INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

ARCONTECH GROUP PLC

("Arcontech" or the "Group")

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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."

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To access more information on the Group please visit: 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 ended 31December**		Six months ended 31December		Year ended30 June
			2021		2020		2021
			(unaudited)£		(unaudited)£		(audited)£
Revenue			1,452,498		1,542,816		2,988,842
Administrative costs			(1,021,879)		(1,034,043)		(1,945,481)
Operating profit		4	430,619		508,773		1,043,361
Finance income			6,521		8,442		13,260
Finance costs			(8,216)		(10,978)		(20,307)
Profit before taxation			428,924		506,237		1,036,314

Taxation		6	–		–		10,796
Profit for the period after tax			428,924		506,237		1,047,110
Total comprehensive income			428,924		506,237		1,047,110
Profit per share (basic)			3.21p		3.82p		7.88p
Adjusted* Profit per share (basic)			3.18p		3.49p		7.22p
Profit per share (diluted)			3.20p		3.76p		7.79p
Adjusted* Profit per share (diluted)			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

	Note	31 December 2021		31 December 2020		30 June2021
		(unaudited)£		(unaudited)£		(audited)£
Non-current assets						
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
Current assets						
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
Current liabilities						
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)
Non-current liabilities						
Lease liabilities	10	(118,994)		(253,974)		(195,853)
Total non-current liabilities		(118,994)		(253,974)		(195,853)
Net current assets		4,220,025		3,468,057		4,073,917
Net assets		6,729,029		5,977,591		6,582,873
Equity						
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 31December**		Six months ended 31December		Year ended30 June
			2021		2020		2021
			(unaudited)£		(unaudited)£		(audited)£

Cash generated from operating activities		9	**630,439**		**336,866**		**809,559**
Tax recovered		6	—		—		(8,204)
Net cash generated from operating activities			**630,439**		**336,866**		**801,355**
Investing activities							
Interest received			6,521		8,442		13,260
Purchases of plant and equipment			(527)		(1,482)		(1,482)
Net cash generated from investing activities			**5,994**		**6,960**		**11,778**
Financing activities							
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)
Net cash used in financing activities			**(411,538)**		**(352,973)**		**(424,645)**
Net (decrease) / increase in cash and cash equivalents			**224,895**		**(9,147)**		**388,488**
Cash and cash equivalents at beginning of period			5,395,457		5,006,969		5,006,969
Cash and cash equivalents at end of period			**5,620,352**		**4,997,822**		**5,395,457**

GROUP STATEMENT OF CHANGES IN EQUITY

	Sharecapital	Sharepremium	Shares to be issued	Share-based payments reserve	Retainedearnings	Total
	£	£	£	£	£	£
At 1 July 2020	**1,651,314**	**56,381**	**–**	**188,639**	**3,806,514**	**5,702,848**
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)
At 31 December 2020	**1,661,314**	**65,381**	**31,642**[1]	**206,797**	**4,012,457**	**5,977,591**
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
At 30 June 2021	**1,665,977**	**92,360**	**–**	**271,207**	**4,553,329**	**6,582,873**
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)
At 31 December 2021	**1,671,601**	**115,760**	**–**	**290,713**	**4,650,955**	**6,729,029**

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 1st Floor 11-21 Paul Street, London, EC2A 4JU or from the Company's website at www.arcontech.com.

4. Operating profit is stated after release of accruals for administrative expenses in respect of prior years of £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 ended 31December		Six months ended 31December		Year ended30 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 use asset£		Prepayments £		Lease liability£		Income statement£
As at 1 July 2021	365,758		–		(344,303)		–
Depreciation	(73,152)		–		–		(73,152)

Interest	–		–		(7,640)		(7,640)
Lease payments	–		–		81,000		–
Carrying value at 31 December 2021	**292,606**		**–**		**(270,943)**		**(80,792)**

	Right of use asset£		Prepayments £		Lease liability£		Income statement£
As at 1 July 2020	512,061		–		(485,996)		–
Depreciation	(73,153)		–		–		(73,153)
Interest	–		–		(10,978)		(10,978)
Lease payments	–		–		81,000		–
Carrying value at 31 December 2020	**438,908**		**–**		**(415,974)**		**(84,131)**

[1] 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