ARCONTECH GROUP PLC

("Arcontech", the "Company" or the "Group")

Final Results for the year ended 30 June 2021

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 2021.

Financial Highlights:

- Turnover increased by 1.1% to £2,988,842 (2020: £2,955,314)
- Profit before tax was £1,036,314 (2020: £1,040,969) – broadly flat on the previous year as expected
- Cash balances up 7.8% to £5,395,457 as at 30 June 2021 (30 June 2020: £5,006,969)
- Fully diluted earnings per share of 7.88p (2020: 9.22p restated)
- Final dividend increased 10% to 2.75 pence per share (2020: 2.5 pence per share)

Operational Highlights:

- Net sales impacted by pandemic
- Increased investment in sales and new product development
- 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:

"The future for our market remains uncertain and it may be some time until it returns to previous levels of activity. We continue to work towards future sales and already have a high level of pent up demand with the strongest list of prospective new customers for a long time. However, due to the impact of Covid on net new sales in the 2020/21 financial year, this year's profit is expected to be flat or lower, as any pick up in revenue will not be fully reflected in our results until 2022/23. As the market comes out of this difficult period we are confident we will return to growth given the flexibility provided by our strong balance sheet and the strength of our customer relationships and product profile".

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:

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

Chairman's Statement

Following my first full year as Chairman I am pleased to be able to report that Arcontech has come through the pandemic so far in good shape. The Company closed the year with revenue and profit as expected in line with last year's performance. Profit before taxation was £1,036,314 (2020: £1,040,969) flat on last year. These figures include accruals no longer required which are unrelated to the underlying business amounting to £88,000 (2020: £86,500). After adjusting for release of these accruals, profit before taxation is £948,314 (2020: £954,469). This was achieved at the same time as maintaining our focus and investment on growing our sales and marketing capability, which will stand us in good stead as markets return to more normal conditions.

Turnover was £2,988,842 (2020: £2,955,314) up by £33,528 on last year. Our customers continue to be cautious and new projects have largely been shelved. During this period of inertia in the market our focus has been on maintaining a high level of service to our current customer base while continuing to build our list of potential customers. Our recurring revenue base of around 93% provides stability and visibility of earnings and has allowed us to continue with our growth strategy with confidence.

Our cost base has been managed to good effect although we have not reduced staff numbers nor did we furlough any staff as we continue to build relationships in the market and to make improvements to our products. Sales cycles have always been long for the Company and more recently decision making in our market segment is largely being postponed, although interest in our products and services is still growing.

Statutory earnings per share for the year to 30 June 2021 was 7.88p (2020: 9.22p), with the decline in earnings largely reflecting the lower tax credit. At 30 June 2021 the Group has tax losses of approximately £8,500,000 (2020: £8,900,000) to offset against future trading profits.

Financing
Cash balances were £5,395,457 (2020: £5,006,969) at the end of the year, an increase of 7.8%, providing a robust balance sheet overall. This is a reflection of the close attention paid to the management of our cost base and allows us to have confidence to continue with our progressive dividend policy and to continue to look at ways to grow the business through means other than organically.

Dividend
I am pleased to announce that, subject to approval at the Annual General Meeting, we intend to pay a dividend of 2.75 pence per share for the year ended 30 June 2021 (30 June 2020: 2.5 pence), an increase of 10%, to those shareholders on the register as at the close of business on 10 September 2021 with an ex-dividend date of 9 September 2021.

Employees
Our first thoughts through this trying period have been for the safety and well-being of our staff. We are fortunate that they have all been able to work from home and productivity has remained high. I am pleased that our staff have performed well during this period and I would like to thank them for all their hard work adapting to new working practices and technologies.

Outlook
The future for our market remains uncertain and it may be some time until it returns to previous levels of activity. We continue to work towards future sales and already have a high level of pent up demand, with the strongest list of prospective new customers for a long time. However, due to the impact of Covid on net new sales in the 2020/21 financial year, this year's profit is expected to be flat or lower, as any pick up in revenue will not be fully reflected in our results until 2022/23. As the market comes out of this difficult period we are confident we will return to growth given the flexibility provided by our strong balance sheet and the strength of our customer relationships and product profile.

Geoff Wicks
Chairman

Chief Executive's Review

I am pleased to report that despite a year of uncertainty and caution that we have achieved our strategic and financial goals and at the same time, positioned the Company for continued stability and growth as normality returns to the market.

Cost control remained paramount within the context of investing in sales and despite the full year's impact of the two additional salesmen, statutory profit before tax remained broadly unchanged at £1,036,314 (2020: £1,040,969), equally, our preferred measure of profit before tax which excludes accruals unrelated to the underlying business, at £948,314 (£954,469).

In terms of business development, we won a brand new Tier 1 bank client, added new business with an existing Tier 1 bank to upgrade their system and integrate it with their in-house data feed but regrettably, lost a regional client whose requirements have changed. The number of end users for our desktop software solution and Excelerator numbers remained stable.

Development work for the year consisted of adding functionality in response to specific requests from existing clients, completing our newly developed alerting and monitoring capabilities to make them production ready and implementing the upgrade to our Unix system interface to the in-house system for one of our Tier 1 clients.

We also made significant progress developing two new offerings for existing and potential clients in the form of a data permissioning system and a tick history database. The new permissioning system rounds out our offering for a market-data platform so that we can offer wholesale replacement rather than select components, whilst the tick history database will enable us to address a related business case that operates in parallel with the areas we currently address.

The new software along with our existing systems are completely compatible with any deployment situation or combination of situations a client requires: on-premise, data centre co-location or with any cloud provider.

During the year our sales team has been focused on uncovering new opportunities. We have as a result identified and qualified prospects across 6 countries in which we do not currently have a presence. With an initial online relationship established we look forward to strengthening ties with face-to-face visits when possible. I should also note that the existing opportunities that were in our pipeline before the pandemic remain and as confirmed by the clients and prospective clients, have simply been deferred.

For existing clients our exceptional support continues to be a differentiator. We have helped several clients with projects initiated before the pandemic and continue to do so. At the same time we have helped with and resolved the usual day to day issues and queries for clients who are, in the main, also facing similar challenges of remote working and restricted travel and the Board and I are grateful to them.

Given the strength of our balance sheet we are taking a more proactive approach to potential opportunities in the market. We believe that there may be potential beneficial acquisitions to explore as a result of current market conditions.

In the new financial year we are continuing to support our clients and we expect to gain from the armoury of new product functionality, two new product solutions and the expanded lead base. However, face-to-face contact is still difficult with prospects outside of the U.K. which continues to hamper the winning of new business. We expect this to change as vaccination programs roll out across the world, international travel resumes and clients return to offices.

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 2021.

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 £2,988,842 (2020: £2,955,314; 2019: £2,841,362)	Measurement: Revenue from sales made to all customers (excluding intra-group sales which eliminate on consolidation) Performance: Continued growth driven by increased sales of our product offering
Adjusted profit £959,110 (2020: £1,131,203; 2019: £835,248)	Measurement: Profit after tax and before release of accruals for administrative costs in respect of prior years Performance: Continued growth reflects increase in revenues whilst continuing to maintain tight cost control
Cash £5,395,457 (2020: £5,006,969; 2019: £4,063,484)	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) 7.88p (2020: 9.22; 2019: 7.51p)	Measurement: Earnings after tax divided by the weighted average number of shares Performance: Continued growth
Earnings per share (diluted) 7.79p (2020: 9.03p; 2019: 7.42p)	Measurement:

	Earnings after tax divided by the fully diluted number of shares Performance: Continued growth

Non-financial KPIs:

Staff retention rate (net) 93% (2020: 91%; 2019: 100%)	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	Mitigation
Competition	Ongoing investment in research and development Responding to the changing needs of clients to remain competitive
Loss of key personnel	Employee share option scheme in place
Covid-19 pandemic	The Directors and employees are operating remotely in order to protect their health and safety At present the Company believes that there should be no significant material disruption to its work
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; and
- Consider the impact of the Company's operations on the community and the environment.

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 appraised 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 2021:

- 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;
- Adapting a rapid response to the working location restrictions arising from the Covid-19 pandemic, 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 2021, 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:

- Attended the 2020 AGM to answer questions and receive additional feedback from investors;
- 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; and
- Monitored company culture and engaged with employees on efforts to continuously improve company culture and morale.

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 31 August 2021 by:

Matthew Jeffs
Chief Executive

Group Income Statement and Statement of Comprehensive Income
For the year ended 30 June 2021

	Note	2021	2020
		£	**£**
Revenue	3	2,988,842	2,955,314
Administrative costs		(1,945,481)	(1,917,502)
Operating profit	4	1,043,361	1,037,812
Net finance (expense) / income	5	(7,047)	3,157
Profit before taxation		1,036,314	1,040,969
Taxation	9	10,796	176,734
Profit for the year after tax		1,047,110	1,217,703
Total comprehensive income for the year		1,047,110	1,217,703
Earnings per share (basic)	10	7.88p	9.22p
Adjusted* Earnings per share (basic)	10	7.22p	8.56p
Earnings per share (diluted)	10	7..79p	9.03p
Adjusted* Earnings per share (diluted)	10	7.14p	8.39p

*Adjusted to exclude the release of accruals for administrative costs of £88,000 (2020: £86,500) in respect of prior years.

All of the results relate to continuing operations.

Statement of Changes in Equity
For the year ended 30 June 2021

Group:

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
Balance at 30 June 2019	1,651,314	56,381	99,647	2,842,966	4,650,308
Profit for the year	-	-	-	1,217,703	1,217,703
Total comprehensive income for the year	-	-	-	1,217,703	1,217,703
Dividend paid	-	-	-	(263,591)	(263,591)
Share-based payments	-	-	98,428	-	98,428
Transfer between reserves	-	-	(9,436)	9,436	-
Balance at 30 June 2020	1,651,314	56,381	188,639	3,806,514	5,702,848
Profit for the year	-	-	-	1,047,110	1,047,110
Total comprehensive income for the year	-	-	-	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	-
Balance at 30 June 2021	1,665,977	92,360	271,207	4,553,329	6,582,873

Company:

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
Balance at 30 June 2019	1,651,314	56,381	99,647	4,378,109	6,185,451
Profit for the year	-	-	-	326,348	326,348
Total comprehensive expense for the year	-	-	-	326,348	326,348
Dividend paid	-	-	-	(263,591)	(263,591)
Share-based payments	-	-	98,428	-	98,428
Transfer between reserves	-	-	(9,436)	9,436	-
Balance at 30 June 2020	1,651,314	56,381	188,639	4,450,302	6,346,636
Profit for the year	-	-	-	181,744	181,744
Total comprehensive income for the year	-	-	-	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	-
Balance as at 30 June 2021	1,665,977	92,360	271,207	4,331,751	6,361,295

Balance Sheet
As at 30 June 2021
Registered number: 04062416

	Note	**Group 2021 £**	**Group 2020 £**	**Company 2021 £**	**Company 2020 £**
Non-current assets					
Goodwill	11	1,715,153	1,715,153	-	-
Property, plant and equipment	12	11,147	19,316	-	-
Right of use asset	17	365,758	512,061	-	-
Investments in subsidiaries	13	-	-	2,017,471	2,017,471
Deferred tax asset	18	471,000	452,000	55,000	151,000
Trade and other receivables	14	141,750	141,750	-	-
Total non-current assets		2,704,809	2,840,280	2,072,471	2,168,471
Current assets					
Trade and other receivables	14	470,317	192,632	3,263,467	3,181,410
Cash and cash equivalents	15	5,395,457	5,006,969	1,077,741	1,146,700
Total current assets		5,865,774	5,199,601	4,341,208	4,328,110
Current liabilities					
Trade and other payables	16	(1,643,407)	(1,851,037)	(52,384)	(149,945)
Lease liabilities	17	(148,450)	(141,693)	-	-
Total current liabilities		(1,791,857)	(1,992,730)	(52,384)	(149,945)
Non-current liabilities					
Lease liabilities	17	(195,853)	(344,303)	-	-
Total Non-current liabilities		(195,853)	(344,303)	-	-
Net current assets		4,073,917	3,206,871	4,288,824	4,178,165
Net assets		6,582,873	5,702,848	6,361,295	6,346,636
Equity					
Called up share capital	19	1,665,977	1,651,314	1,665,977	1,651,314
Share premium account	20	92,360	56,381	92,360	56,381
Share option reserve	20	271,207	188,639	271,207	188,639
Retained earnings	20	4,553,329	3,806,514	4,331,751	4,450,302
		6,582,873	5,702,848	6,361,295	6,346,636

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 £181,744 (2020: £326,348).

Approved on behalf of the board on 31 August by:

Matthew Jeffs
Chief Executive

Group Cash Flow Statement
For the year ended 30 June 2021

	Note	2021 £	2020 £
Cash generated from operations	22	**809,559**	**1,315,421**
Tax (paid)/recovered		(8,204)	9,734
Net cash generated from operating activities		**801,355**	**1,325,155**
Investing activities			
Interest received		13,260	29,914
Purchases of plant and equipment		(1,482)	(12,750)
Net cash generated from investing activities		**11,778**	**17,164**
Financing activities			
Proceeds from the issue of shares		50,642	-
Dividend paid		(333,594)	(263,591)
Payment of lease liabilities		(141,693)	(135,243)
Net cash used in financing activities		**(424,645)**	**(398,834)**
Net increase in cash and cash equivalents		**388,488**	**943,485**
Cash and cash equivalents at beginning of year		5,006,969	4,063,484
Cash and cash equivalents at end of year	15	**5,395,457**	**5,006,969**

Notes to the Financial Statements

For the year ended 30 June 2021

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. The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (together referred to as "the Group").

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") endorsed by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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.

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 taken into account of downside conditions considered reasonably possible in changes in trading performance due to the impact of Covid-19. The Board has monitored business conditions caused by the Covid-19 pandemic and assessed its impact on the Group's performance over the last twelve months. The Group has been able to maintain its ability operate successfully with no major detrimental impact to performance being experienced. Although the board achnowledges that further virus waves could have a material impact on trading performance, the board notes the cushion provided by the strong net cash position and the ability to cut costs. 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

No standards or Interpretations that came into effect for the first time for the financial year beginning 1 July 2020 have had an impact on the Group.

b) New and amended Standards and Interpretations issued but not effective for the financial year beginning 1 July 2020

At the date of approval of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not been adopted by the UK):

- Amendments to References to Conceptual Framework in IFRS Standards – effective from 1 January 2020
- Definition of Material (Amendments to IAS 1 and IAS 8) – effective from 1 January 2020
- Amendments to IFRS 9, IAS 39 and IFRS 17: Interest Rate Benchmark Reform - effective from 1 January 2020
- Amendment to IFRS 3 Business Combinations – effective 1 January 2020

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – effective 1 January 2023*
- Amendments to IFRS 3: Business Combinations – Reference to the Conceptual Framework – effective 1 January 2022*
- Amendments to IFRS 9, IAS 3, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 - effective from 1 January 2021
- Amendments to IAS 16: Property, Plant & Equipment – effective 1 January 2022*
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets – effective 1 January 2022*
- Annual Improvements to IFRS Standards 2018-2020 Cycle – effective 1 January 2022*

- Amendments to IAS 1: Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies – effective 1 January 2023*
- Amendments to IAS 8: Accounting policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates – effective 1 January 2023*
- Amendments to IFRS 16: Leases – Covid-19-Related Rent Concessions beyond 30 June 2021 – effective 1 April 2021
- Amendments to IAS 12: Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction – effective 1 January 2023*

**subject to UK endorsement*

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

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 2021. 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 fair 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.

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.

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 provision for impairment.

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.

(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
From 1 January 2018, 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.

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.

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.

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.
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 directors have assessed the likelihood of relevant future economic benefits and have judged it appropriate to not capitalise any development costs (2020 - £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. 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. At the year-end a deferred tax asset of £471,000 (2020 - £452,000) 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.

3. Revenue

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

	2021 **£**	**2020** **£**
Software development, licence fees and project work	2,988,842	2,955,315

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

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

	2021 **£**	**2020** **£**
Depreciation of plant and equipment *(see note 12)*	9,651	8,444
Depreciation of leased assets *(see note 17)*	146,303	146,303
Interest on leased assets *(see note 17)*	20,307	26,757
Staff costs (*see note 8*)	1,491,063	1,401,227
Research and development	506,893	468,680
Release of accruals for administrative costs in respect of prior years	(88,000)	(86,500)

5. Finance income and Finance costs:

	2021 **£**	**2020** **£**
Finance income		
Income on cash and cash equivalents	**13,260**	29,914
Finance costs		
Lease interest expense	**(20,307)**	(26,757)
Net finance (expense) / income	**(7,047)**	3,157

6. Auditor's remuneration:

	2021	**2020**

	£	£
Fees payable to the Group's auditor for the audit of the Group's annual accounts	29,750	28,750
Fees payable to the Group's auditor for other services:		
- audit of the Company's subsidiaries	6,000	6,000

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.

	2021 £	2020 £
Revenue by segment		
Software development and licence fees	2,988,842	2,955,315
External segment revenue	2,988,842	2,955,315
Operating profit by segment		
Software development and licence fees	1,468,132	1,575,029
Unallocated overheads	(445,078)	(563,976)
Total operating profit	1,023,054	1,011,053
Finance income	13,260	29,916
Total profit before tax as reported in the Group income statement	1,036,314	1,040,969

	2021 £	2020 £
Segment total of assets		
Software development and licence fees	7,337,340	6,514,118
Unallocated assets	4,492,208	4,533,110
	11,829,548	11,047,228
Less intercompany debtors	(3,258,968)	(3,174,349)
Total assets	8,570,580	7,872,879

	2021 £	2020 £
Segment total of liabilities		
Software development and licence fees	5,193,528	5,360,835
Unallocated liabilities	53,150	150,546
	5,246,678	5,511,381
Less intercompany creditors	(3,258,968)	(3,174,349)
Total liabilities	1,987,710	2,337,032

Additions of property, plant and equipment assets by segment	2021 £	2020 £
Software development and licence fees	1,482	12,750
Total additions	1,482	12,750

Depreciation of property, plant and equipment assets recognised in the period by segment	2021 £	2020 £
Software development and licence fees	9,651	8,444
Total depreciation	9,651	8,444

Non-current assets by country	2021 £	2020 £
UK	2,704,809	2,840,280
Total non-current assets	2,704,809	2,840,280

Geographical information - External revenue	2021 £	2020 £
UK	2,065,903	2,000,457
Europe (excluding UK)	771,541	821,193
Africa	42,500	45,000
North America	83,637	78,177
Australia	11,838	4,267
Asia Pacific	13,423	6,221
	2,988,842	2,955,315

During the year there were 3 customers (2020: 4) who accounted for more than 10% of the Group's revenues as follows:

	2020 Value of sales £	% of Total	2020 Value of sales £	% of Total
Customer 1	668,122	22%	659,327	22%
Customer 2	522,149	17%	516,605	17%
Customer 3	375,168	13%	371,536	13%
Customer 4	-	-	300,696	10%
	1,565,439	52%	1,848,164	62%

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

8. Staff costs:

	2021 £	2020 £
a) Aggregate staff costs, including Directors' remuneration		
Wages and salaries	1,206,748	1,139,695
Social security costs	144,131	140,611
Pension contributions	24,318	22,493
Share-based payments	115,866	98,428
	1,491,063	1,401,227

b) The average number of employees (including executive Directors) was:		
Sales and administration	6	5
Development and support	11	11
	17	16

	£	£
c) Directors' emoluments		
Short-term employee benefits	232,352	312,902
Pension contributions	5,250	5,428
Share-based payments	63,030	57,432
	300,632	375,762
Social security costs	49,351	37,536
Key management personnel compensation	439,983	413,298

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

The average number of employees of the parent company is 3 (2020: 3)

The highest paid Director received remuneration of £186,178 (2020: £250,166).

The number of Directors that are members of a defined contribution pension scheme is 1 (2020: 1). Pension contributions paid to a defined contribution scheme in respect of the highest paid Director amounted to £5,250 (2020: £5,100).

9. Taxation

	2021	2020
	£	£
Current tax	(8,204)	9,734
Deferred tax	19,000	167,000
Total tax credit for the year	10,796	176,734

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:

	2021	2020
	£	£
Profit on ordinary activities before tax	1,036,314	1,040,969
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19 % (2019: 19%)	196,900	197,784
Effects of:		
Disallowed expenses	97	416
Temporary differences on deferred tax	1,457	1,255
Income taxes paid	8,204	-
Research and development tax credits	-	(9,734)
Deferred tax asset not previously recognised	(19,000)	(167,000)
Brought forward losses utilised/loss for the year carried forward	(198,454)	(199,455)
Total tax credit for the year	(10,796)	(176,734)

Factors which may affect future tax charges

At 30 June 2021 the Group has tax losses of approximately £8,500,000 (2020: £8,900,000) to offset against future trading profits.

10. Earnings per share

	2021 £	2020 £
Earnings		
Earnings for the purpose of basic and diluted earnings per share being net profit attributable to equity shareholders	1,047,110	1,217,703
	1,047,110	1,217,703

	No.	No.
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	13,290,672	13,210,510
Number of dilutive shares under option	143,168	268,484
Weighted average number of ordinary shares for the purposes of dilutive earnings per share	13,433,840	13,478,994

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

	2021 £	2020 £
Cost and net book amount		
At 1 July 2020 and at 30 June 2021	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:

	2021 £	2020 £
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 2.5% 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 5% (2020: 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 level of new contracts achieved during the year. 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% (2020: 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.

12. Property, plant and equipment - Group

Cost	**Leasehold Property** £	**Office furniture & equipment** £	**Total** £
At 1 July 2019	26,199	129,469	155,668
Additions	-	12,749	12,749
At 1 July 2020	26,199	142,218	168,417
Additions	-	1,482	1,482
At 30 June 2021	26,199	143,700	169,899
Depreciation			
At 1 July 2019	19,136	121,521	140,657
Charge for the year	1,461	6,983	8,444
At 1 July 2020	20,597	128,504	149,101
Charge for the year	1,461	8,190	9,651
At 30 June 2021	22,058	136,694	158,752
Net book amount at 30 June 2021	4,141	7,008	11,147
Net book amount at 30 June 2020	5,602	13,714	19,316

13. Investment in subsidiaries

	2021 £	**2020** £
Carrying amount		
At 1 July 2020	2,017,471	2,017,471
Provisions written back	-	-
Amounts written off	-	-
At 30 June 2021	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%

14. Trade and other receivables

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Due within one year:				
Trade and other receivables	330,740	38,162	-	-
Amounts owed by group undertakings	-	-	3,258,868	3,174,150
Prepayments and accrued income	139,577	154,470	4,599	7,160
	470,317	192,632	3,263,467	3,181,310

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Due after more than one year:				
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 2021, trade receivables of £Nil were impaired (2020: £Nil) and during the year an impairment charge relating to trade receivables of £Nil (2020: £Nil) was recognised. As at 30 June 2021 trade receivables of £100,469 (2020: £792) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Up to 3 months past due	100,469	792	-	-
3 to 6 months past due	-	-	-	-
	100,469	792	-	-

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.

16. Trade and other payables

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Trade payables	52,881	76,765	4,155	21,199
Amounts owed to group undertakings	-	-	100	100
Other tax and social security payable	113,083	52,033	8,844	10,475
Other payables and accruals*	388,137	527,109	39,285	118,171
Deferred income	1,089,306	1,195,130	-	-
	1,643,407	1,851,037	52,384	149,945

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 £441,018 (2020: £603,874).

*Other payables and Accruals includes a provision for dilapidations for the Office premises of £50,000 (2019: £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 2021	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)**

As at 30 June 2020	Prepayments £	Lease liability £	Right of use asset £	Income statement £
Balance on transition (1 July 2019)	37,125	-	-	-
Recognised on adoption of IFRS	(37,125)	(621,239)	658,364	-

16				
Depreciation	-	-	(146,303)	(146,303)
Interest	-	(26,757)	-	(26,757)
Lease payments	-	162,000	-	-
Carrying value at 30 June 2020	**-**	**(485,996)**	**512,061**	**(173,060)**

Contractual maturity analysis of lease liabilities as at 30 June 2021

	Less than 3 months	3 – 12 Months	1 – 5 Year	Longer than 5 years	Total
	£	£	£	£	£
Lease liabilities	40,500	121,500	202,800	-	364,800

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 2021	**Group 2020**	**Company 2021**	**Company 2020**
	£	**£**	**£**	**£**
At 1 July	452,000	285,000	151,000	125,000
Tax credit recognised in group income statement	19,000	167,000	(96,000)	26,000
At 30 June	471,000	452,000	55,000	151,000

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 2021 amounted to approximately £8,500,000 (2020: £8,900,000).

19. Share capital

Company	**2021 £**	**2020 £**
Allotted and fully paid:		
13,327,811 (2020: 13,210,510) Ordinary shares of 12.5p each	1,665,976	1,651,314

Share options

Under the Company's approved 2002 Share Option Scheme, certain Directors and employees held options at 30 June 2021 for unissued Ordinary Shares of 12.5 pence each as follows:

Share options	**At 1 July 2020**	**Granted**	**Exercised**	**Forfeited**	**At 30 June 2021**	**Exercise price**	**Normal exercise period**
Employees:	80,000	-	(80,000)	-	-	23.75 pence	1 Sep 17 – 31 Aug 21
	125,000	-	-	-	125,000	64.50 pence	25 Apr 20 – 24 Apr 27

	50,000	-	-	-	50,000	110.00 pence	30 Jun 21 – 29 Jun 28
	55,000	-	-	-	55,000	196.00 pence	30- Jun 22 – 27 Sep 29
	-	75,000	-	-	75,000	164.50 pence	30 Jun 23 – 2 Oct 30
Directors:							
Michael Levy	20,635	-	(20,635)	-	-	64.50 pence	25 Apr 20 – 24 Apr 27
	16,666	-	(16,666)	-	-	110.00 pence	30 Jun 21 – 29 Jun 28
	555	-	-	(555)	-	196.00 pence	30- Jun 22 – 27 Sep 29
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
Total	582,618	155,000	(117,301)	(555)	619,762		
Weighted average exercise price	92.9 pence	164.5 pence	43.2 pence	196.0 pence	120.2 pence		

The number of options exercisable at 30 June 2021 was 359,762 (At 30 June 2020: 310,397), these had a weighted average exercise price of 78.9 pence (2020: 128.98 pence).

The weighted average share price as at the exercise date of the shares exercised in the year was 43.2 pence (2020: Nil pence and of the shares were forfeited in the year was 196.0 pence (2020: 64.5).

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 209.0 pence, the lowest price was 147.5 pence and the price at the year-end was 165.0 pence.

The weighted average remaining contractual life of share options outstanding at 30 June 2021 was 7 years (2020: 6 years).

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

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.

The fair value of options is valued using the Black-Scholes pricing model. An expense of £115,866 (2019: £98,428) has been recognised in the period in respect of share options granted. The cumulative share option reserve at 30 June 2021 is £271,207 (2020: £188,639).

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

Directors & Employees					
Grant date	1 Sep 2014	25 Apr 2017	29 Nov 2018	27 Sep 2019	2 Oct 2020
Exercise price	23.75 pence	64.5 pence	110.0 pence	196.0 pence	164.5 pence
Expected life	6 years	10 years	10 years	10 years	10 years
Expected volatility	65%	50%	50%	50%	49%
Risk free rate of interest	0.5%	0.5%	0.75%	0.75%	0.00%
Dividend yield	Nil	Nil	Nil	Nil	0.01%
Fair value of option	19.64 pence	36.7 pence	57.0 pence	115.0 pence	91.92 pence

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

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 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.

21. Income statement

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

22. Net cash generated from operations - Group

	2021	**2020**
	£	**£**
Operating profit	1,043,361	1,037,812
Depreciation charge	155,954	154,747
Non cash share option charges	115,867	98,428
Lease interest paid	(20,307)	(26,757)
Adjustment for IFRS 16	-	(37,125)
(Increase)/decreas in trade and other receivables	(277,686)	71,244
(Decrease)/increase in trade and other payables	(207,630)	17,072
Cash generated from operations	809,559	1,315,421

Net cash generated from operations - Company

	2021	**2020**
	£	**£**
Operating profit	274,671	289,274
Non cash share option charges	115,867	98,428

Increase in trade and other receivables	(82,057)	(107,891)
(Decrease)/increase in trade and other payables	(97,561)	40,651
Cash generated by/(used in) operations	210,920	320,462

23. 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 £534,094 (2020: £670,640).

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

	2021 £	2020 £
Amount due from subsidiaries	7,223,539	7,324,474
Less: Provision for impairment	(3,964,671)	(4,150,324)
Amount due from subsidiaries - net	3,258,868	3,174,150

During the year a provision of £185,654 was released (2020: £177,500) in respect of balances due from subsidiaries.

	2021 £	2020 £
Amount due to subsidiaries	670,640	670,640
	670,640	670,640

24. Dividends

A final dividend of 2.75 pence will be proposed at the Annual General Meeting but has not been recognised as it requires approval (2020: 2.5 pence).

25. Material non-cash transactions

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

26. 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:

	Group 2021 £	**Group 2020 £**	**Company 2021 £**	**Company 2020 £**
Trade receivables	330,740	38,162	-	-
Cash and cash equivalents	5,395,457	5,006,969	1,077,741	1,146,700
Amounts owed by group undertakings	-	-	3,258,868	3,174,250
	5,726,197	5,045,131	4,336,609	4,320,950

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 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% (2020: 0.30% below bank base rate and 0.6% above bank base rate and at fixed/variable rates of between 0.35% and 1.85%).

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 £441,018 (2020: £603,874) all of which are payable within 6 months.

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 2021, if bank base rate had increased by 0.5% with all other variables held constant, post-tax profit would have been £26,977 (2020: £25,035) higher and equity would have been £26,977 (2020: £25,035) higher. Conversely, if bank base rate had fallen 0.5% with all other variables held constant, post-tax profit would have been £26,977 (2019: £25,035) lower and equity would have been £26,977 (2019: £25,035) lower.

27. 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.

28. Ultimate controlling party

There is no ultimate controlling party.

29. Copies of this statement

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.

Annual General Meeting

The Annual General Meeting of Arcontech Group PLC will be held at the Company's offices, 1st Floor, 11-21 Paul Street, London EC2A 4JU on 1 October 2021 at 10.00 a.m.

Annual report and accounts

Copies of the annual report and accounts will be sent to shareholders shortly and will be 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.