INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

ARCONTECH GROUP PLC

("Arcontech" or the "Group")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

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 2023.

Overview:

- Revenue increased by 6.8% to £1,448,804 (H1 2022: £1,357,041) reflecting the new business secured during the period under review
- Profit before tax increased by 44.7% to £538,790 (H1 2022: £372,414) reflecting the contribution from higher revenues and higher interest earned on cash deposits
- Our preferred measure of adjusted profit before tax, which excludes the release of accruals unrelated to the underlying business, increased by 45.3% to £534,775 (H1 2022: £367,914)
- Recurring revenues represented 100% of total revenues for the period (H1 2022: 100%)
- Net cash of £5,734,226 at 31 December 2023, down 2.9% (H1 2022: £5,908,814) after a record dividend payment of £468,048 paid on 3 November 2023
- Revenue expectation for the full year remains in line with current market expectations however, profit before tax for the year to 30 June 2024 is expected to be

slightly ahead of market expectations. This is the result of higher interest income on cash balances received than previously forecast, and a reduction in operational expenditure.

Geoff Wicks, Chairman of Arcontech, said:

"We believe our strategy has brought us through a difficult period of poor market conditions well. Our focus is firmly on our core markets where we believe we are best placed to build sustainable growth. We have invested in our ability to grow globally and although lead times and competitive markets mean slow progress, we have started to experience some growth and we are confident about this continuing."

Enquiries:

Arcontech Group plc	020 7256 2300
Geoff Wicks, Chairman and Non-Executive Director	
Matthew Jeffs, Chief Executive	
Cavendish Capital Markets Ltd (Nomad & Broker)	020 7220 0500
Carl Holmes/George Dollemore Harriet Ward (ECM)	

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

The interim report will only be available to view online enabling the Group to communicate in a more environmentally friendly and cost-effective manner.

Chairman's Statement

Arcontech is beginning to see some small improvements in market conditions and new projects we have been working on come to fruition. There remain challenges in the market and lead times are longer than before but we announced one major new contract recently and we have the start of growth at existing customers. Our pipeline is improving and we are confident that we are in a good position to recover some of the ground we lost over the last few years.

We have retained a significant customer base, much of which is now on longer contracts. Nearly all our revenue is now recurring which provides good visibility and will help us to maintain growth. While we have been investing in our sales and support operations, careful cost control has allowed us to grow profit, although the last year's H1 profit was depressed by the impact of lost business, so flatters this year's number.

Revenue was £1.44 million, up 6.8% on the same period last year, Profit before tax ("PBT") was £0.54 million, up 44.7% on the same period last year. Adjusted profit before tax, which is PBT before the release of accruals for administrative costs in respect of prior years was £0.53 million, up 45.3% on the previous year.

Financing

Our balance sheet remains robust with net cash of £5.7 million, £0.2 million lower than at 31 December 2022, and £0.7 million lower than the level at 30 June 2023 after payment to shareholders of a record dividend of £0.4 million, and a change to the billing cycle for a large customer. As at the date of releasing this report the net cash balance is £6.8m. This cash position allows for continued investment in sales and products and for us to remain alert to opportunities to acquire small complementary businesses.

Dividend

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

Outlook

We believe our strategy has brought us through a difficult period in poor market conditions in good shape. Our focus is firmly on growth in our core markets where we believe we are best placed to build sustainable growth. We have invested in our ability to grow globally and although lead times and competitive markets mean slow progress we are confident about future growth.

Geoff Wicks

Chairman and Non-Executive Director

GROUP INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

		Note	**Six months ended 31 December**		Six months ended 31 December		Year ended 30 June
			2023		2022		2023
			(unaudited) £		(unaudited) £		(audited) £
Revenue			1,448,804		1,357,041		2,730,172
Administrative costs			(1,039,456)		(995,636)		(1,924,962)
Operating profit		4	409,348		361,405		805,210
Finance income			126,055		15,840		76,977

Finance costs		13	3,387		(4,831)		(6,491)
Changes in estimated variable remuneration liability		5	–		–		110,000
Profit before taxation			538,790		372,414		985,696
Taxation		7	–		–		(5,587)
Profit for the period after tax			538,790		372,414		980,109
Total comprehensive income			538,790		372,414		980,109
Profit per share (basic)			4.03p		2.78p		7.33p
Adjusted* Profit per share (basic)			4.00p		2.75p		6.44p
Profit per share (diluted)			4.02p		2.77p		7.32p

Adjusted* Profit per share (diluted)			3.99p		2.74p		6.43p

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 2023		31 December 2022		30 June 2023
		(unaudited) £		(unaudited) £		(audited) £
Non-current assets						
Goodwill		1,715,153		1,715,153		1,715,153
Property, plant and equipment		6,325		4,420		5,950
Right of use asset	13	559,098		146,303		73,152
Deferred tax asset		328,000		318,000		328,000
Trade and other receivables	10	141,750		141,750		–
Total non-current assets		2,750,326		2,325,626		2,122,255

Current assets						
Trade and other receivables	10	1,335,408		1,584,539		499,861
Cash and cash equivalents		5,734,226		5,908,814		6,411,241
Total current assets		7,069,634		7,493,353		6,911,102
Current liabilities						
Trade and other payables	11	(473,512)		(891,203)		(427,030)
Deferred income		(1,013,405)		(1,854,240)		(881,858)
Lease liabilities	13	(68,869)		(118,994)		(40,324)
Provisions		(50,000)		–		(50,000)
Total current liabilities		(1,605,786)		(2,864,437)		(1,399,212)
Non-current liabilities						
Lease liabilities	13	(483,641)		–		–
Provisions		(20,000)		–		(20,000)

Total non-current liabilities		(503,641)		–		(20,000)
Net current assets		5,463,848		4,628,916		5,511,890
Net assets		7,710,533		6,954,542		7,614,146
Equity						
Share capital		1,671,601		1,671,601		1,671,601
Share premium account		115,761		115,761		115,761
Share option reserve		305,101		306,440		279,455
Retained earnings		5,618,070		4,860,740		5,547,328
		7,710,533		6,954,542		7,614,145

GROUP CASH FLOW STATEMENT

		Note	**Six months ended 31 December**		Six months ended 31 December		Year ended 30 June
			2023		2022		2023
			(unaudited) £		(unaudited) £		(audited) £

Cash (used in) / generated from operating activities		12	**(296,937)**		**383,087**		**901,422**
Tax paid		7	–		(4,993)		–
Net cash generated from operating activities			**(296,937)**		**378,094**		**901,422**
Investing activities							
Interest received			126,055		15,840		76,977
Proceeds on disposal of fixed assets			417		–		–
Purchases of plant and equipment			(3,471)		(114)		(3,480)
Net cash generated from investing activities			**123,001**		**15,726**		**73,497**

Financing activities							
Dividends paid			(468,048)		(434,616)		(434,616)
Payment of lease liabilities			(35,031)		(76,859)		(155,529)
Net cash used in financing activities			**(503,079)**		**(511,475)**		**(590,145)**
Net (decrease) / increase in cash and cash equivalents			**(677,015)**		**(117,655)**		**384,772**
Cash and cash equivalents at beginning of period			6,411,241		6,026,469		6,026,469

Cash and cash equivalents at end of period			**5,734,266**		**5,908,814**		**6,411,241**

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Share-based payments reserve	Retained earnings	Total
	£	**£**	**£**	**£**	**£**
At 1 July 2022	**1,671,601**	**115,761**	**270,825**	**4,913,137**	**6,971,324**
Profit for the period	–	–	–	372,414	372,414
Total comprehensive income for the period	–	–	–	372,414	372,414
Transfer between reserves	–	–	(9,805)	9,805	–
Dividends paid	–	–	–	(434,616)	(434,616)
Share-based payments	–	–	45,420	–	45,420
Total transactions with owners	–	–	35,615	(424,811)	(389,196)
At 31 December 2022	**1,671,601**	**115,761**	**306,440**	**4,860,740**	**6,954,542**
Profit for the period	–	–	–	607,695	607,695
Total comprehensive income for the period	–	–	–	607,695	607,695
Transfer between reserves	–	–	(78,893)	78,893	–
Share-based payments	–	–	51,908	–	51,908

Total transactions with owners	–	–	(26,985)	78,893	51,908
At 30 June 2023	**1,671,601**	**115,761**	**279,455**	**5,547,328**	**7,614,145**
Profit for the period	–	–	–	538,790	538,790
Total comprehensive income for the period	–	–	–	538,790	538,790
Dividends paid	–	–	–	(468,048)	(468,048)
Share-based payments	–	–	25,646	–	25,646
Total transactions with owners	–	–	25,646	(468,048)	(442,402)
At 31 December 2023	**1,671,601**	**115,761**	**305,101**	**5,618,070**	**7,710,533**

NOTES TO THE FINANCIAL INFORMATION

1. The figures for the six months ended 31 December 2023, and 31 December 2022, 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 2023. 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 2023, 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 2023 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 2023, which were prepared in accordance with UK-adopted international accounting standards, have been delivered to the Registrar of

Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under either Section 498(2) or Section 498(3) of the Companies Act 2006 and did not include references to any matters to which the auditor drew attention by way of emphasis.

3. Copies of this statement are available from the Company Secretary at the Company's registered office at 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 £4,014 (31 December 2022: £4,500; 30 June 2023: £8,393).
5. During the year to 30 June 2023, the Group Income Statement included the release of £110,000 in accrued bonuses which was been disclosed separately. The Board's best estimate of the liability to pay bonuses as at 30 June 2022 was £170,000 which was recorded with the prior year accruals. In the year to 30 June 2023, £110,000 of this liability was released to the Group Income Statement following annual reappraisal of the estimated liability at 30 June 2023.
6. 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 2023 of 13,372,811 (31 December 2022: 13,372,811 30 June 2023: 13,372,811).

   The number of dilutive shares under option at 31 December 2023 was 26,988 (31 December 2022: 18,612; 30 June 2023: 14,805). 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.

7. Taxation is based on the unaudited results and provision has been estimated at the rate applicable to the Company at the time of this statement and expected to be applied to the total annual earnings. No corporation tax has been charged in the period as any liability has been offset against tax losses brought forward from prior years. The tax paid represents the cash payment of tax liability from the preceding income tax year.
8. A final dividend in respect of the year ended 30 June 2023 of 3.5 pence per share (2022: 3.25 pence per share) was paid on 3 November 2023.
9. The Directors have elected not to apply IAS 34 Interim financial reporting.
10. Trade and other receivables

	31 December 2023 £ (unaudited)		31 December 2022 £ (unaudited)		30 June 2023 £ (audited)
Due within one year:					
Trade and other receivables	1,137,648		1,468,165		136,250
Prepayments and accrued income	197,760		116,374		221,861
Other receivables	–		–		141,750
	1,335,408		1,584,539		499,861

	31 December 2023 £ (unaudited)		31 December 2022 £ (unaudited)		30 June 2023 £ (audited)
Due after more than one year:					
Other receivables	141,750		141,750		–
	141,750		141,750		–

11. Trade and other payables

	31 December 2023 £ (unaudited)		31 December 2022 £ (unaudited)		30 June 2023 £ (audited)
Trade payables	27,055		33,078		44,995
Other tax and social security payable	69,714		319,265		58,185
Other payables and accruals	376,743		538,860		323,850
	473,512		891,203		427,030

12. Cash generated from operations

		Six months ended 31 December		Six months ended 31 December		Year ended 30 June			
		2023		2022		2023			
		(unaudited) £		(unaudited) £		(audited) £			

Operating profit		**409,348**		361,405		915,210			
Depreciation charge		**76,688**		75,390		150,377			
Non-cash share option charges		**25,646**		45,420		97,328			
Lease interest paid		**(476)**		(4,141)		(6,471)			
Other interest paid		**(1,141)**		(690)		(20)			
Profit on disposal of fixed assets		**(152)**		–		–			
Increase in trade and other receivables		**(990,910)**		(1,240,846)		(9,425)			
Increase/(decrease) in trade and other payables		**184,060**		1,146,549		(265,577)			
Increase in provisions		–		–		20,000			
Cash (used in) / generated from operations		**(296,937)**		383,087		901,422			

13. Leases

As a lessee, under IFRS 16 the Group recognises right-of-use assets and lease liabilities for all leases on its balance sheet. The only lease applicable under IFRS 16 is the Group’s office.

The key impacts on the Statement of Comprehensive Income and the Statement of Financial Position are as follows:

	Right of use asset £		Lease liability £		Income statement £
As at 1 July 2023	73,152		(40,324)		–
Recognition of new lease under IFRS 16	559,803		(552,220)		–
Depreciation	(73,857)		–		(73,857)
Liability write-back at expiry	–		5,293	1	5,293
Interest	–		(765)		(765)
Lease payments	–		35,506		–
Carrying value at 31 December 2023	**559,098**		**(552,510)**		**(69,329)**

1 The lease interest charge for the period under review included a credit entry to write-off the balance of the old office lease liability at expiry of the lease. The credit arose due to the final lease payment being applied on a pro-rata basis for the final quarter. The final lease payment made was £35,506 and not £40,500 which was the amount used when calculating the initial value of the lease liability.

	Right of use asset £		Lease liability £		Income statement £
As at 1 July 2022	219,455		(195,853)		–
Depreciation	(73,152)		–		(73,152)
Interest	–		(4,141)		(4,141)
Lease payments	–		81,000		–

Carrying value at 31 December 2022	**146,303**		**(118,994)**		**(77,293)**

Contractual maturity analysis of lease liabilities as at 31 December 2023

	Less than 3 months £	3 – 12 months £	1 – 5 Years £	Longer than 5 Years £	Total £
Lease liabilities	–	113,400	439,110	–	552,510

Arcontech Interim Results for the six months ended 31 December 2023