019\*\*, October 2020 and in October 2021 will be exercisable from 30 June 2021, 30 June 2022, 30 June 2023 and 30 June 2024 respectively, dependent on the Company's compound annual rate of growth in fully diluted earnings\* for the three financial years ending 30 June 2022, 2023, and 2024, respectively.

| Options issued date | Exercisable from | Dependent on the Company's compound annual rate of growth in fully diluted earnings* for the three financial years ending |
|---------------------|------------------|---------------------------------------------------------------------------------------------------------------------------|
| November 2018       | 30 June 2021     | 30 June 2021                                                                                                              |
| October 2020        | 30 June 2023     | 30 June 2023                                                                                                              |
| October 2021        | 30 June 2024     | 30 June 2024                                                                                                              |

The Options will vest subject to performance criteria as follows:

- compound annual earnings growth of 10% or more – fully vested (100%);
- compound annual earnings growth between 5%-10% – partial vesting between 0% and 100% on a sliding scale; and
- compound annual earnings growth of 5% and below – nil.

Any Ordinary Shares arising from the vesting of Options must be held for a period of two years after vesting.

\* Fully diluted earnings will be based on: (a) the Company's pre-tax profit excluding exceptional items and the share option

charge and (b) the current UK corporation tax rate of 19%, such that the fully diluted earnings calculation takes no account

of R&D and deferred tax credits. For the purposes of the fully diluted earnings calculation, the applied rate of corporation tax

will remain constant at 19% irrespective of any current or future changes to corporation tax.

\*\* 70,000 options issued in September 2019 lapsed on 30 June 2022 as compound annual earnings growth targets for the

financial years ended 30 June 2020, 2021 and 2022 were not achieved.

The fair value of options is valued using the Black-Scholes pricing model. An expense of £116,612 (2021: £115,866) has been recognised in the period in respect of share options granted. The cumulative share option reserve at 30 June 2022 is £270,805 (2021: £271,207).

The inputs into the Black-Scholes pricing model are as follows:

| <b>Directors &amp; Employees</b> |             |             |             |             |             |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Grant date                       | 25 Apr 2017 | 29 Nov 2018 | 27 Sep 2019 | 2 Oct 2020  | 11 Oct 2021 |
| Exercise price                   | 64.5 pence  | 110.0 pence | 196.0 pence | 164.5 pence | 130.5 pence |
| Expected life                    | 10 years    | 10 years    | 10 years    | 10 years    | 10 years    |
| Expected volatility              | 50%         | 50%         | 50%         | 49%         | 45%         |
| Risk free rate of interest       | 0.5%        | 0.75%       | 0.75%       | 0.00%       | 0.60%       |
| Dividend yield                   | Nil         | Nil         | Nil         | 0.01%       | 0.01%       |
| Fair value of option             | 36.7 pence  | 57.0 pence  | 115.0 pence | 91.92 pence | 70.03 pence |

Volatility has been estimated based on the historic volatility over a period equal to the expected term from the grant date.

## Notes to the Financial Statements

For the year ended 30 June 2022 (continued)

### 20. Reserves

Details of the movements in reserves are set out in the Statement of Changes in Equity. A description of each reserve is set out below.

### **Share capital reserve**

This is used to record the aggregate nominal amount of the Company's shares on issue.

### **Share premium account**

This is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at a premium, net of issue costs, less amounts cancelled by court order.

### **Share option reserve**

This relates to the fair value of options granted which has been charged to the income statement over the vesting period of the options, less amounts transferred to retained earnings.

### **Retained earnings**

This relates to accumulated profits and losses together with distributable reserves arising from capital reductions, less amounts distributed to shareholders.

## **Notes to the Financial Statements**

### **For the year ended 30 June 2022 (continued)**

#### **21. Net cash generated from operations – Group**

|                     | 2022    |  | 2021      |
|---------------------|---------|--|-----------|
|                     | £       |  | £         |
|                     |         |  |           |
| Operating profit    | 758,272 |  | 1,043,361 |
|                     |         |  |           |
| Depreciation charge | 153,594 |  | 155,954   |

|                                                    |                  |  |                |
|----------------------------------------------------|------------------|--|----------------|
|                                                    |                  |  |                |
| Non cash share option charges                      | 116,612          |  | 115,867        |
|                                                    |                  |  |                |
| Lease interest paid                                | (13,550)         |  | (20,307)       |
|                                                    |                  |  |                |
| Other interest paid                                | (60)             |  | –              |
|                                                    |                  |  |                |
| Decrease/(increase) in trade and other receivables | 126,624          |  | (277,686)      |
|                                                    |                  |  |                |
| Decrease in trade and other payables               | (31,884)         |  | (207,630)      |
|                                                    |                  |  |                |
|                                                    |                  |  |                |
| <b>Cash generated from operations</b>              | <b>1,109,608</b> |  | <b>809,559</b> |
|                                                    |                  |  |                |

**Net cash generated from operations – Company**

|                                                 | <b>2022</b> |  | <b>2021</b> |
|-------------------------------------------------|-------------|--|-------------|
|                                                 | <b>£</b>    |  | <b>£</b>    |
|                                                 |             |  |             |
| Operating profit                                | 265,860     |  | 274,671     |
|                                                 |             |  |             |
| Non cash share option charges                   | 116,612     |  | 115,867     |
|                                                 |             |  |             |
| Increase in trade and other receivables         | (59,270)    |  | (82,057)    |
|                                                 |             |  |             |
| Increase/(decrease) in trade and other payables | 6,873       |  | (97,561)    |
|                                                 |             |  |             |

|                                       |         |  |         |
|---------------------------------------|---------|--|---------|
|                                       |         |  |         |
| <b>Cash generated from operations</b> | 330,075 |  | 210,920 |
|                                       |         |  |         |

## Notes to the Financial Statements

For the year ended 30 June 2022 (continued)

### 22. Related party transactions

#### Group

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are disclosed in this part of the note.

#### Key management compensation

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group. In the opinion of the Board, the Group's key management are the Directors of Arcontech Group PLC. Information regarding their compensation is given in notes 8 and 19 for each of the categories specified in IAS 24 *Related Party Disclosures*. All emoluments given in notes 8 and 19 relate to short-term employee benefits and there are no post-employment or other long-term benefits.

The financial statements include the following amounts in respect of services provided to the Group:

#### Company

Transactions between the Parent Company and its subsidiaries during the year were as follows:

Management charges payable by subsidiaries £536,216 (2021: £534,094).

The amounts due from/to subsidiaries at the balance sheet date were as follows:

|                                    |  | <b>2022<br/>£</b> |  | <b>2021<br/>£</b> |  |
|------------------------------------|--|-------------------|--|-------------------|--|
|                                    |  |                   |  |                   |  |
| Amount due from subsidiaries       |  | 7,098,581         |  | 7,223,539         |  |
|                                    |  |                   |  |                   |  |
| Less: Provision for impairment     |  | (3,788,180)       |  | (3,964,671)       |  |
| Amount due from subsidiaries – net |  | 3,310,401         |  | 3,258,868         |  |

During the year a provision of £176,491 was released (2021: £185,654) in respect of balances due from subsidiaries.

|                            |  | <b>2022<br/>£</b> |  | <b>2021<br/>£</b> |  |
|----------------------------|--|-------------------|--|-------------------|--|
|                            |  |                   |  |                   |  |
| Amount due to subsidiaries |  | 536,216           |  | 534,094           |  |
|                            |  | 536,216           |  | 534,094           |  |

## **23. Dividends**

A final dividend of 3.25 pence will be proposed at the Annual General Meeting but has not been recognised as it requires approval (2021: 2.75 pence).

## **24. Material non-cash transactions**

There were no material non-cash transactions during the period.

## **Notes to the Financial Statements**

**For the year ended 30 June 2022 (continued)**

## **25. Financial instruments**

The Group's financial instruments comprise cash and cash

equivalents, and items such as trade payables and trade receivables, which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group's operations expose it to a variety of financial risks including credit risk, liquidity risk and interest rate risk. Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the Company's finance department.

### *Credit risk*

The Group's credit risk is primarily attributable to its trade receivables. The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the Board. Trade receivables are considered in default and subject to additional credit control procedures when they are more than 30 days past due in line with industry practice. Trade receivables are only written off when there is no reasonable expectation of recovery due to insolvency of the debtor.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

|                   | <b>Group<br/>2022<br/>£</b> |  | <b>Group<br/>2021<br/>£</b> |  | <b>Company<br/>2022<br/>£</b> |  | <b>Company<br/>2021£</b> |  |
|-------------------|-----------------------------|--|-----------------------------|--|-------------------------------|--|--------------------------|--|
| Trade receivables | 196,541                     |  | 330,740                     |  | —                             |  | —                        |  |
|                   |                             |  |                             |  |                               |  |                          |  |

|                                    |           |  |           |  |           |  |           |  |
|------------------------------------|-----------|--|-----------|--|-----------|--|-----------|--|
| Cash and cash equivalents          | 6,026,468 |  | 5,395,457 |  | 1,074,294 |  | 1,077,741 |  |
|                                    |           |  |           |  |           |  |           |  |
| Amounts owed by group undertakings | –         |  | –         |  | 3,310,401 |  | 3,258,868 |  |
|                                    | 6,223,009 |  | 5,726,197 |  | 4,384,695 |  | 4,336,609 |  |

### *Interest rate risk*

The Group has interest bearing assets and no interest-bearing liabilities. Interest bearing assets comprise only cash and cash equivalents, which earn interest at a variable rate.

The Group has not entered into any derivative transactions during the period under review.

The Group does not have any borrowings.

The Group's cash and cash equivalents earned interest at variable rates, between 1.20% below bank base rate and 0.2% below bank base rate and at fixed/variable rates of between 0.06% below (2021: 0.15% below bank base rate and 0.5% above bank base rate and at fixed/variable rates of between 0.25% and 1.50%).

### *Liquidity risk*

The Group has no short-term debt finance. The Group monitors its levels of working capital to ensure that it can meet its liabilities as they fall due.

The Group's only financial liabilities comprise trade payables and other payables and accruals, excluding deferred income, with a carrying value equal to the gross cash flows payable of £568,496 (2021: £441,018) all of which are payable within 6 months.

## **Notes to the Financial Statements**

**For the year ended 30 June 2022 (continued)**

## **25. Financial instruments (continued)**

### *Market risk and sensitivity analysis*

#### *Equity price risk*

The Directors do not consider themselves exposed to material equity price risk due to the nature of the Group's operations.

#### *Foreign currency exchange risk*

The Directors do not consider themselves exposed to material foreign currency risk due to the nature of the Group's operations. All invoices are raised in sterling.

#### *Interest rate risk*

The Group is exposed to interest rate risk as a result of positive cash balances, denominated in sterling, which earn interest at variable and fixed rates. As at 30 June 2022, if bank base rate had increased by 0.5% with all other variables held constant, post-tax profit would have been £30,132 (2021: £26,977) higher and equity would have been £30,132 (2021: £26,977) higher. Conversely, if bank base rate had fallen 0.5% with all other variables held constant, post-tax profit would have been £30,132 (2021: £26,977) lower and equity would have been £30,132 (2021: £26,977) lower.

## **26. Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure.

The Group defines capital as being share capital plus reserves

. The Board of Directors continually monitors the level of capital.

The Group is not subject to any externally imposed capital requirements.

## **27. Ultimate controlling party**

There is no ultimate controlling party.

## **28. Copies of these statements**

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).

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# **Notice of Results 2022**

## **ARCONTECH GROUP PLC**

("Arcontech" or the "Company")

## **Notice of Results**

Arcontech (AIM: ARC), the provider of products and services for real-time financial market data processing and trading, announces that the Company's results for the 12 months ended 30 June 2022 are expected to be announced on 12 September 2022 and the Board looks forward to updating shareholders with further details at that time.

|                            |  |
|----------------------------|--|
| <b>Enquiries:</b>          |  |
| <b>Arcontech Group plc</b> |  |

|                                                                                                                       |                  |
|-----------------------------------------------------------------------------------------------------------------------|------------------|
| Geoff Wicks, Chairman and Non-Executive Director                                                                      | 07713<br>214484  |
| Matthew Jeffs, Chief Executive                                                                                        | 020 7256<br>2300 |
|                                                                                                                       |                  |
| <b>finnCap Ltd (Nomad &amp; Broker)</b>                                                                               | 020 7220<br>0500 |
| Carl Holmes/Simon Hicks/Tim Harper (Corporate Finance)Harriet Ward (ECM)                                              |                  |
|                                                                                                                       |                  |
| <b>To access more information on the Group please visit: <a href="http://www.arcontech.com">www.arcontech.com</a></b> |                  |
|                                                                                                                       |                  |

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

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# Arcontech – Director Notification June 2022

**ARCONTECH  
GROUP PLC**

("Arcontech"  
or the "Company")

**Director/PDMR Shareholding**

Arcontech (AIM: ARC), the provider of products and services for real-time financial market data processing and trading, announces the following Director/PDMR dealing in Arcontech's ordinary shares.

Matthew Jeffs, Chief Executive Officer, has bought 10,000 ordinary shares at a price of 73.99 pence per share. Following this purchase, Matthew Jeffs has a beneficial interest of 935,000 ordinary shares in the Company representing 7.0% of the issued share capital.

Louise Barton, Non-Executive Director, has bought 15,000 ordinary shares in Arcontech at a price of 73.84 pence per share. Following this purchase, Louise Barton has a beneficial interest of 1,121,416 ordinary shares in the Company representing 8.39% of the issued share capital.

Further information is disclosed below pursuant to Article 19(3) of the Market Abuse Regulation.

| <b>Enquiries:</b>                                   |               |
|-----------------------------------------------------|---------------|
| <b>Arcontech Group plc</b>                          | 020 7256 2300 |
| Geoff Wicks, Chairman<br>and Non-Executive Director |               |
| Matthew Jeffs, Chief<br>Executive                   |               |
|                                                     |               |
| <b>finnCap Ltd (Nomad &amp; Broker)</b>             |               |

|                                                                                                                           |               |
|---------------------------------------------------------------------------------------------------------------------------|---------------|
| Carl Holmes/Tim Harper (Corporate Finance)<br>Harriet Ward (ECM)                                                          | 020 7220 0500 |
|                                                                                                                           |               |
| <b>To access more information on the Group<br/>please visit: <a href="http://www.arcontech.com">www.arcontech.com</a></b> |               |
|                                                                                                                           |               |

**Notification and public disclosure of transactions by persons discharging managerial responsibilities and persons closely associated with them**

|    |                                                                                                                      |                         |
|----|----------------------------------------------------------------------------------------------------------------------|-------------------------|
| 1. | <b>Details of the person discharging managerial responsibilities / person closely associated</b>                     |                         |
| a) | Name                                                                                                                 | Matthew Jeffs           |
| 2. | <b>Reason for the Notification</b>                                                                                   |                         |
| a) | Position/status                                                                                                      | Chief Executive Officer |
| b) | Initial notification/Amendment                                                                                       | Initial notification    |
| 3. | <b>Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor</b> |                         |
| a) | Name                                                                                                                 | Arcotech Group Plc      |
| b) | LEI                                                                                                                  | 21380007PM9V79TP7523    |

|                     |                                                                                                                                                                                                          |                                           |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| 4.                  | <b>Details of the transaction(s): section to be repeated for (i) each type of instrument; (ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted</b> |                                           |
| a)                  | Description of the Financial instrument, type of instrument                                                                                                                                              | Ordinary Shares of £0.125                 |
| Identification code | ARC GB00BDBBJZ03                                                                                                                                                                                         |                                           |
| b)                  | Nature of the transactions                                                                                                                                                                               | Purchase of Ordinary Shares               |
| c)                  | Price(s) and volume(s)                                                                                                                                                                                   | Price(s)<br>Volume(s)<br>73.99p<br>10,000 |
| d)                  | Aggregated information:<br>Aggregated volumes<br>Prices                                                                                                                                                  | See 4(c) above                            |
| e)                  | Date of the transaction                                                                                                                                                                                  | 28 June 2022                              |
| f)                  | Place of the transaction                                                                                                                                                                                 | London Stock Exchange                     |
| 1.                  | <b>Details of the person discharging managerial responsibilities / person closely associated</b>                                                                                                         |                                           |

|                     |                                                                                                                                                                                                          |                             |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| a)                  | Name                                                                                                                                                                                                     | Louise Barton               |
| 2.                  | <b>Reason for the Notification</b>                                                                                                                                                                       |                             |
| a)                  | Position/status                                                                                                                                                                                          | Non-Executive Director      |
| b)                  | Initial notification/Amendment                                                                                                                                                                           | Initial notification        |
| 3.                  | <b>Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor</b>                                                                                     |                             |
| a)                  | Name                                                                                                                                                                                                     | Arcontech Group Plc         |
| b)                  | LEI                                                                                                                                                                                                      | 21380007PM9V79TP7523        |
| 4.                  | <b>Details of the transaction(s): section to be repeated for (i) each type of instrument; (ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted</b> |                             |
| a)                  | Description of the Financial instrument, type of instrument                                                                                                                                              | Ordinary Shares of £0.125   |
| Identification code | ARC GB00BDBBJZ03                                                                                                                                                                                         |                             |
| b)                  | Nature of the transactions                                                                                                                                                                               | Purchase of Ordinary Shares |

|    |                                                        |                                           |
|----|--------------------------------------------------------|-------------------------------------------|
| c) | Price(s) and volume(s)                                 | Price(s)<br>Volume(s)<br>73.84p<br>15,000 |
| d) | Aggregated information:<br>Aggregated<br>volumesPrices | See 4(c) above                            |
| e) | Date of the transaction                                | 28 June 2022                              |
| f) | Place of the<br>transaction                            | London Stock<br>Exchange                  |
|    |                                                        |                                           |

# INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

## ARCONTECH GROUP PLC

("Arcontech" or the "Group")

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

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 2021.

### Overview:

- Turnover decreased by 3.9% to £1,451,298 (H1 2020: £1,542,816) due to the challenging trading environment
- Profit before tax decreased by 15.3% to £428,924 (H1 2020: £506,237) reflecting higher investment in sales and lower exceptional profit

- Our preferred measure of profit before tax which excludes the release of accruals unrelated to the underlying business declined by 8.2% to £424,425 (H1 2020: £462,238)
- Recurring revenues represented 98% of total revenues for the period (H1 2020: 97%).
- Net cash of £5,620,352 at 31 December 2021, up 12.5% (H1 2020: £4,997,822)
- Profit before tax for the year to 30 June 2022 is expected to be in line with revised market expectations

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

“The Board is confident that we remain well placed to return to growth as the market returns to pre-pandemic normality. Our desktop products and our server-side business are well embedded in our customer base, our business remains robust with good profitability and we believe the work our sales team is doing will produce future growth.”

**Enquiries:**

|                                                  |                  |
|--------------------------------------------------|------------------|
| Arcontech Group plc                              | 020 7256<br>2300 |
| Geoff Wicks, Chairman and Non-Executive Director |                  |
| Matthew Jeffs, Chief Executive                   |                  |
|                                                  |                  |
| finnCap Ltd (Nomad & Broker)                     | 020 7220<br>0500 |
| Carl Holmes/Tim Harper                           |                  |
|                                                  |                  |

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

This announcement contains inside information for the purposes

of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the company's obligations under Article 17 of MAR

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**

Although the pandemic which has overshadowed our performance for nearly two years remains a significant drag on our short-term growth we continue to have a robust and profitable business with a high proportion of recurring revenue (98%) and a strong balance sheet. As reported in November 2021, we lost two contracts where customers were reducing their spend, which will impact our financial performance both in this and the next financial year.

We retain a very impressive customer list and continue to build a strong list of potential new customers. However, the market remains challenging with few of our customers growing or making changes in areas of their businesses that we serve. Our investment in building our sales team will continue as we believe that there is strong pent-up demand which will be available to us once markets return to normal, allowing for face-face sales activities.

Revenue was £1.48 million, down 3.9% from £1.54 million in the comparative six month period, reported profit before tax ("PBT") was £0.43 million, 15.6% lower than the same period last year reflecting the loss of revenue, our continuing investment in sales capability and lower exceptional profit. Our preferred measure of PBT, adjusted to exclude the release of accruals for administrative costs in respect of prior years was down 8.2% to £0.42 million.□ These costs are not related

to the underlying business and amounted to £4,500 (H1 2020: £44,000).

## **Financing**

Our balance sheet remains very robust with net cash of £5.6 million, £0.6 million higher than at 31 December 2020, and £0.2 million higher than the level at 30 June 2021 providing resources for continued investment in sales and products and a small complementary acquisition.

## **Dividend**

No interim dividend is proposed to be paid in respect of the half year (2020: nil). The Board expects to continue its policy of paying a dividend following the announcement of its full year results.

## **Outlook**

We believe our strategy to support our existing customers to maximise opportunities while building our sales capability to grow our customer base globally remains the right way to proceed. Our desktop products and our server-side business are well embedded in our customer base and we expect growth as their businesses return to pre-pandemic normality.

**Geoff Wicks**

**Chairman and Non-Executive Director**

## **GROUP INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME**

|  |  | Note | Six months<br>ended<br>31December |  | Six months<br>ended<br>31December |  | Year ended30<br>June |
|--|--|------|-----------------------------------|--|-----------------------------------|--|----------------------|
|  |  |      | 2021                              |  | 2020                              |  | 2021                 |
|  |  |      | (unaudited)£                      |  | (unaudited)£                      |  | (audited)£           |
|  |  |      |                                   |  |                                   |  |                      |

|                                           |  |   |             |  |             |  |             |
|-------------------------------------------|--|---|-------------|--|-------------|--|-------------|
| <b>Revenue</b>                            |  |   | 1,452,498   |  | 1,542,816   |  | 2,988,842   |
|                                           |  |   |             |  |             |  |             |
| Administrative costs                      |  |   | (1,021,879) |  | (1,034,043) |  | (1,945,481) |
|                                           |  |   |             |  |             |  |             |
| <b>Operating profit</b>                   |  | 4 | 430,619     |  | 508,773     |  | 1,043,361   |
|                                           |  |   |             |  |             |  |             |
| Finance income                            |  |   | 6,521       |  | 8,442       |  | 13,260      |
|                                           |  |   |             |  |             |  |             |
| Finance costs                             |  |   | (8,216)     |  | (10,978)    |  | (20,307)    |
|                                           |  |   |             |  |             |  |             |
| <b>Profit before taxation</b>             |  |   | 428,924     |  | 506,237     |  | 1,036,314   |
|                                           |  |   |             |  |             |  |             |
| Taxation                                  |  | 6 | —           |  | —           |  | 10,796      |
|                                           |  |   |             |  |             |  |             |
| <b>Profit for the period after tax</b>    |  |   | 428,924     |  | 506,237     |  | 1,047,110   |
|                                           |  |   |             |  |             |  |             |
| <b>Total comprehensive income</b>         |  |   | 428,924     |  | 506,237     |  | 1,047,110   |
|                                           |  |   |             |  |             |  |             |
| <b>Profit per share (basic)</b>           |  |   | 3.21p       |  | 3.82p       |  | 7.88p       |
|                                           |  |   |             |  |             |  |             |
| <b>Adjusted* Profit per share (basic)</b> |  |   | 3.18p       |  | 3.49p       |  | 7.22p       |
|                                           |  |   |             |  |             |  |             |

|                                             |  |  |       |  |       |  |       |
|---------------------------------------------|--|--|-------|--|-------|--|-------|
| <b>Profit per share (diluted)</b>           |  |  | 3.20p |  | 3.76p |  | 7.79p |
|                                             |  |  |       |  |       |  |       |
| <b>Adjusted* Profit per share (diluted)</b> |  |  | 3.16p |  | 3.43p |  | 7.14p |

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<br>December 2021 | 31 December<br>2020 | 30<br>June 2021 |
|-------------------------------|-------------|---------------------|---------------------|-----------------|
|                               |             | (unaudited)£        | (unaudited)£        | (audited)£      |
| <b>Non-current assets</b>     |             |                     |                     |                 |
| Goodwill                      |             | 1,715,153           | 1,715,153           | 1,715,153       |
| Property, plant and equipment |             | 7,489               | 15,697              | 11,147          |
| Right of use asset            | 10          | 292,606             | 438,908             | 365,758         |
| Deferred tax asset            |             | 471,000             | 452,000             | 471,000         |
| Trade and other receivables   |             | 141,750             | 141,750             | 141,750         |
|                               |             |                     |                     |                 |
| Total non-current assets      |             | 2,627,998           | 2,763,508           | 2,704,809       |
|                               |             |                     |                     |                 |
| <b>Current assets</b>         |             |                     |                     |                 |

|                                |    |             |  |             |  |             |
|--------------------------------|----|-------------|--|-------------|--|-------------|
| Trade and other receivables    |    | 322,885     |  | 759,655     |  | 470,317     |
| Cash and cash equivalents      |    | 5,620,352   |  | 4,997,822   |  | 5,395,457   |
|                                |    |             |  |             |  |             |
| Total current assets           |    | 5,943,237   |  | 5,757,477   |  | 5,865,774   |
|                                |    |             |  |             |  |             |
| <b>Current liabilities</b>     |    |             |  |             |  |             |
| Trade and other payables       |    | (553,435)   |  | (643,512)   |  | (554,101)   |
| Deferred income                |    | (1,017,829) |  | (1,483,908) |  | (1,089,306) |
| Lease liabilities              | 10 | (151,948)   |  | (162,000)   |  | (148,450)   |
|                                |    |             |  |             |  |             |
| Total current liabilities      |    | (1,723,212) |  | (2,289,420) |  | (1,791,857) |
|                                |    |             |  |             |  |             |
| <b>Non-current liabilities</b> |    |             |  |             |  |             |
| Lease liabilities              | 10 | (118,994)   |  | (253,974)   |  | (195,853)   |
|                                |    |             |  |             |  |             |
| Total non-current liabilities  |    | (118,994)   |  | (253,974)   |  | (195,853)   |
|                                |    |             |  |             |  |             |
| <b>Net current assets</b>      |    | 4,220,025   |  | 3,468,057   |  | 4,073,917   |
|                                |    |             |  |             |  |             |
| <b>Net assets</b>              |    | 6,729,029   |  | 5,977,591   |  | 6,582,873   |
|                                |    |             |  |             |  |             |
| <b>Equity</b>                  |    |             |  |             |  |             |
| Share capital                  |    | 1,671,601   |  | 1,661,314   |  | 1,651,314   |
| Share premium account          |    | 115,760     |  | 65,381      |  | 92,360      |

|                      |  |           |  |           |  |           |
|----------------------|--|-----------|--|-----------|--|-----------|
| Shares to be issued  |  | —         |  | 31,642    |  | —         |
| Share option reserve |  | 290,713   |  | 206,797   |  | 271,207   |
| Retained earnings    |  | 4,650,955 |  | 4,012,457 |  | 4,553,329 |
|                      |  |           |  |           |  |           |
|                      |  | 6,729,029 |  | 5,977,591 |  | 6,582,873 |
|                      |  |           |  |           |  |           |

## GROUP CASH FLOW STATEMENT

|                                                     | Note | Six months ended<br>31December | Six months ended<br>31December | Year ended30<br>June |
|-----------------------------------------------------|------|--------------------------------|--------------------------------|----------------------|
|                                                     |      | 2021                           | 2020                           | 2021                 |
|                                                     |      | (unaudited)£                   | (unaudited)£                   | (audited)£           |
| <b>Cash generated from operating activities</b>     | 9    | <b>630,439</b>                 | <b>336,866</b>                 | <b>809,559</b>       |
|                                                     |      |                                |                                |                      |
| Tax recovered                                       | 6    | —                              | —                              | (8,204)              |
|                                                     |      |                                |                                |                      |
| <b>Net cash generated from operating activities</b> |      | <b>630,439</b>                 | <b>336,866</b>                 | <b>801,355</b>       |
|                                                     |      |                                |                                |                      |
| <b>Investing activities</b>                         |      |                                |                                |                      |
|                                                     |      |                                |                                |                      |
| Interest received                                   |      | 6,521                          | 8,442                          | 13,260               |
| Purchases of plant and equipment                    |      | (527)                          | (1,482)                        | (1,482)              |

|                                                               |  |  |                  |  |                  |                  |
|---------------------------------------------------------------|--|--|------------------|--|------------------|------------------|
|                                                               |  |  |                  |  |                  |                  |
| <b>Net cash generated from investing activities</b>           |  |  | <b>5,994</b>     |  | <b>6,960</b>     | <b>11,778</b>    |
|                                                               |  |  |                  |  |                  |                  |
| <b>Financing activities</b>                                   |  |  |                  |  |                  |                  |
|                                                               |  |  |                  |  |                  |                  |
| Proceeds from the exercise of options                         |  |  | 29,024           |  | 50,642           | 50,642           |
|                                                               |  |  |                  |  |                  |                  |
| Dividends paid                                                |  |  | (367,202)        |  | (333,594)        | (333,594)        |
|                                                               |  |  |                  |  |                  |                  |
| Payment of lease liabilities                                  |  |  | (73,360)         |  | (70,021)         | (141,693)        |
|                                                               |  |  |                  |  |                  |                  |
| <b>Net cash used in financing activities</b>                  |  |  | <b>(411,538)</b> |  | <b>(352,973)</b> | <b>(424,645)</b> |
| <b>Net (decrease) / increase in cash and cash equivalents</b> |  |  | <b>224,895</b>   |  | <b>(9,147)</b>   | <b>388,488</b>   |
|                                                               |  |  |                  |  |                  |                  |
| Cash and cash equivalents at beginning of period              |  |  | 5,395,457        |  | 5,006,969        | 5,006,969        |
|                                                               |  |  |                  |  |                  |                  |

|                                                   |  |  |                  |  |                  |  |                  |
|---------------------------------------------------|--|--|------------------|--|------------------|--|------------------|
| <b>Cash and cash equivalents at end of period</b> |  |  | <b>5,620,352</b> |  | <b>4,997,822</b> |  | <b>5,395,457</b> |
|---------------------------------------------------|--|--|------------------|--|------------------|--|------------------|

## GROUP STATEMENT OF CHANGES IN EQUITY

|                                           | Sharecapital     | Sharepremium  | Shares to be issued       | Share-based payments reserve | Retainedearnings | Total            |
|-------------------------------------------|------------------|---------------|---------------------------|------------------------------|------------------|------------------|
|                                           | £                | £             | £                         | £                            | £                | £                |
| <b>At 1 July 2020</b>                     | <b>1,651,314</b> | <b>56,381</b> | <b>–</b>                  | <b>188,639</b>               | <b>3,806,514</b> | <b>5,702,848</b> |
| Profit for the period                     | –                | –             | –                         | –                            | 506,237          | 506,237          |
| Total comprehensive income for the period | –                | –             | –                         | –                            | 506,237          | 506,237          |
| Exercise of options                       | 10,000           | 9,000         | 31,642                    | –                            | –                | 50,642           |
| Transfer between reserves                 | –                | –             | –                         | (33,300)                     | 33,300           | –                |
| Dividends paid                            | –                | –             | –                         | –                            | (333,594)        | (333,594)        |
| Share-based payments                      | –                | –             | –                         | 51,458                       | –                | 51,458           |
| Total transactions with owners            | 10,000           | 9,000         | 31,642                    | 18,158                       | (300,294)        | (231,494)        |
| <b>At 31 December 2020</b>                | <b>1,661,314</b> | <b>65,381</b> | <b>31,642<sup>1</sup></b> | <b>206,797</b>               | <b>4,012,457</b> | <b>5,977,591</b> |
| Profit for the period                     | –                | –             | –                         | –                            | 540,872          | 540,872          |
| Total comprehensive income for the period | –                | –             | –                         | –                            | 540,872          | 540,872          |
| Exercise of options                       | 4,663            | 26,979        | (31,642)                  | –                            | –                | –                |
| Share-based payments                      | –                | –             | –                         | 64,410                       | –                | 64,410           |
| Total transactions with owners            | 4,663            | 26,979        | (31,642)                  | 64,410                       | –                | 64,410           |
| <b>At 30 June 2021</b>                    | <b>1,665,977</b> | <b>92,360</b> | <b>–</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                       | 5,624            | 23,400         | –        | –              | –                | 29,024           |
| Transfer between reserves                 | –                | –              | –        | (35,904)       | 35,904           | –                |
| Dividends paid                            | –                | –              | –        | –              | (367,202)        | (367,202)        |
| Share-based payments                      | –                | –              | –        | 55,410         | –                | 55,410           |
| Total transactions with owners            | 5,624            | 23,400         |          | 19,506         | (331,298)        | (282,768)        |
| <b>At 31 December 2021</b>                | <b>1,671,601</b> | <b>115,760</b> | <b>–</b> | <b>290,713</b> | <b>4,650,955</b> | <b>6,729,029</b> |

## NOTES TO THE FINANCIAL INFORMATION

1. The figures for the six months ended 31 December 2021 and 31 December 2020 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 2021. 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 2021, 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 2021 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 2021, which were prepared under international accounting standards in conformity with the requirements 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 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 2020: £44,000; 30 June 2021: £88,000).

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 2021 of 13,355,719 (31 December 2020: 13,259,206; 30 June 2021: 13,290,672).

The number of dilutive shares under option at 31 December 2021 was 62,727 (31 December 2020: 214,217; 30 June 2021: 143,168). 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.

7. A final dividend in respect of the year ended 30 June 2021 of 2.75 pence per share (2020: 2.50 pence per share) was paid on 8 October 2021.

8. The Directors have elected not to apply IAS 34 Interim financial reporting.

9. Cash generated from operations

|                                                    | Six months<br>ended<br>31December | Six months<br>ended<br>31December | Year<br>ended30<br>June |  |  |  |
|----------------------------------------------------|-----------------------------------|-----------------------------------|-------------------------|--|--|--|
|                                                    | 2021                              | 2020                              | 2021                    |  |  |  |
|                                                    | (unaudited)£                      | (unaudited)£                      | (audited)£              |  |  |  |
|                                                    |                                   |                                   |                         |  |  |  |
| Operating profit                                   | 430,619                           | 508,773                           | 1,043,361               |  |  |  |
|                                                    |                                   |                                   |                         |  |  |  |
| Depreciation charge                                | 77,337                            | 78,254                            | 155,954                 |  |  |  |
|                                                    |                                   |                                   |                         |  |  |  |
| Non-cash share option charges                      | 55,410                            | 51,457                            | 115,867                 |  |  |  |
|                                                    |                                   |                                   |                         |  |  |  |
| Lease interest paid                                | (8,216)                           | (10,978)                          | (20,307)                |  |  |  |
| Decrease/(increase) in trade and other receivables | 147,432                           | (567,023)                         | (277,686)               |  |  |  |
|                                                    |                                   |                                   |                         |  |  |  |
| (Decrease)/increase in trade and other payables    | (72,143)                          | 276,383                           | (207,630)               |  |  |  |
|                                                    |                                   |                                   |                         |  |  |  |
|                                                    |                                   |                                   |                         |  |  |  |
| Cash generated from operations                     | 630,439                           | 336,866                           | 809,559                 |  |  |  |
|                                                    |                                   |                                   |                         |  |  |  |
|                                                    |                                   |                                   |                         |  |  |  |

10. 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<br>use<br>asset£ |  | Prepayments £ |  | Lease<br>liability£ |  | Income<br>statement£ |
|---------------------------------------------------|---------------------------|--|---------------|--|---------------------|--|----------------------|
| As at 1 July<br>2021                              | 365,758                   |  | –             |  | (344,303)           |  | –                    |
|                                                   |                           |  |               |  |                     |  |                      |
| Depreciation                                      | (73,152)                  |  | –             |  | –                   |  | (73,152)             |
| Interest                                          | –                         |  | –             |  | (7,640)             |  | (7,640)              |
| Lease payments                                    | –                         |  | –             |  | 81,000              |  | –                    |
|                                                   |                           |  |               |  |                     |  |                      |
|                                                   |                           |  |               |  |                     |  |                      |
| <b>Carrying value<br/>at 31 December<br/>2021</b> | <b>292,606</b>            |  | <b>–</b>      |  | <b>(270,943)</b>    |  | <b>(80,792)</b>      |
|                                                   | Right of<br>use<br>asset£ |  | Prepayments £ |  | Lease<br>liability£ |  | Income<br>statement£ |
| As at 1 July<br>2020                              | 512,061                   |  | –             |  | (485,996)           |  | –                    |
|                                                   |                           |  |               |  |                     |  |                      |
| Depreciation                                      | (73,153)                  |  | –             |  | –                   |  | (73,153)             |
| Interest                                          | –                         |  | –             |  | (10,978)            |  | (10,978)             |
| Lease<br>payments                                 | –                         |  | –             |  | 81,000              |  | –                    |
|                                                   |                           |  |               |  |                     |  |                      |
|                                                   |                           |  |               |  |                     |  |                      |

|                                                       |                |  |          |  |                  |  |                 |
|-------------------------------------------------------|----------------|--|----------|--|------------------|--|-----------------|
| <b>Carrying<br/>value at 31<br/>December<br/>2020</b> | <b>438,908</b> |  | <b>–</b> |  | <b>(415,974)</b> |  | <b>(84,131)</b> |
|                                                       |                |  |          |  |                  |  |                 |

<sup>1</sup> At 31 December 2020 £31,642 had been received from an optionholder as subscription funds to acquire 37,301 Ordinary Shares in the Company. The shares were issued post reporting date on 25 January 2021.

[Arcontech Interim Results for the six months ended 31 December 2021](#)