ELECO®

Eleco plc
Annual Report and
Accounts 2020

Building on Technology®

Introduction

Eleco plc (AIM: ELCO) is a specialist international provider of world class software and related services. Supporting the built environment through its operating brands Elecosoft, ActiveOnline and ESIGN, from centres of excellence in the UK, Sweden, Germany, Netherlands, and the USA.

The Company's software solutions are trusted by an international customer network and used throughout the building lifecycle from early planning and design stages through to construction, interior fit out, asset management and facilities management to support project management, estimation, visualisation, Building Information Modelling (BIM) and property management.

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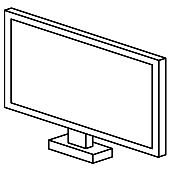


Overview

Strategic Report

Governance

Financial Statements

Highlights

	2020 £'000	2019 £'000	Change
Financial			
Revenue	**25,232**	25,398	-1%
Operating profit	**4,151**	3,812	+9%
Profit before tax	**3,889**	3,473	+12%
Earnings per share (pence per share)	**3.9**	3.3	+18%
Recurring maintenance support, subscription and SaaS revenue	**14,186**	13,557	+5%
Adjusted operating profit*	**5,069**	4,545	+12%
Adjusted earnings per share** (pence per share)	**4.8**	4.1	+17%
Free cash flow***	**5,516**	4,069	+36%

* Adjusted to exclude acquisition related expenses, amortisation of acquired intangible assets and former Director payments.

** Adjusted earnings per share represents adjusted operating profit less net finance costs and tax, divided by a weighted average number of shares.

*** Free cash flow represents cash generated in operations less purchase of intangible assets and property, plant and equipment, net of finance costs and tax plus any proceeds from disposals of property, plant and equipment.

Operational

- Continued to expand our customer base and maintained high customer retention levels.
- Transitioned the global workforce to home working in the face of Covid-19 restrictions. Continued our daily business and customer support and training without any disruption to customers.
- Released our ShireSystem Wallboard leading performance indicator module which visually shares relevant, actionable data with a number of stakeholders.
- Continued to invest in the development of Memmo, our SaaS site management software which received a positive response with both new and existing customers in our Swedish markets.
- Released Powerproject subscription licensing.
- Released the first version of Bidcon Connect enabling customers to get read access to estimations in the cloud.
- Powerproject awarded the 'Project Management Software of the Year' award at the UK Construction Computing Awards 2020 ('The Hammers') for the seventh consecutive year.

Executive Chairman's Statement

The year under review has shown Eleco's resilience during a period of uncertainty, with profit before tax and net cash both improving in a meaningful way. I am extremely proud of the way our colleagues responded to the Covid-19 pandemic and continue to do so. I am also grateful to our customers for their willingness to embrace new ways of working with us, especially for services that are traditionally face-to-face such as training and consultancy. This enabled us to prioritise the health and wellbeing of our employees, customers, resellers and suppliers whilst playing our part in reducing the spread of the virus.

In March 2020, we closed all offices and implemented home working for all our employees. Not knowing what the impact of the pandemic was likely to be on our business we quickly put in place tighter financial controls and cost management whilst ensuring that our focus remained on our customers. There was an immediate financial impact on training and services which ground to a halt when the countries in which we operate went into lockdown, leading us to furlough a small proportion of staff for Q2. The teams quickly moved to on-line training in small blocks with good uptake but much lower revenues and as the year progressed our team and our customers worked together to embrace changing delivery of training fully to online and our furloughed staff were quickly returned to working.

Despite the unprecedented disruption to businesses worldwide, overall revenues were in line with the prior year, recurring revenues were at 56 per cent (2019: 53 per cent) and profit before tax was up 12 per cent on 2019 at £3.9m. We also improved our net cash position from £1.1m as at 31 December 2019 to £6.2m at 31 December 2020, all of which puts the Company in a strong position to drive its growth strategy. Based upon these results, the Board has taken the decision to repay furlough payments that are possible to be repaid. This is £98,000 furlough repayments of the £150,000 which will be repaid in the coming months.

The Company's resilience in these challenging times is testament to the dedication and commitment of the whole team at Eleco and I am hugely grateful for their hard work and dedication, especially during these difficult times when they have worked tirelessly to support our customers whilst managing the impact of Covid-19 on them personally.

Strategy

Eleco is already a cash generative provider of software solutions with a strong blue-chip customer base across the construction and built environment sectors. However, the pandemic has created new industry drivers and has enhanced the market opportunity for Eleco. Since my appointment in September, the Board has undertaken a full strategic review of both external (product, customer and competitive) trends and internal capabilities, resulting in the development of a clear growth strategy to better capitalise on the opportunities before the Company.

Construction was disrupted in 2020 as the pandemic shut down sites and staff were furloughed, however the outlook for 2021 and beyond for the sector is one of growth. Resource shortages, rising material costs and increased regulation are anticipated to squeeze the industry's margins even further in the months and years ahead. This means that technologies such as ours, which help to improve margins through automation and the provision of data, are becoming more critical to our existing and potential customers than ever before.

Also in our favour is the change in working practices prompted by the pandemic. Covid-19 has changed the way many businesses will work permanently, with increased remote working and adoption of cloud-based tools. Our conversations with existing and prospective customers highlight the accelerated digitalisation anticipated in our core target markets.

With this in mind, our aim is to develop Eleco to become a customer-centric market leader in the provision of software which creates certainty for customers in the construction and built environment sectors, targeting expansion in key growth markets.

We intend to lead the way by identifying future needs of our core customer base and creating software solutions to enable them to be more efficient, including by leveraging collaborative data exchanges to power better decision making, timely delivery and the reduction of cost in a safe, sustainable way.

In doing this, we intend to build value for shareholders by:

- Transitioning Eleco from being a product-led company to a customer-centric, nimble matrix organisation built around customer segments for a set of priority geographical locations, supported by a strategic holding group;
- Aggressively growing a more focused, high-value customer base through product portfolio alignment and clear customer segment strategies;
- Targeting customer 'sweet spots', building on our strengths and developing the capabilities to better serve specific customer segments' needs with tailored solutions; and
- Developing next generation solutions that are cloud-based and help our customers reimagine their businesses by creating software which enables our customers to better collaborate, get quicker access to data for analytics and ensure interoperability. We will leverage our deep knowledge of our customer base to identify and address future needs and create solutions in-house, through partnership and/or acquisition.

We will focus our sales efforts on our best-of-breed, highest value suites of products, listed below. We will organise our solutions into two categories, Building Lifecycle which comprises Project Management, Estimating, Site Management, Maintenance and Property Management solutions and CAD and Visualisation which comprises niche solutions that will be run as individual standalone businesses.

Building Lifecycle
- Powerproject
- ShireSystem
- IconSystem
- Bidcon
- Memmo

CAD and Visualisation
- ActiveOnline and ESIGN which are being integrated
- Arcon
- Staircon

The market for building lifecycle software is circa £8.0bn and the 8-15 per cent compound annual growth rate (CAGR) provides a compelling rationale for refining our portfolio of core software solutions. We will move from individual companies for each product to a customer-centric sales and marketing

Executive Chairman's Statement continued

organisation for each of our core geographies – UK, Nordics and Northern Europe (Germany, Belgium and Netherlands), allowing a greater ability to provide multiple products into each customer segment and streamlining our back-office operations.

Our market leading ESIGN and ActiveOnline businesses are key players in a £450m market.

We are actively integrating these businesses today having already created a single sales team after the acquisition of ActiveOnline. New systems and processes will enable a more efficient organisation, better able to drive growth and streamlined reporting into the Group.

In terms of geographic expansion, growth in the Building Lifecycle division will initially be focused in those areas where Eleco currently has a strong presence; the UK, Sweden and to a lesser extent Germany. This provides us with a solid platform from which to drive growth more quickly. For example, we will be introducing the ShireSystem asset management and maintenance software into the German market as well as stepping up our sales and marketing for the strategic customer segments that purchase Powerproject. We see opportunities for the Swedish business to expand into Norway and Denmark. We are testing Bidcon in the UK market and the Government's recent commitment to infrastructure projects in the UK will further drive new licence sales opportunities. In the USA we will target small and mid-size contractors with a direct sales model whilst continuing to work with resellers on enterprise deals.

Our Visualisation and Staircon solutions will also be driving their growth internationally.

Building a Stronger Executive Team

In September 2020, Jonathan Hunter was appointed interim CEO and I am delighted that we have now made that position permanent. Jonathan has such a wealth of knowledge and understanding about the business, having been both the UK MD and COO, and he has led the development of our new strategy based upon a clear vision for the business.

I am delighted to welcome Robert Tearle to the business as the new Chief Financial Officer from 29 March 2021. Robert's extensive expertise in financial planning and his previous experience in the SaaS space will be invaluable to Eleco as we focus on the delivery of our new strategic growth initiatives.

I would like to thank Ben Moralee for his hard work and contribution to the success of Eleco over the past three years and wish him all the best in his future endeavours.

I would also like to take this opportunity to highlight and thank another key Executive, Anders Karlsson. Anders, who has been a Board member since March 2017, has been heavily involved in the new strategy formulation and, whilst his core responsibility is for the Nordics, Anders also acted as Interim UK MD ahead of the appointment of Richard Choi on 22 March 2021, as well as owner of a number of the new strategic initiatives.

In order to be able to achieve our strategy we will be investing in key strategic positions throughout the business. New roles at a leadership level include a Chief Product Officer who will be responsible for delivering real value to customers, a Chief Technology Officer who will be responsible for ensuring we get the most value from our development spend, a Group HR Manager to support the organisational changes and a Group Transformation Director accountable both for initiatives coming out of the strategy as well as M&A; focused not just on the deals but the successful integration of the acquired companies to ensure early value capture and synergies.

The first thing I did when I was appointed Executive Chairman in September was to reach out and have a conversation with all our senior colleagues. It was such a great reminder of the high calibre of people we already have in the organisation. That real passion to provide the best customer solutions and have the best products prevails throughout the organisation and we look forward to bringing in new team members to augment that.

Corporate Governance

When the position of Executive Chairman was vacated, the Board unanimously asked me to step into that role full-time to, amongst other things, help coach and mentor the Executives as well as providing my expertise in the development and implementation of the new strategy to transform ourselves for the future. I accepted the appointment to the role of Executive Chairman on 24 September 2020 on the understanding that it would be for a temporary period pending me returning to my previous capacity as Non-Executive Chairman within a year and therefore, the intention is that I will, at the right time within the next few months, step back into that. Following my appointment as Executive Chairman, the roles and responsibilities of Executive Chairman and CEO have been separately delineated in accordance with the fundamental principles of good corporate governance.

The Board has established a new strategy and business model that promotes long-term value for shareholders through its very detailed review of the markets and full understanding of the risks as well as the opportunities in front of us.

In January 2021, we appointed Stella Toresse to the position of full-time Company Secretary replacing the previous limited, part-time external resource. With a background and degree in Law, Stella is a Chartered Company Secretary and Fellow of the CGI (formerly ICSA). Stella has a Masters in Corporate Governance and brings with her a wealth of experience in diverse sectors.

We started to look for another Non-Executive Director to add to the independent presence on the Board when I took over as Executive Chairman and I am pleased to report that we appointed Paul Boughton into the role on 23 March 2021. Paul's extensive M&A experience, knowledge of the US, German and Scandinavian markets (as well as the UK) and of transitioning from a perpetual to a SaaS/recurring revenue model will add tremendous value to the Board. Paul will be a member of both the Audit and Remuneration Committees.

Over the course of the next six months, the Board also plans to appoint another Non-Executive Director to further strengthen the Board leadership at Eleco.

Proposed Dividend

In light of Eleco's resilient trading performance and cash generation in 2020, the Board has decided to recommend a final scrip dividend of 0.40 pence per share, with a cash alternative dividend of 0.40 pence per share.

Payment of the final dividend will follow approval by shareholders at the Annual General Meeting. The record date is the close of business on 14 May 2021; the ex-dividend date will be 13 May 2021.

Outlook

The start to trading this year has been strong, with revenues for the two months to February 4 per cent higher than the equivalent, pre-Covid-19 period in 2020.

We are confident that our business will begin to bear the fruit of its new refined vision and strategy over the next twelve months and beyond. Market trends are in our favour, providing strong tailwinds for our future growth and, as a cash generative, IP backed, award-winning provider of software solutions to the construction and built environment sectors, we have a strong foundation for future growth. We look forward to updating the market in respect to our execution milestones, including progress with R&D, international expansion and extending our management team.

Importantly, the market opportunity for Eleco is compelling; the markets we serve are experiencing an accelerated adoption of technology due to the pandemic, rising material costs and increased regulation. The strong start to trading that we have experienced since the beginning of 2021 attests to this. With a strong customer base and a high level of recurring revenue, we look to 2021 and beyond with confidence and to building further shareholder value.

Serena Lang
Executive Chairman
26 March 2021

CEO Report

I am delighted to present Eleco's Annual Report for 2020, my first as CEO.

Eleco delivered a robust and resilient performance during a year that will always be remembered for the Covid-19 pandemic. I want to take this opportunity to thank my 246 Eleco colleagues, our partners and customers for their efforts and commitment in what has been a difficult year. With your exceptional contributions, Eleco increased its market share and maintained revenues while improving profitability such that we currently have a strong balance sheet. The outlook for our target markets, of construction and the built environment, is growth.

Further to this, a compelling growth opportunity has arisen owing to a pandemic-induced squeeze on margins within our target markets. Rising material costs, supply chain challenges and increased health and safety regulations have caused companies in the global construction and maintenance industries to rethink how they manage projects. Eleco, as a provider of software and service solutions to blue-chip construction companies, is extremely well-positioned to help companies overcome these challenges.

In this report, I will outline how we intend to build on our already robust position, refining our proposition and expanding our presence internationally beyond our current core areas of operation to create value for our shareholders and customers alike. However I will first provide an overview of the year under review as context for our next steps.

2020 Review

Eleco entered the year to 31 December 2020 positively, demonstrating growth in the first quarter before the impact of the pandemic was felt.

We were relatively well prepared to adapt our business when the pandemic arrived. Our operational business plans had identified risks and potential actions to take should the industry face difficulties, and these plans allowed management to act promptly in many instances. We immediately moved to home working in the UK prior to the first lockdown being announced, followed by implementation of a company-wide home working policy across all our international operations by the middle of April 2020 to protect the health of all our colleagues and their families. We also took measures to support our customers with work from home licences, online training, educational webinars and collaborative solutions.

Measures such as daily management stand-up meetings, regular forecasting and overhead and cash control were taken to maintain momentum during the periods of uncertainty. In addition, daily KPIs were implemented to measure customer activity against staff utilisation.

Staff sentiment surveys were carried out regularly throughout the year which led to the closure of our UK office in Telford after 29 years. After working remotely for a number of months, colleagues at our Telford office, which comprised one of our core development and finance functions, felt more energised and motivated to continue to work from home, and felt that we no longer had a need for their office. The staff surveys did not indicate the potential to close any of our other offices.

The impact of Covid-19 on Eleco was initially felt during the first lockdown with the sudden halt on face-to-face services. However, we quickly responded by providing a revised set of short-courses and, throughout the year, we resumed providing full day courses online. The restrictions on travel and cancelled marketing events reduced overheads.

We also made a contribution to customers who were feeling the pain of the pandemic. In the UK, we supported the planning community by offering planners who were on furlough complimentary training and software to ensure they maintained their skillset. Globally we provided educational webinars to assist with tackling delays, pauses and disruptions on projects. I am therefore pleased to report that customer retention remained at our normal levels.

Investment in software development continued throughout the period which allowed Eleco to maintain its product release schedules as we would have in a normal year.

We also invested in our IT infrastructure during the year, consolidating and migrating to new cloud hosting of customer data, increasing our use of already implemented internal communication software and updating our backup systems and processes in light of having to work virtually.

Ultimately, and despite the pandemic, Eleco's reputation, customer loyalty and world class technology allowed us to increase the number of new customers relationships in 2020 compared with 2019.

A proven strength of the business is our ability to retain and provide further value to existing customers.

Strategic Review

The Board carried out a strategic review in Q4 2020 to continue to build upon and strengthen Eleco's reputation as a provider of best-of-breed software to customers in the construction and built environment sectors in the UK, Sweden, Germany, Netherlands and the US.

The worldwide adoption of technology in the built environment continues to move forwards, with increasing focus on efficiencies, new building techniques, sustainability tools and the adoption of new technologies to provide accurate and timely information with a collaborative approach.

Our vision is aligned with the industry drivers and the core of our customers' needs to drive better decision making, timely delivery and the reduction of cost in a safe, sustainable way.

Therefore, we will organise our business so that our product strategies, sales, marketing and R&D functions are built around customer segments. This necessitates our Project Management, Estimating, Property Management and Maintenance Management products to be categorised as 'Building Lifecycle'. These solutions complement each other and can be adopted within our core customer segments. The second category, the 'CAD and Visualisation' group, comprise what can be defined as niche products with minimal synergies between customer segments of the Building Lifecycle portfolio.

By redefining our products in this way, we will be better able to target core customer needs ('sweet spots'), further positioning Eleco to directly secure a high-value customer base within targeted regions that offer the most growth potential. For example, in the USA, we will evolve our focus to target small and mid-size contractors with a direct sales model while continuing to work with resellers on enterprise deals.

Additionally, through a defined internal product management function, we intend to build on our strongholds and reputation by leveraging customer relationships to identify the current and future needs of our core customers. This will result in ongoing strategic investment reviews in next generation research and development, partnerships and M&A.

CEO Report continued

Building Lifecycle

Project Management

Powerproject, planning and scheduling software, continues to play a key part in the construction industry, and I am proud to inform you that Powerproject was awarded the 'Project Management Software of the Year' award at the UK Construction Computing Awards 2020 ('The Hammers') for the seventh consecutive year.

I am pleased to report that the number of new customer accounts in 2020 increased compared with 2019. Furthermore, our subscription software, including our cloud collaboration system Powerproject Vision, Powerproject SaaS and Site Progress Mobile all showed positive momentum in 2020. In September 2020 we released the option to acquire Powerproject on a subscription licence.

Estimating

Our Bidcon estimating software sales reached an all-time high in 2020 with growth on prior year, driven by licence and maintenance sales. The importance of sustainability in construction resulted in a growing interest and demand for the Bidcon Climate module.

Site Management

We continued to invest in the development of Memmo, our SaaS site management software which received a positive response with both new and existing customers in our Swedish markets.

Property Management

In the period, our customer IHG launched its Holiday Inn and Holiday Inn Express IconSystem solutions to manage their global design standards. There was a mix of very active supermarket customers who continued to place orders for services, whereas clothing and non-essential retailers remained as customers, however paused their planned projects. New product enhancements to introduce document workflow management were developed throughout the year with a beta release to awaiting customers planned in Q2 2021.

Maintenance

The culmination of a number of new business initiatives for Shire Systems, combined with enhanced sales and marketing efforts, led to a record year for the business unit, in growth rate, revenue and profit. During the period we successfully migrated all ShireSystem hosted customers to new cloud hosting while continuing to onboard new hosted customers.

A number of well-known companies, including BP, Total, JELD-WEN, Chester Zoo, Thorntons and Wren Kitchens, chose and implemented ShireSystem in the year.

The Wallboard feature for ShireSystem was released in Q3; the feature enables leading performance indicators to be configured and visually shares relevant, actionable data with a number of stakeholders.

CAD and Visualisation

ActiveOnline and ESIGN

Sales from our interior visualisation and product information management operations increased within the year due to the AI floor module and further orders from its existing customer base that continued to invest in digital marketing.

Arcon

Arcon, our CAD design software, increased the number of new customers in 2020 compared with 2019. A French version was localised for release through reseller partners in 2021.

Staircon

The first phase of new generation Staircon CAD was developed and released in Q4 2020. Positive opportunities continued to be identified in Australia and we continue to consider the timing of appointing a local resource to deliver installation and service requirements.

Financial Summary

Licence sales were £5.4m compared with £5.9m in 2019 although pleasingly, the number of new customer accounts increased in the period. Recurring maintenance and subscription revenue had increased from £13.6m to £14.2m, a rise of 5 per cent. Services revenue was £5.6m compared with £6.0m in 2019 which was a decline of 6 per cent, due to the challenges presented by the pandemic during the period.

Revenues by customer location had mixed results with the UK revenues being comparable with 2019. Germany and Rest of Europe increased by 8 per cent and 4 per cent respectively. Scandinavia revenues declined by 7 per cent. USA reseller revenue declined by 13 per cent due to Covid-19 and political uncertainty however we recruited a Head of US sales in September 2020 to strengthen our engagement with the reseller channel.

The Rest of World revenues declined by 21 per cent compared with 2019. The Rest of World revenue is primarily generated through resellers, many of which faced challenges throughout the year due to their reliance on value added services such as consultancy and training.

Performance and values-based culture

Our ambition is to drive a high-performance culture putting trust, loyalty and quality at the heart of Eleco's values and purpose to support the development of strong teams with aligned goals. Our commitment is to drive better decision making for our customers enabling them to deliver with certainty in a safe and sustainable way.

Our great people and their commitment are the foundation of Eleco's culture and this is an area in which I intend to invest more of my time in 2021. We are dedicated to cultivating a culture of belonging, empowering our people and building truly inclusive and diverse teams.

Outlook

It is clear that Covid-19 will continue to present its challenges across the world, and it is our firm intention to maintain the best interests of all our stakeholders, including employees, customers, shareholders and the wider community, as we implement our strategic vision. Eleco has performed well in the first three months of 2021 and we will continue to build on our strengths to further differentiate ourselves from our peers.

In the coming months, I will define the role of the central leadership which will boost our ability to align and implement our strategic initiatives and identify and prioritise further growth initiatives and opportunities.

I will strengthen our product management organisation, starting with the appointment of a Chief Product Officer, to leverage our strong customer relationships to further identify and validate our core customer needs which will drive strategic investment decisions.

Our research and development organisation will continue to be closer aligned through the central leadership, which will result in prioritising the delivery of global and regional product strategies whilst also holistically crafting our next generation SaaS technologies.

We will continue to strengthen our employee engagement and company culture through the refinement of our employee success initiatives, and we will continue to focus on employee wellbeing, personal development, succession planning and aligned objective setting.

We will continue to strengthen our financial position to enhance our growth platform, by refining our key and leading performance indicators. The Board of Eleco has always been conscious of investing for return and this mindset is engrained in the management's culture and working practices. While we will invest and recruit for growth throughout 2021, our governance procedures ensure that new recruitments and investments are supported by compelling business cases before proceeding.

Eleco is a company that is proud to contribute to the construction and built environment and be part of an exciting and attractive industry where technology continues to be a key enabler in the success of the industry. This excitement and energy stems from the core of our business which is our talented, skilled and extremely loyal colleagues. I very much look forward to working with them in 2021 and beyond to deliver our long-term priorities and improved performance for Eleco.

Jonathan Hunter
CEO
26 March 2021

Our Vision

Creating certainty for the **built environment** with **world-class solutions**

Lead the way by identifying future needs of the core customer base and creating software solutions for construction and the built environment; leveraging collaborative data exchanges to power better decision making, timely delivery and the reduction of cost in a safe, sustainable way.

Software

Our software solutions create certainty for the built environment. Through collaborative data exchanges our products power better decision making, timely delivery and the reduction of cost in a safe, sustainable way.

Developed by in-house teams in the UK, Sweden, Germany and Spain, our software is always evolving to support customer needs.

Our world-class building lifecycle portfolio is used from early planning and design stages through to construction, interior fit out, asset management and facilities management.

Our Visualisation and CAD software focuses on niche vertical markets, including interior room visualisation and marketing, staircase manufacturing, timber frame manufacturing, residential building design and structural engineering.

Building Lifecycle Portfolio

Powerproject®
Planning & Project Management

Bidcon®
Construction Estimating

Memmo®
Site Management

ShireSystem
CMMS/ CAFM

IconSystem®
Design Standards & Data Management

Visualisation & CAD

Materialo
Interiorstudio
Interior Visualisation

Marketingmanager
PIM/ DAM

Staircon®
Staircase Manufacturing

Statcon®
Structural Engineering

Arcon Evo®
CAD/ Design

Framing
Timber Frame Manufacturing

Our Strategy and Key Performance Indicators (KPIs)

Our Strategic Objectives

Customer-centric Growth

Focus, reinforce and expand the customer platform – Grow a more focused, high-value customer base through product portfolio alignment and clear customer segment strategies.

Progress in 2020

- Continued our progress and expanded our customer base by increasing the number of new accounts in 2020.
- Transitioned to virtual training and consultancy methods.
- We experienced growth in our ESIGN and ActiveOnline business through the update of our AI tool.
- Appointed a Head of US Sales in Q3 to reinvigorate our reseller relationships in North America.
- We released Powerproject subscription licensing in the UK in Q3.

KPIs

Product development spend (£m)

3.2 +3%

2020	3.2
2019	3.1

Revenue (£m)

25.2 -1%

2020	25.2
2019	25.4

Strategic Priorities

- Create a customer-centric, nimble matrix organisation built around customer segments for a set of prioritised countries.
- Define and strengthen product management organisation and validate customer needs ‘sweet spots’.
- Revise HR standards, redefine clear and consistent roles, reporting lines and performance management.
- Define and strengthen our cultural values and purpose.
- Invest in direct sales of products into our core customer segments and prioritised geographies.

Prioritised Innovation

Create NextGen customer solutions – Leverage Eleco’s deep knowledge of its customer base to identify and address future needs and create solutions in-house, through partnership and/or acquisition.

- Investment in R&D continued throughout the year in addition to upscaling our IconSystem and ShireSystem cloud hosting of client data to better serve our subscription clients.
- Strengthened our Powerproject product management function with the appointment of a dedicated Product Manager.
- Released and introduced a number of innovations to our customers including ShireSystem Wallboard, a leading indicator module to complement the existing KPI features and expanded the adoption of our AI floor visualisation module.
- Powerproject awarded the ‘Project Management Software of the Year’ award at the UK Construction Computing Awards 2020 (‘The Hammers’) for the seventh consecutive year.
- First release of the next generation Staircon was made available to customers.
- Released the first version of Bidcon Connect enabling customers to get read access to estimations in the cloud.

Recurring Revenue as % of total revenues Growth (£m)

Growth +5%

2020	14.2
2019	13.6

- Continue to capitalise on our strong customer relationships, our customer-centric approach and enhanced product management focus to prioritise our investment in R&D.
- Increase the alignment of product roadmaps and align our technological partnerships with our strategic priorities.
- Improve the utilisation of shared skills across the development teams.
- Increase the focus on prototyping and market testing prior to initiating development projects.
- Improve group standards for software features including shared interface and user experience design where it adds value.
- Continue to monitor, investigate and consider industry trends, new technologies and the adoption rate / market readiness of these technologies.
- Monitor the requirements for sustainability within local geographic markets.

Our Strategy and Key Performance Indicators (KPIs) continued

Our Strategic Objectives

Resilient Operations

Capitalise on our unique capabilities to serve specific customer needs ('sweet spots') – Build on Eleco's strengths—its range of best-of-breed products, strong customer relationships, engaged employees and strong financial position—and develop the capabilities to better serve specific customer segments' needs with tailored solutions.

Progress in 2020

- Implemented a new Group HR system in 2019, with continued roll out across remaining core locations in 2020.
- Augmented corporate governance processes.
- Strong cash conversion of 133% which resulted in net cash of £6.2m.
- Maintained tight control of overhead costs.
- Simplified exhibition presence with portfolio demonstrations at each event.
- Corporate and product brands to emphasise a single company strategy.

KPIs

Free cash flow (£m)

5.5 +36%

Net cash/(debt) (£m)

6.2

Other – Management also reviews a number of internal performance indicators some of which include:

- Product contribution
- Existing customer revenue
- New customer revenue
- New customer numbers
- Revenue profile

Strategic Priorities

- Maintain customer satisfaction through the provision of accurate and reliable solutions and ensure renewal of SaaS and maintenance subscriptions.
- Strengthen customer focus and leverage customer relationships to identify and validate future customer needs.
- Strengthen the Eleco culture and support employee success through improved HR capabilities.
- Continue to improve reporting and administration to drive cost efficiencies.

Our Business Model

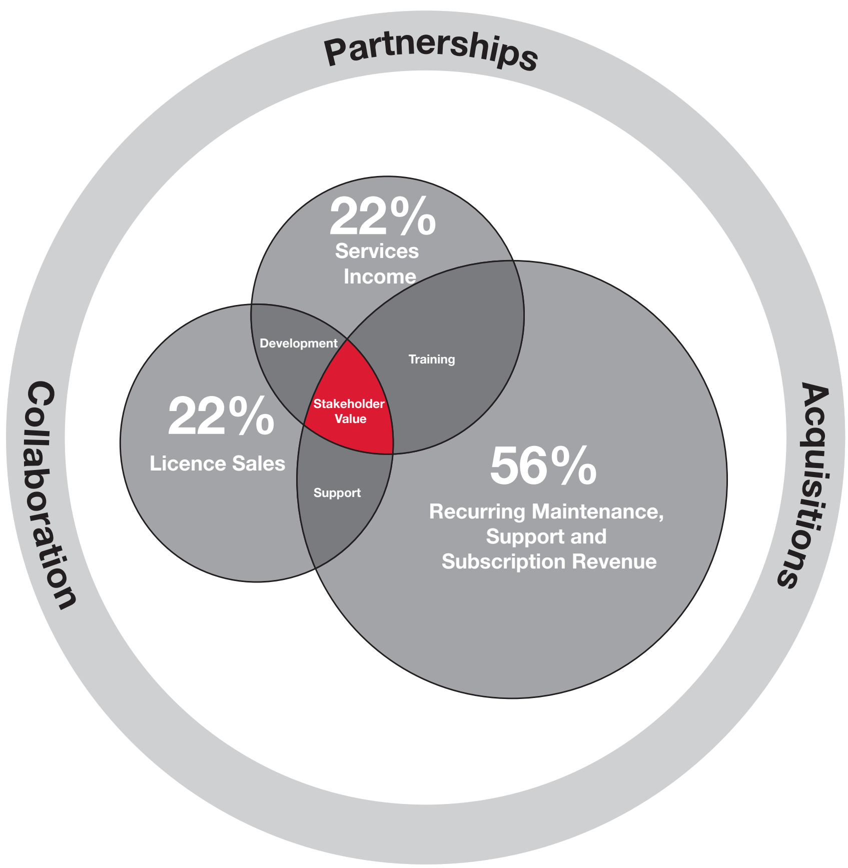
We create stakeholder value by investing in the research and development of our software solutions which are sold directly in our core markets of the UK, Sweden, Germany, the Netherlands and USA and indirectly through our international reseller partner channel.

Our Strategy

Eleco continues to uphold its three strategic objectives:

- Customer-centric Growth
- Prioritised Innovation
- Resilient Operations

How We Create Value



We invest 13 per cent of revenue in product development

Research and Product Development

Our goal is to deliver outstanding software that meets the needs of our customers now and in the future.

We place customers at the forefront of our strategy when it comes to developing products. By engaging with customers through several channels we can better understand the challenges our customers face and therefore deliver software solutions to help.

World-Class Solutions

Our products and services are recognised for their alignment to the specific needs of our customer segments and the solutions they provide across the built environment.

Improved Market Presence

A cohesive marketing message promoting our focused portfolio which is supported by a combination of direct and indirect communications.

Our Regions

£9.5m

UK

The UK is Eleco's largest territory by revenue representing 38 per cent of the Group's total revenues. The UK research and development teams are responsible for our project management software which represents 38 per cent of group revenues and ShireSystem which has seen Maintenance Management revenues grow 15 per cent in 2020.

£6.1m

Scandinavia

Scandinavia contributes 24 per cent of the Group's revenue and is a key research and development centre for Eleco for estimation, site management and engineering.

£4.8m

Germany

Germany remains our third largest region by revenue. Germany represents a growth opportunity in 2021 for the Group, with opportunities to grow Powerproject revenues and to build on the success of the Visualisation AI flooring module in particular with ESIGN and ActiveOnline which has seen growth nearing 10 per cent with the follow up launch of the Visualisation AI wall module.

£3.9m

Rest of World

The rest of the world will continue to present growth opportunities through our success in the Netherlands with Powerproject and further opportunities in Australia to grow revenues through Powerproject, and with the establishment of Elecosoft Pty in 2021 to cater specifically for Staircon opportunities.

£0.9m

USA

The USA continues to be an area of considerable opportunity and is seen as a key growth market in 2021 through Powerproject and Staircon in North America.

Review of Principal Risks

Operational Risks

Risk	Description	Mitigation
Product Development Risks	Fast and constantly changing customer requirements, along with increased technology adoption, industry and technological innovation contribute to the risks and challenges associated with developing complex software applications.	Strengthen the product management organisation to better understand customers' current and future needs which support R&D prioritisation and the alignment of development roadmaps to meet the needs of defined customer segments and geographical markets. Strengthen our understanding of in-country customer requirements to support the product development roadmaps and further differentiate our portfolio against global competitors.
Cyber risks and data protection	There is an increasing reliance on IT systems, local and cloud, to perform the daily operations of a business. Exposure to technology in general is rapidly increasing with cloud offerings and remote connections.	Good, effective technology risk management and close monitoring is essential to robustly handle potential IT security incidents and system failures, as well as ensuring customer information is protected from unauthorised access or disclosure. Continued investment and adhering to regulatory standards mitigate these risks.
Human Resources/ Employees	Eleco strives towards a creative work culture that embraces technology and builds on trust, accountability, and mutual respect. Loss of key employees or an inability to attract talent could have an impact on the Group's operations. The ability of Eleco to retain and attract talented employees is a critical part of the culture of the business.	Eleco endeavours to ensure that employees are motivated in their work and there is regular feedback on their performance. There are pay reviews and a range of incentive schemes to reward achievement over different time periods. Eleco attracts new talent by maintaining its focus on developing new and innovative software.
Human Resources/ Employees	Organisational structure results in siloed focus and siloed priorities between distinct business units, products, and geographies rather than collaborative efforts to reach group objectives.	Define the targets, roles and responsibilities, incentives, and culture of the organisation to align and focus on sales and marketing, product management and development to deliver against strategic priorities. Enhance our employee wellbeing and success through the ongoing assessment and improvement in human resource policies, procedures, and professional development.

Market Risk

Risk	Description	Mitigation
Impact of economy and financial markets	The health of domestic and global economies strongly influences the commercial construction business cycle. A downturn in the construction business cycle can adversely affect Eleco's performance.	The construction software markets are changing as the built environment accelerates its digitalisation. Eleco works closely with customers and the market risk is mitigated through operational spread between countries with plans to expand geographically both directly and through reseller partner channels. Eleco's position is further strengthened by servicing the maintenance stages of the building lifecycle and manufacturing, property and retail markets. Eleco remains conscious of the need to manage and conserve its cash resources carefully and in present conditions caused by Covid-19, Eleco has been even more vigilant in the control of operational costs. While Brexit may have an impact, as demonstrated through 2020 the Group has been able to meet challenges and remained resilient.
Competition	Eleco's products are subject to challenge from peers with significant resources.	Eleco has traditionally invested approximately 12-13 per cent of its revenue in product development, with 66 employees engaged in R&D. The objective of the R&D group is to provide efficient, easy to use solutions to customer needs and segments, whilst detecting new trends and requirements as the construction industry continues to digitise.

Review of Principal Risks continued

Financial Risk

Risk	Description	Mitigation
Currency	The Group earns a proportion of its revenue in currencies other than Sterling. The two largest currencies in which it trades are Swedish Krona (SEK) and Euro (EUR). Changes in these exchange rates can expose Eleco to exchange translation gains and losses.	Our businesses predominantly trade in their own local currencies and have local operational and development staff which creates a natural hedge against currency movements. In addition, we will continue to review foreign exchange contracts to manage risk.

Legal and Compliance Risk

Risk	Description	Mitigation
Protection of Intellectual Property	Eleco's success is built upon the development of advanced software which requires continual protection from competitive businesses who may seek to copy or otherwise replicate the software.	Eleco uses a variety of licensing technologies and defines the rights of customers in licence agreements. In addition, the Group seeks to ensure its intellectual property rights are protected by appropriate means and defends its rights where practicable.
Tax	Eleco operates across a number of territories and geographies, local tax authorities follow their own local transfer pricing rules in the absence of global transfer pricing rules. Following Brexit, existing agreements in place may be further challenged by local tax authorities which could result in an increase to tax rates.	Transactions between group companies are carried out in accordance with Eleco's interpretation of tax laws, tax treaties and OECD guidelines and these arrangements have been subject to review during 2020.
Protection of IT systems and platforms	As is the case with all companies, Eleco relies on the physical and cyber security of its IT networks and platforms for the smooth day-to-day operation of its businesses. The cyber threat space is ever increasing, and has grown exponentially since the pandemic started, with new threats and vectors of attack emerging on a daily basis.	Eleco uses a multitude of cyber defence tools, including industrial-strength email- and web-filtering services, server- and end point security suites, and hardware and software firewall protection. All third-party main platforms used for communication, security or hosting services (such as Microsoft Office 365, Mimecast, Microsoft Azure and various IaaS/PaaS providers) are protected and certified to ISO 27001 level, which includes physical as well as cyber security precautions and safeguards to mitigate against physical and cyber attacks.

Section 172 Statement

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way he or she considers, in good faith, would most likely promote the Company's success for the benefit of its members as a whole. In doing this, s.172 requires a Director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers, and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the Company.

Eleco and the Board embrace and fully support these reporting requirements. The Board ensures that regular training is undertaken concerning Directors' obligations and also that Directors have access to advice from the Company Secretary who holds a master's degree in Corporate Governance, whenever necessary. By having good governance procedures in place, the Board aims to ensure that its decision making is open and transparent.

We set out below how we have considered the matters found in s.172.

1. Strategy Review

The Board reviews the Company's strategy annually. The review includes;

i approval of the business plan for the coming year

ii budgets, approving investments

iii considering the impact that decisions will have in the long term.

This year the Directors undertook a comprehensive strategic review, the outcome of which has been summarised in the Executive Chairman's Statement.

As well as reviewing the Group's business and financial performance, the Board was also presented with papers relating to legal and compliance matters.

2. Employee Engagement

During the year, the Board reviewed and considered instilling an operational culture that would more readily facilitate the delivery of long-term success to the Company, embed stronger relationships with its employees and engage them more widely in the Group's activities than just the framework provided by their domestic legal entity.

Our employees are critical to our business and the Board has ultimate responsibility for ensuring the safety and security of our people. Protecting our employees from Covid-19 has been a paramount concern and driver for the Board in 2020. We are encouraged and delighted with the way our employees have rallied and worked flexibly so as to ensure minimal impact to our client base.

Moving forward the Board has been considering well being programmes and is installing a new Learning Management System to enhance availability of training.

3. Capital Allocation

Each year the Board considers the strength of the Group's balance sheet. Given the uncertainties created by the Covid-19 pandemic the Board did not recommend a final dividend for the year ended 31 December 2019.

However, the Board has reflected on the performance of the business as well as the strength of the Group's balance sheet and has proposed to pay a final ordinary dividend of 0.40 pence per share in respect of the year ended 31 December 2020.

Section 172 Statement continued

Stakeholder Engagement

Form of Engagement

The table below sets out how we engage with our key stakeholders.

Stakeholder	Engagement	How this engagement influenced Board discussions and decision making
Customers	Our customers are critical to our business. Our products and services are critical in the construction supply chain. We aim to: • Keep the supply chain operating in the safest possible way. • Support the production of goods used in construction. • Support customers to make better decisions through accurate software solutions.	The Board receives updates on customer feedback and sales throughout the year, which informs its strategic decisions. In 2020 this included presentations to better understand the needs and concerns of customers and to assist decision making on matters related to the Group's strategic approach. Consultation user groups and customer visits have been extended and enhanced to review customers' needs and customers' segments across a broader geographical position and range. By engaging with customers through several channels we can better understand the challenges our customers face and therefore deliver software solutions to help. Though this direct engagement has been limited over the last twelve months, due to the pandemic, these have been replaced by video calls. As part of the Company's strategic review, an external party was appointed to conduct interviews with core customers to gain feedback on our offerings and customer service. This feedback was integrated into the strategy and signed off by the Board.

Stakeholder	Engagement	How this engagement influenced Board discussions and decision making
Shareholders	The Company liaised and interacted with a number of our major shareholders this year to understand those aspects which are uppermost on their agenda. The impact of Covid-19 was a recurring factor in these discussions. Following the retirement of John Ketteley as Executive Chairman in September, the core Shareholders were once again contacted to discuss that Serena Lang would be coming in full-time to help drive the strategic review and strengthen the Corporate Governance. Meeting and talking to shareholders at the AGM is always a valuable event however, this year due to Covid-19, the AGM was a hybrid event and this personal aspect was missing. However, we are looking at ways in which we can engage with all our shareholders in the coming year.	The Board regularly seeks and reviews the feedback from shareholders and takes required actions that are in the interest of all shareholders.
Employees	Our employees are a strong and talented group of people who work with skill and enthusiasm in all our target markets. Their health, safety, and wellbeing are fundamental to us. As a result of Covid-19 we quickly introduced home working for all our offices as lockdown measures were introduced.	We utilised furlough schemes to safeguard jobs where applicable, although given our resilient year the Company will be repaying £98,000 of the £150,000 furlough credits. Social security rebates in Sweden of £52,000 cannot be repaid. We have rolled out a regular eNPS (Employee Net Promoter Score) to further engage with employees to assess employee engagement, reduce employee attrition and build stronger teams.
Suppliers	The Company utilises a number of key suppliers for IT services including telecommunications, data storage and security. These relationships are generally reviewed every two to three years. Other suppliers and advisory relationships are reviewed every 12-18 months. The review process includes a minimum of two comparable proposals.	The Company sought to enhance and consolidate supplier relationships, with a review of service agreements and supplier relationships, which during the year saw the transition to new hosting suppliers in the UK.

Section 172 Statement continued

Stakeholder	Engagement	How this engagement influenced Board discussions and decision making
Investors	The Executive Chairman has been engaging with investors since the September interims and together with the Executives also engages with investors during results roadshows. The Company has a renewed focus on open communications with the wider stakeholder community and has added a number of new initiatives for 2021. The Company will be using Investor Meet company to give access to a wider group of Investors.	We are planning to hold more analyst briefings and other various forms of investor engagement will also take place.
Partners (resellers and technology partners)	The Company engages with resellers through a channel management function. We also provide technical support and training on an ongoing basis to our reseller community. We maintain confidentiality when partnering with other software vendors by entering into API (Application Programming Interface) partnership agreements.	Prior to entering into any formal reseller or API agreements with prospective partners, the Board receives, reviews and approves all arrangements.
Wider Community	Our solutions directly and indirectly impact a whole host of stakeholders including end users and local residents.	Whilst the Board may not have direct involvement with the wider community it is mindful of the impact our business and solutions have on the wider community as a critical part of the building lifecycle and therefore community considerations are embedded in all of our decision making in one way or another.

Sustainability Matters

In line with the Companies (Director's Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 our energy use and greenhouse gas (GHG) emissions are set out below.

The data relates to UK emissions for the 12-month period from 1 January 2020 to 31 December 2020.

Eleco Energy Use and Associated Greenhouse Gas Emissions

Total Energy consumption	721,097 kWh
Emissions from combustion of gas (Scope 1)	101 tCO2e
Emissions from combustion of fuel for the purposes of transport (Scope 1)	5 tCO2e
Emissions from purchased electricity (Scope 2)	25 tCO2e
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	5 tCO2e
Total gross emissions	136 tCO2e
Emissions per £m sales revenue	5 tCO2e per £m sales revenue
Total Gross Scope 1, Scope 2 [market based] & Scope 3 emissions (tCO2e)	132 tCO2e

Quantification and Reporting Methodology:
We report our emissions with reference to the latest Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (GHG Protocol). The 2020 UK Government GHG Conversion Factors for Company Reporting published by the UK Department for Environment Food & Rural Affairs (DEFRA) are used to convert energy use in our operations to emissions of CO2e. Carbon emission factors for purchased electricity are calculated according to the 'location-based grid average' method. This reflects the average emission of the grid where the energy consumption occurs. Data sources include billing, invoices and the Group's internal systems. For two of the sites, Market Harborough and Haslemere, the buildings are leased where the utilities are included in the rent.

Benchmarking based on floor area against industry benchmarks has been used to provide estimated energy consumption in these buildings. For Market Harborough, all power is purchased from an onsite solar farm, and an additional figure has been calculated using market-based factors to account for this as zero emissions in our report above. For transport data where actual usage data (e.g. litres) was unavailable conversions were made using average fuel consumption factors to estimate the usage.

Intensity Ratio:
We have chosen to report our gross emissions against £m sales revenue.

Energy Efficiency Action:
Eleco is committed to reducing the environmental impact of our operations; in the period covered by the report the Group has continued using a hybrid car as the main company car for business travel from the fleet at Haddenham.

Financial Review

2020 was a challenging year but despite the challenges faced by our business I am pleased to report that our resilience has seen revenues down only 1 per cent to £25.2m (2019: £25.4m), while profit before tax increased by 12 per cent to £3.9m (2019: £3.5m).

Eleco again improved its cash position, increasing its net cash position from £1.1m at 31 December 2019 to £6.2m; comprising cash of £10.7m (2019: £7.2m) and an outstanding bank debt position of £4.5m (2019: £6.1m).

Revenue

Revenue for the period decreased 1 per cent to £25.2m (2019: £25.4m), the equivalent of a decrease of 1 per cent at constant currency.

Recurring revenues derived from maintenance and support contracts, as well as SaaS, hosted and subscription contracts increased 5 per cent compared to 2019 and now represent 56 per cent of total revenue (2019: 53 per cent).

The level of deferred income at the balance sheet date increased by 9 per cent to £6.4m (2019: £5.9m) which demonstrates a positive sign of future maintenance revenue.

Both licence and service revenues were impacted as a result of Covid-19, which restricted face-to-face interaction with customers, delaying customer orders as well as the provision of training and consultancy services.

However, the second half of the year saw service revenue improve, although this still remains below historic levels.

It is pleasing that both our visualisation, maintenance management and estimation products saw revenue growth year on year.

The Visualisation AI flooring module continues to be adopted by customers in the retail sector with revenue growth, of both recurring and services revenues nearing 10 per cent and we look forward to the impact and launch of our AI wall tool offering.

Maintenance management grew with manufacturing and customer demand up during the period, and while impacted in delivering face to face services, ShireSystem also saw growth in chemical and pharmaceutical and health and social care sectors as well as taking further steps into new markets such as Germany, growing total revenues 15 per cent year on year.

Throughout 2020, we saw a growing usage of our estimation tools in Sweden with customer demand ensuring further accuracy of estimation and delivery of projects.

Our German revenues increased 8 per cent year on year across a number of product areas, including project management, CAD, visualisation, and as noted above maintenance management.

Profit

With uncertain conditions during 2020, management tightly managed the underlying overheads, with a reduction in marketing events, and deferral of open positions until demand was seen, this was also supported by £150,000 of furlough and equivalent government support across our regions which are included within the 2020 results.

The Board has taken the decision to repay furlough payments that are possible to be repaid given the underlying performance of Eleco for the year as whole. This is £98,000 furlough repayments of the £150,000 which will be repaid in the coming months.

Reported operating profit grew 9 per cent to £4.2m (2019: £3.8m), whilst improving margins.

After excluding the impact of exceptional items, together with the impact of the non-cash amortisation of acquired intangible assets as set out below, adjusted operating profit for the Group increased by 12 per cent.

	2020 £'000	2019 £'000
Operating profit	4,151	3,812
Acquisition expenses	–	143
Former Directors' payments	328	–
Amortisation of acquired intangible assets	590	590
Adjusted operating profit	5,069	4,545

Total software product research and development costs amounted to £3.2m for the year (2019: £3.1m) of which £1.6m (2019: £1.2m) was capitalised. We are committed to investing in product development and our total software development cost represents 13 per cent (2019: 12 per cent).

This increase in capitalisation was offset by an incremental £0.2m increase in associated amortisation of previously capitalised software development.

The amounts capitalised during the year included investments in Powerproject 16, Powerproject Portfolio Repository, Powerproject Vision and BIM V6, Bidcon, ShireSystem 4.0, IconSystem workflow and dashboard and Staircon Next Generation.

The carrying value of these software assets together with the carrying value of software assets capitalised in previous periods was reviewed for impairment at the balance sheet date and no impairment was required.

Finance costs in the year included interest expense for leasing arrangements under IFRS 16. Finance costs in respect of the Group's term debt were £0.2m (2019: £0.3m), resulting in a profit before tax of £3.9m (2019: £3.5m); an increase of 12 per cent.

The Group tax charge in the year was £0.7m (2019: £0.8m) and represented 18.7 per cent of profit before tax (2019: 22.2 per cent).

The net profit attributable to Ordinary Shareholders increased by 17 per cent to £3.2m (2019: £2.7m).

After adjusting for the post-tax effect of amortisation of acquired intangible assets, acquisition expenses and former Directors' payments adjusted net profit attributable to Ordinary Shareholders increased by 18 per cent to £3.9m (2019: £3.3m).

	2020 £'000	2019 £'000
Net profit after tax	3,163	2,701
Acquisition expenses	–	143
Former Directors' payments	266	–
Amortisation of acquired intangible assets	478	478
Adjusted net profit after tax	3,907	3,322

Financial Review continued

£8.1m (2019: £6.7m) cash was generated from operations, an increase of £1.5m, a good reflection of the overall performance of the Group during a challenging time, with a continued focus on working capital and resilience to market conditions. Overall working capital movements were extremely favourable, contributing a net cash inflow of £1.4m (2019: £0.5m).

Capital expenditure on intangible assets, principally comprising the capitalisation of software product development costs was £1.6m (2019: £1.2m).

Capital expenditure on property, plant and equipment was £0.1m (2019: £0.1m).

After deducting capital expenditure and acquisition related expenses, adjusted operating cash flow, as set out below, was £6.8m (2019: £5.5m), meaning that 133 per cent of adjusted operating profit (2019: 120 per cent) was converted into cash.

Our overall business model, with 56 per cent of the Group's revenues as recurring and high contract retention rates, has enabled us to remain resilient and cash generative during 2020.

	2020 £'000	2019 £'000
Cash generated in operations	8,138	6,669
Purchase of intangible assets	(1,603)	(1,237)
Purchase of property, plant and equipment	(99)	(110)
Acquisition expenses	–	143
Former Directors' payments	328	–
Adjusted net profit after tax	6,764	5,465

Adjusted free cash flow (before dividends, acquisition related expenses and former Directors' payments) increased by 39 per cent in the year to £5.8m (2019: £4.2m).

	2020 £'000	2019 £'000
Adjusted operating cash flow	6,764	5,465
Net interest paid	(206)	(268)
Tax paid	(785)	(1,052)
Proceeds from disposals of property, plant and equipment	71	67
Adjusted free cash flow	5,844	4,212
Acquisition expenses	–	(143)
Former Directors' payment	(328)	–
Free cash flow	5,516	4,069

Funding and Liquidity

The Group ended the year with a net bank cash of £6.2m (2019: net bank cash of £1.1m).

The Group's net cash position comprises cash at hand of £10.7m (2019: £7.2m), offset in part by gross borrowings of £4.5m (2019: £6.1m).

Gross borrowings comprise a term debt of £4.4m (2019: £5.9m) from Barclays (net of prepaid transaction costs of £0.1m (2019: £0.1m)) and a loan balance against the ActiveOnline property acquired of £0.2m (2019: £0.2m).

The Barclays loan is repayable in quarterly instalments over the next three years, with £1.6m annually. The term debt carries a fixed interest rate of 3.768 per cent until June 2021.

Covenants have been made to the bank in respect of three elements: EBITA to gross financing costs, EBITDA to gross borrowings and cash flow to debt service. These covenants are tested quarterly.

Earnings Per Share

Basic earnings per share increased 18 per cent to 3.9 pence (2019: 3.3 pence).

Adjusted basic EPS, adjusted for the impact of exceptional items and acquisition related expenses, amortisation of acquired intangible assets and for the associated tax impact, increased 17 per cent to 4.8 pence (2019: 4.1 pence).

Dividends

The Board has recommended the payment of a final dividend in respect of the year ended 31 December 2020 of 0.40 pence per share (2019 final dividend: nil pence).

Ben Moralee FCA
Group Finance Director
26 March 2021

Board of Directors

Serena Lang MBA
Executive Chairman

Skills and Experience
Serena was appointed Executive Chairman of Eleco plc in September 2020 following on from her appointment as Non-Executive Deputy Chairman in May 2017, and as a Non-Executive Director in December 2014.

Serena's distinguished and multifaceted career includes working as an Executive Consultant at E&Y, where she was heavily involved in client M&A and integration activities, then onto BP's group leadership team where she was VP Transformation in the downstream and latterly onto Invensys Plc (now part of Schneider Electric) running the highly profitable £130m North Europe and Africa Division of their international software and process businesses as well as being the VP in charge of the BP account globally.

Serena brings a depth of experience to bear on the long-term strategy of the business, international growth, merger, and acquisitions as well as software development.

Committee Membership
A R N

Jonathan Hunter BBus BMm
Chief Executive Officer

Skills and Experience
Appointed to the Board in June 2016 and with a bachelor's degree in Business Management and Multimedia, Jonathan is responsible for implementing the Group's strategy and has played a major part in the Group's M&A activity since the commencement of his directorship. Having held a number of senior management positions within Eleco plc since joining in 2010, he played a fundamental role in the transition to a software group during and post divestment of the Building Systems division. His appointment as interim Chief Executive Officer in September 2020, which was made permanent in February 2021, follows three years as Chief Operating Officer with the Group.

Jonathan is a member of the Institute of Directors and has continued to attend relevant professional training and coaching throughout the year.

Ben Moralee FCA
Group Finance Director

Skills and Experience
Appointed to the Board in September 2018 and will resign on approval of this Annual Report. Ben is responsible for Group Finance and has extensive experience in international finance and management positions having previously been Head of Finance at Figleaves (part of N Brown Group PLC) and Financial Controller for Serena Software Europe Limited (part of Micro Focus plc), the international provider of IT management products for 10 years. Ben qualified as a chartered accountant with Deloitte and is a fellow member of the ICAEW. Ben has recent M&A and corporate finance experience. As a member of the ICAEW, Ben is required to maintain his accreditation by attending relevant meetings and seminars, and to undertake appropriate training, which includes courses run by the ICAEW and the QCA. In addition, he is a member of the Information Technology and Financial Reporting Faculties, and Corporate Governance and Data Analytics Communities of the ICAEW. He holds a Bachelor's degree in Natural Sciences from Durham University.

Anders Karlsson MSc
Managing Director, Elecosoft Consultec AB

Skills and Experience
Appointed to the Board in March 2017, Anders has over 24 years' business development experience.
He was initially appointed as Managing Director of Consultec Byggprogram AB in August 2005 and then rejoined the Group as Managing Director of Elecosoft Consultec AB (Sweden) in November 2014, after a four-year stint as the CEO of an international digital signage company. Working in product development, portfolio management and technical sales during his 10 years within the telecom business, coupled with a strong focus on managing sales, marketing and brand building throughout the past 15 years, all in strategic management positions, Anders adds immense value to the Eleco executive team. His skill set is continuously updated via networking in the computer science, portfolio management, marketing, sales, and performance management areas.

Key to Committee Membership
A Audit Committee
R Remuneration Committee
N Nominations Committee
Committee Chair

Robert Tearle ACMA
Chief Financial Officer

Skills and Experience
Robert is to be appointed Chief Financial Officer of Eleco plc with effect from 29 March 2021.

Robert has a passion for technology in a changing environment with a career in Software/ SaaS, TMT and Fintech. He has taken an active role in international expansion being based overseas and increasing value through revenue growth, whilst being efficient with cash and minimising risk. Prior to Eleco, Robert held the position of CFO or Finance Director for numerous technology companies including Fintech/ SaaS businesses Hastee, Global Processing Services, Currency Cloud, with a focus on fund raising, M&A integration and strategic business plans. He holds a degree in Accounting & Finance from Kingston University and is ACMA qualified.

David Dannhauser FCA FIOD MA
Senior Independent Non-Executive Director

Skills and Experience
Appointed as a Non-Executive Director in February 2018, David is also Chair of the Audit Committee.

David was Finance Director of a number of listed companies for over 20 years, including at the Company from 1994 to 2010. During his time as Finance Director of the Company, he was closely involved in the establishment and development of the Group's software activities, which today form the core of the Group's software operations. He has also advised a number of companies on their capital raising, M&A and strategic planning activities.

David's business background also includes some 10 years as a Senior Board Executive within the construction sector as well as a term from 2011 to 2013 as a Non-Executive Director of Altitude Group plc, the AIM listed SaaS solutions provider operating in North America and the UK. As a member of the ICAEW, his accreditation requires the maintenance of an appropriate level of continuing professional development, which is further enhanced through his membership of the Institute of Directors and the NED Group at Winmark Global. He holds a Master's degree in Economics from Cambridge University.

Committee Membership
A R N

Kevin Craig BA
Non-Executive Director

Skills and Experience
Appointed as a Non-Executive Director in March 2017, Kevin is also Chair of the Remuneration Committee.

He is the founder and CEO of the award-winning communications company PLMR Ltd and was named as Best Political Consultant in the UK in 2011. To date, he has served for over 16 years as a Councillor in London local government and formerly worked for Saatchi and Saatchi (Rowland Company) and the global law firm DLA Piper. He is a graduate of the University of Southampton, a Member of the Institute of Directors, Fellow of the Royal Society of Arts and in 2019 attended leadership training at Harvard Business School in Boston, USA.

Committee Membership
A R N

Paul Boughton FCA BSc
Non-Executive Director

Skills and Experience
Appointed as a Non-Executive Director in March 2021, Paul is Chair of Quartix Technologies plc, the telematics and vehicle analytics company. He has 30 years of executive experience in identifying, negotiating and completing acquisitions in the USA and Europe. Paul spent 13 years as Business Development Director for Spectris plc, and subsequently held similar positions at IMI plc, Consort Medical plc and Brammer plc. He was a Non-Executive Director of London Bridge Software plc and Raymarine plc earlier in his career. Paul has a BSc in Business and Managerial Economics from the University of Hull and is a Fellow of the Institute of Chartered Accountants.

Committee Membership
A R N

Executive Chairman's Statement of Corporate Governance

Corporate Governance

The Company's shares trade on AIM. In September 2018, the Company adopted the Quoted Companies Alliance Corporate Governance Code or Small and Mid-Size Quoted Companies (the "QCA Code"). The Company is cognisant of the fact that compliance is an organic process and is to be embedded into every aspect of operation and will continue to review and improve its governance procedures so as to implement the highest levels of governance.

Details of how the Company has dealt with each principle of the Code are detailed below or referred to in another section of the Report and Accounts: www.eleco.com/governance

Composition of the Board

There were changes during the year and the Board now comprises the Executive Chairman, three Non-Executive Directors (including the Senior Independent Director) and three Executive Directors (being the Chief Executive Officer, the Chief Financial Officer and one other Executive Director who is the Managing Director of Elecosoft Consultec AB).

Operation of the Board

The Executive Chairman, along with the Executive Directors and Company Secretary, ensure that the Board functions effectively and has established Board processes designed for this purpose.

The Board aims to be accountable and give utmost consideration to governance arrangements. It also seeks to:

- Provide direction for management
- Demonstrate ethical leadership
- Make well-informed and high-quality decisions
- Create the framework for helping Directors meet their duties
- Be accountable to all stakeholders

This year we appointed a Group CEO with responsibility for the day-to-day leadership and management of the business, in line with the strategy, risk appetite and annual and long-term objectives approved by the Board. This is a key move towards separating the role of the Executive Chairman and CEO in line with good governance principles. The roles and responsibilities of the Executive Chairman and CEO can be found by visiting: www.eleco.com

Key aspects of these processes are:

- The Board met 18 times during the year. These meetings, together with any sub-committee meetings principally convened for procedural matters, were generally held via Microsoft Teams this year due to Covid-19 restrictions which meant that it was not generally possible to convene in person. The attendance of individual Directors at Board meetings in 2020 is set out in the table below and committee meetings in the committee reports on pages 35 to 41.

	Board Meetings	
	Possible	Attended
Executive		
S Lang	4	4
J H B Ketteley	14	14
J Hunter	18	18
A Karlsson	18	18
M Mistry	5	5
B Moralee	18	18
Non-Executive		
S Lang	14	14
K Craig	18	16
D Dannhauser	18	15

- Each regular, scheduled Board meeting has an overarching theme. These include the annual budget, Group business strategy, interim and final results.
- Executive Directors and members of the senior management team make presentations covering progress against current strategy and key objectives and ideas for future investment.
- In addition, the Board holds regular further ad hoc Board or sub-committee meetings to address largely procedural issues between the scheduled Board meetings. Examples of this would be the allotment of new shares following the scrip dividend and property leases.
- To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed by the Company Secretary or made available via a portal to all Directors usually a minimum of four working days in advance of Board and committee meetings.
- A monthly reporting pack containing management accounts with commentary, reports from each Executive Director and individual business units' reports is provided to the Board on a monthly basis.
- Meetings were held between the Executive Chairman and the Non-Executive Directors during the year, without the other Executive Directors being present, to discuss appropriate matters as necessary.
- Both Executive and Non-Executive Directors are encouraged to undertake annual training in furtherance of their specific roles and general duties as a Director and to keep their skills up to date and relevant to the Group. This includes but is not limited to attending meetings and workshops run by the London Stock Exchange and the Quoted Companies Alliance. Details on how each individual Director has approached their personal development are set out in their biographies on pages 30 and 31.

Control Environment

The Board acknowledges its responsibility for the Group's systems of internal financial and other controls. These are designed to give reasonable, though not absolute, assurance as to the reliability of information, the maintenance of adequate accounting records, the safeguarding of assets against unauthorised use or disposition and that the Group's businesses are being operated with appropriate awareness of the operational risks to which they are exposed.

The Directors have established an organisational structure with clear lines of responsibility and delegated authorities within the Group Controls Handbook.

The systems include:

- The appropriate delegation of responsibility to operational management.
- Financial reporting, within a comprehensive financial planning and accounting framework, including the approval by the Board of the detailed annual budget and the regular consideration by the Board of actual results compared with budgets and forecasts.
- Clearly defined capital expenditure and investment control guidelines and procedures.
- Monitoring of business risks, with key risks identified and reported to the Board. These risks can be identified on pages 18 to 20.

The Board Evaluation Process

The performance of individual Directors is reviewed on an annual basis in February of each year by the Remuneration Committee, headed by Kevin Craig. The review looks at the individual and the Group's performance as well as any feedback from the other Board members, including an evaluation of each Executive provided by the Executive Chairman. This review is discussed with each individual Director and forms the basis for any additional training or development that may be required.

The Board considers Board evaluation as critical to sound corporate governance and sustainability and considers that a robust evaluation process will create transparency, better decision making, stronger culture and more effective meetings. To this end the Board is now using an external Board Evaluation Platform to facilitate this process, which is QCA and Wates Principals compliant. This will provide a 360° evaluation and will foster top team alignment and will influence our development as a Board in future years.

Succession Planning

Board succession has been organic to date, with an emphasis on recruiting individuals who bring significant value to the Board as the Group's business develops. More formal succession planning as the Group's business continues to develop is expected to form part of the Board evaluation process.

As is common with many small companies, the Company does not have internal candidates to succeed existing Directors. This will be kept under review, especially when recruiting for senior roles as vacancies arise. However, the Board does not believe it is appropriate to recruit additional Directors or senior personnel solely for the purpose of succession planning.

Policy on Appointment and Reappointment

In accordance with the Articles of Association, all Directors are required to retire and submit themselves for re-election at least every three years by rotation. New Directors are subject to election at the first Annual General Meeting of the Company following their appointment.

Executive Chairman's Statement of Corporate Governance continued

Senior Independent Director
David Dannhauser is the Senior Independent Director, whose key responsibilities are:

- to act as a sounding board for the Executive Chairman and to carry out the performance evaluation of the Executive Chairman;
- to be available to attend meetings with major shareholders and key advisors to receive their views regarding the Company; and
- to act as a route of access for Directors and Senior Executives who have concerns that cannot access normal channels.

Non-Executive Directors
Each of the Non-Executive Directors is considered independent of management and free of any relationship that could materially interfere with the exercise of their independent judgement. At the date of appointment, Non-Executive Directors were assessed for independence against the main Corporate Governance Code or, for more recent appointments, against the QCA Corporate Governance Code 2018. Under the QCA Code, the Board should have an appropriate balance between Executive and Non-Executive Directors and should have at least two Independent Non-Executive Directors. The Company satisfies this requirement, with their financial or commercial involvement with Eleco being their annual salaries, any publicly disclosed shareholding, and interest in contracts. The Non-Executive Directors are considered independent and with no conflicts of interest with Eleco employees or shareholders. Any historic employment relationships are disclosed in the Board of Directors pages 30 and 31. No Non-Executive Director has been an employee of the Company within the past 7 years.

The Company considered and appointed a Senior Independent Director who was appointed in October 2020.

The Company remains committed to a Board which has a balanced representation of Executives and Non-Executives.

Each Non-Executive Director is expected to attend and be prepared for all main Board meetings.

Company Secretary
In furtherance to our commitment to the highest levels of corporate governance, in 2021 we appointed a full-time Company Secretary with a specialism in Corporate Governance. Her key responsibilities are as an advisor and facilitator to the Executive Chairman and the Board and to act as a go-between for the Company's professional advisors and the Board. Her further duties include:

- assisting the Board in the Company implementing good governance procedures;
- assisting Executives in ensuring that the Company complies with legal, statutory and regulatory requirements;
- assisting the Executive Chairman with the effective running of Board meetings; and
- acting as a confidential sounding board for Directors.

The Directors have access to independent professional advice, when they judge it necessary, in executing their duties on behalf of the Company. The main external advisors used by the Company during the year can be found on page 115.

Serena Lang
Executive Chairman
26 March 2021

Audit Committee Report

Committee Composition and Meeting Attendance

Director	Possible	Attended
David Dannhauser FCA (Chair)	2	2
Kevin Craig BA	2	2
Serena Lang MBA*	2	2

* Serena Lang was a Non-Executive Director until 24 September 2020 and was a member of the Audit Committee until that date.

Dear Shareholder
This report sets out how the Audit Committee has discharged its responsibilities during the financial year.

The primary roles and responsibilities of the Committee are:

- Monitoring and reviewing the financial statements, including the appropriateness and application of accounting policies used, prior to their recommendation to the Board;
- reviewing the effectiveness of the Company's internal controls and risk management systems;
- monitoring the relationship with the external auditor, including assessing auditor independence and the effectiveness of the audit process;
- reviewing the adequacy of the Company's whistleblowing arrangements; and
- making recommendations to the Board for its consideration and approval.

Terms of Reference
The full terms of reference for the Audit Committee may be found by visiting: www.eleco.com. They were last reviewed on 6 November 2020.

The members of the Committee comprise the independent Non-Executive Directors, and the Committee is chaired by David Dannhauser, who possesses the necessary depth of financial expertise to fulfil the role. The Committee met twice during the year to consider the year-end accounts for 31 December 2019 and interim reports for 30 June 2020.

Although not members of the Audit Committee, Company officers invited to the Audit Committee meetings were the Group Finance Director, Group Financial Controller and Company Secretary.

External Auditor
The Board undertook a formal independence and tender review process in 2020 following which RSM UK Audit LLP was appointed as the Company's external auditor and has been engaged to undertake the audit of the Group's financial year ending 31 December 2020.

RSM UK Audit LLP has indicated its willingness to continue in office and a resolution will be proposed at the Annual General Meeting to reappoint it as auditor and to determine its remuneration.

The total fees paid to the Company's Auditor in the year are shown on page 75 note 3.

The Company used separate advisors for taxation.

Internal Audit
The Committee has considered whether the Group's internal controls process would be significantly enhanced by an internal audit function separately resourced from the finance function and has taken the view, given the size of the Group, the internal controls in place and the impact of the Executive Directors' significant involvement in the Group's day-to-day business that an internal audit function would not be cost-effective at this time.

However, the Committee will continue to monitor this in the context of the Group's increasing size and complexity.

Risk Management
Internal controls and risk management are detailed on pages 18 to 20 of the Report and Accounts.

David Dannhauser FCA
Audit Committee Chair
26 March 2021

Nominations Committee Report

Committee Composition and Meeting Attendance

Director	Possible	Attended
Serena Lang MBA (Chair)	2	2
Kevin Craig BA	2	2
David Dannhauser FCA	2	2

1 Serena Lang was appointed Chair of the Committee on 24 September 2020
2 John Ketteley stepped down as Chair of the Committee on 23 September 2020

Dear Shareholder

On behalf of the Board and Committee I am pleased to present the Nominations Committee Report for the year ended 31 December 2020.

The Nominations Committee consists of the Non-Executive Directors and is chaired by the Executive Chairman. Following the Board changes last year, I was appointed Chair of the Nominations Committee, David Dannhauser was appointed Senior Independent Director, Kevin Craig was appointed Chair of the Remuneration Committee and Jonathan Hunter was appointed CEO of the Group. In addition, the Board has identified certain key appointments which are in progress for the coming year including Chief Product Officer, Chief Technology Officer, Group HR Manager and Group Transformation Director. During the year the Committee has reviewed the composition of the Board and has recently appointed a new Non-Executive Director to enhance its composition.

The Role of the Committee

The Board has delegated the monitoring of the organisation's leadership requirements as well as succession planning to the Committee, to ensure that the Group has the best resources to perform effectively now and in the future.

Key Responsibilities

This report forms part of the Directors' Report. The primary roles and responsibilities of the Committee are:

- reviewing the structure, size and composition of the Board and its Committees;
- evaluating potential candidates for nomination when and if it is deemed necessary to appoint a new Director to the Board; and
- making recommendations to the full Board for consideration and approval.

Activities During the Year

The Committee recommended the appointment of Serena Lang as Executive Chairman, Jonathan Hunter as Interim CEO, which was made permanent in February 2021, David Dannhauser as Senior Independent Director, Kevin Craig as Chair of the Remuneration Committee and subsequent to the year end Paul Boughton as Non-Executive Director and member of the Audit and Remuneration Committees.

Board Evaluation

During the year, the Committee carried out an internal evaluation of the Board, its Committees, and individual Directors. The outcome of this evaluation has influenced key decisions regarding the future structure of the Board.

Terms of Reference

The full terms of reference for the Nominations Committee may be found by visiting: www.eleco.com.

The Committee takes the view that it should appoint the best candidate for the role irrespective of gender, age, marital status, disability, sexual orientation, race and religion, ethnic or national origin. It is committed to equal opportunities and promoting from within the organisation, with the CEO working for the Company before being appointed to the Board.

Serena Lang
Nominations Committee Chair
26 March 2021

Remuneration Committee Report

Committee Composition and Meeting Attendance

Director	Possible	Attended
Serena Lang MBA	3	3
Kevin Craig BA (Chair)	3	3
David Dannhauser FCA	3	3

1 Kevin Craig was appointed Chair of the Committee on 16 October 2020.
2 Serena Lang stepped down as a member and Chair of the Remuneration Committee on 16 October 2020.

Dear Shareholder

I am delighted to present this Remuneration Committee report for the year ended 31 December 2020 on behalf of the Board. This was my first year as Chair and I would like to thank my predecessor, Serena Lang for her continued support and guidance during the transition.

The Remuneration Committee determines and agrees with the Board the framework or broad policy for the remuneration of the Company's Executive Chairman, Executive Directors, and Company Secretary and, as appropriate, other senior members of the executive management. No Director is involved with decisions as to their own remuneration.

The Committee is made up of two independent Non-Executive Directors, is chaired by myself, Kevin Craig, with David Dannhauser being a member. Following a restructure of the Board Committees and in light of her appointment as Executive Chairman, Serena Lang stepped down from the Committee during the year.

All meetings are attended by the Company Secretary and other individuals may be invited to attend as and when appropriate and necessary.

The Committee's remit is to establish a formal and transparent procedure for developing policy on remuneration and to set the remuneration of the Executive Chairman and the individual Directors. Due consideration is given to all relevant factors including as performance and remuneration paid by companies of comparable size and complexity. The Committee meets formally twice a year and at such other times as the Chairman shall require or as the Board may request.

Activities during the year

- Appraised and ensured the alignment of executive remuneration with the strategy;
- Considered and confirmed the outcome of the 2020 annual bonus;
- Carried out the 2021 salary review for Executive Directors and senior management, having regard to internal and external factors; and
- Having regard to corporate governance developments and market practice considered Executive and wider workforce pay.

Remuneration Committee Report continued

This report forms part of the Directors' Report. The primary roles and responsibilities of the Committee are to:

- agree with the Board the framework or broad policy for the remuneration of the Company's Executive Chairman, Executive Directors, and Company Secretary and, as appropriate, other senior members of the executive management;
- approve the design of and determine targets for any performance related pay scheme operated by the Company;
- review the ongoing appropriateness and relevance of the remuneration policy;
- oversee any major changes in employees' benefits structures across the Company or Group;
- review the design of the share incentive plan;
- agree the terms of reference of any remuneration consultants; and
- to review the performance and award of any options granted under the Company's 2014 share option plan.

Terms of Reference

The full terms of reference for the Remuneration Committee may be found by visiting: www.eleco.com.

The Committee used external advisors during the year to review share options, and also obtained legal advice from the Company's legal advisors.

Directors' Remuneration

	Basic salary plus bonus £'000	Fees £'000	Benefits £'000	LTIP £'000	Pension £'000	Year to 31 December 2020 £'000	Year to 31 December 2019 £'000
Executive							
S Lang	154	—	1	5	—	160	—
J H B Ketteley[1]	448	3	4	70	—	525	278
J Hunter	224	5	5	15	16	265	190
A Karlsson	164	12	6	14	20	216	176
M Mistry[2]	98	3	3	—	6	110	150
B Moralee	138	5	5	8	10	166	147
Non-Executive							
S Lang	—	48	—	—	—	48	68
K Craig	—	37	—	—	—	37	37
D Dannhauser	—	47	—	—	—	47	41

1 Included in the basic salary figure is a settlement amount of £260,000. Resigned 23 September 2020.
2 Included in the basic salary figure is a settlement amount of £44,000. Resigned 19 May 2020.

Policy on Remuneration of Executive Directors and Senior Executives

The Remuneration Committee aims to ensure that the remuneration packages offered encourage and reward performance in a manner which is consistent with the long-term interests of shareholders. The remuneration of the Executive Directors normally comprises four elements:

i) a basic salary and fees together with benefits-in-kind (such as company car allowance and medical insurance);

ii) a non-pensionable performance related annual bonus based on the Group's performance and individual contribution to that performance. The Executive Directors are contractually entitled to be considered for a bonus annually, but the amount to be paid is determined by the Remuneration Committee (if applicable); bonuses awarded in respect of the year ended 31 December 2020 are:

- S Lang £85,000 (2019: £nil)
- J H B Ketteley £nil (2019: £35,000)
- J Hunter £50,000 (2019: £35,000)
- A Karlsson £16,888 (2019: £17,414)
- B Moralee £13,000 (2019: £13,000)
- M Mistry £nil (2019: £12,000)

iii) pension benefits based solely on basic salary; and

iv) performance related share awards and non-pensionable bonuses under the Company's LTIP (if applicable).

No element of remuneration is operated solely for Executive Directors. Employees below board level receive base salary, pension, a discretionary annual bonus and 15 senior employees participate in the LTIP in addition to four Directors.

1,050,000 options were issued during 2020 (2019: nil). Details of the LTIP options in issue are tabled below:

Options	Expiry date	Amount in issue	Criteria for vesting options
2020	13/11/2030	250,000	Half of the options are exercisable after 3.0 years, subject to the share price being equal to or exceeding 117 pence per share for 20 consecutive dealing days between the date of issue and 31 May 2023. The remaining half of the options shall vest if, and only if: (a) The basic EPS reported in the audited Accounts for the year ended 31 December 2022 is at least 7.1 pence; or (b) if target (a) is not met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 8.23 pence; or (c) if neither target (a) or (b) is met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.88 pence 2/3rds of the award will vest; or (d) if none of targets (a), (b) or (c) is met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.70 pence fifty percent of the award will vest; or (e) if none of targets (a), (b), (c) or (d) is met but basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.53 pence 1/3rd of the option will vest, failing which the remaining half of options will lapse.

Remuneration Committee Report continued

Options	Expiry date	Amount in issue	Criteria for vesting options
2020	18/05/2030	800,000	Half of the options are exercisable after 3.0 years, subject to the share price being equal to or exceeding 117 pence per share for 20 consecutive dealing days between the date of issue and 31 May 2023. The remaining half of the options shall vest if, and only if: (a) The basic EPS reported in the audited Accounts for the year ended 31 December 2022 is at least 7.1 pence; or (b) if target (a) is not met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 8.23 pence; or (b) if target (a) is not met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 8.23 pence; or (c) if neither target (a) or (b) is met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.88 pence 2/3rds of the award will vest; or (d) if none of targets (a), (b) or (c) is met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.70 pence fifty percent of the award will vest; or (e) if none of targets (a), (b), (c) or (d) is met but basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.53 pence 1/3rd of the option will vest, failing which the remaining half of options will lapse.
2018	08/08/2027	100,000	The performance target for vesting for the year ended 31 December 2019 is an EPS of at least 2.97 pence
2017	06/08/2027	790,000	The performance target for vesting for the year ended 31 December 2019 is an EPS of at least 2.97 pence
2015	16/02/2025	300,000	Available to exercise option for new shares at 20.75 pence per share
		2,240,000	

Directors' Share Options

	Directors' options in issue	2020 Issued	2020 Exercisable £	2020 £	2019 Issued	2019 Exercisable £	2019 £
J H B Ketteley	250,000	250,000	0.743	185,750	—	0.45	—
J Hunter	350,000	250,000	0.743	185,750	—	0.45	—
A Karlsson	300,000	150,000	0.743	111,450	—	0.45	—
B Moralee	150,000	150,000	0.743	111,450	—	0.45	—
S Lang	250,000	250,000	0.749	187,250	—	—	—
	1,300,000	1,050,000			—		—

Executive Directors' Contracts

The Executive Directors have service agreements, which provide for a notice period as stated hereunder. In the event that employment with the Company is terminated without notice, the contracts do not provide for payment of a specific sum for compensation.

Commencement dates and notice periods of contracts (as amended) are as follows:

- S Lang (24 September 2020: twelve month contract).
- J Hunter (14 June 2016: six months);
- A Karlsson (27 March 2017: six months);
- B Moralee (12 September 2018: three months).

Non-Executive Directors

The Non-Executive Directors do not have service contracts but instead have letters of appointment which contain details of the terms of office, period of appointment, fees and reasonable expenses incurred in the performance of their duties. The Non-Executives serve for a term of three years from the date of appointment in accordance with the Articles. The Non-Executive Directors are subject to reappointment on a rotation basis along with the Executive Directors. A Non-Executive Director can be reappointed for an additional term following the completion of their first term in office.

Commencement dates:

- K Craig (27 March 2017); and
- D Dannhauser (2 February 2018).

Interest in Contracts

There are no contracts of significance between the Company or its subsidiary companies and any of the Directors during the year. However, transactions between both current and former Directors and the Group are detailed below:

Director	2020 £	2019 £	Company	Position	Service
J H B Ketteley	3,750	5,000	J H B Ketteley & Co	Director and Shareholder	Office Services
J H B Ketteley	71,667	75,000	J H B Ketteley & Co	Director and Shareholder	Property Letting 66 Clifton Street
K Craig	14,400	9,900	Political Lobbying & Media Relations Limited	Director and Shareholder	Website Consultancy

Gender Pay Gap

Eleco plc and its UK subsidiaries currently has 95 employees (2019: 98) in the UK.

The Company is not obliged to undertake a formal review of a potential gender pay gap. However, it does undertake a review of gender and remuneration levels across the UK. The Board notes that the Company's highest paid (pro rata) employee is female and that 32 per cent (2019: 31 per cent) of UK employees are female.

Kevin Craig
Remuneration Committee Chair
26 March 2021

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2020.

The Company is a member of the Quoted Companies Alliance ("QCA"). The QCA publishes its own Corporate Governance Code ("Code") that recognises that good corporate governance helps deliver business success and growth. During the year the Board continues work on ensuring that it complies with the Code. In this regard, please also see the Executive Chairman's Statement on Corporate Governance.

In accordance with section 414c of the Companies Act 2006, certain matters that would otherwise be required in the Directors' Report are included elsewhere in the financial statements as indicated in the table below and are incorporated into this report by reference.

Biographical details of the Directors	Board of Directors	Page 30
Corporate governance	Executive Chairman's Statement of Corporate Governance	Page 32
Directors' remuneration and interests	Remuneration Committee Report	Page 37
Independent auditor	Audit Committee Report	Page 35
Financial risk management	Review of Principal Risks	Page 18
Going concern	Notes to the Consolidated Financial Statements	Page 62
Group's treasury policies	Notes to the Consolidated Financial Statements	Pages 92 to 97
Research and development activities	Notes to the Consolidated Financial Statements	Page 65
Risk management	Review of Principal Risks	Page 18
Share capital	Notes to the Consolidated Financial Statements	Page 88
Strategic review	Our Software	Page 11

Results for the Year Ended 31 December 2020
The Group profit on ordinary activities before taxation was £3,889,000 (2019: £3,473,000). The detailed financial statements of the Group are set out on pages 55 to 99.

Business Review and Future Development
A review of the Group's operations during the year and its plans for the future is set out in the Executive Chairman's Statement on pages 2 to 5, the CEO Report on pages 6 to 9 and in Our Strategy and Key Performance Indicators (KPIs) on pages 12 to 15.

Dividends
The Directors have recommended a final dividend of 0.40 pence (2019: nil).

Share Price
The middle market price of the Company's Ordinary Shares on 31 December 2020 was 80.50 pence and the range during the period under review was 46.50 pence to 92.00 pence.

Directors
The current composition of the Board of Directors is shown on pages 30 and 31. Directors who held office during the year were:

- S Lang.
- J H B Ketteley (resigned 23 September 2020).
- J Hunter.
- A Karlsson.
- B Moralee.
- D Dannhauser.
- K Craig.
- M Mistry (resigned 19 May 2020).
- P Boughton (appointed 23 March 2021).

D Dannhauser and A Karlsson will retire by rotation at the forthcoming Annual General Meeting.

The Group carries and maintains Directors' and Officers' liability insurance in respect of itself and its Directors throughout the financial period.

Directors' Shareholdings
The interests, beneficial unless otherwise indicated, in the Ordinary Shares of 1 pence each in the Company of the Directors who held office at 31 December 2020 were as follows:

	2020	2019
J Hunter	**16,514**	16,514
A Karlsson	**15,379**	15,379
K Craig (Non-Executive)	**22,120**	22,120
D Dannhauser (Non-Executive)	**453,461**	453,461

Substantial Interests
As at the year end, the Company has been notified of the following interests in the issued share capital:

Shareholder	No. of shares	%
H A Allen	11,882,583	14.41%
J H B Ketteley	9,359,957	11.35%
J D Lee	5,462,064	6.62%
Discretionary Unit Fund Managers*	4,520,781	5.48%
IBIM2 Limited	4,120,563	5.00%
Janus Henderson Investors**	3,153,433	3.82%
P R & Mrs M J Ketteley	3,136,440	3.80%
Schroder Investment Capital	2,507,325	3.04%
Mr Gerald Oury	2,435,000	2.95%
Tikvah Management	2,391,500	2.90%

* formerly Rights & Issues Investment Trust PLC
** formerly Lowland Investment Company PLC

Political Donations
The Company did not make any political donations in 2020 (2019: £nil).

Research and Development
Product innovation and development is a continuous process. The Company commits resources to the development of new products and quality improvements to existing products and processes in all its business segments.

A significant share of our software development expenditure relates to the upgrade of existing products and is written off as incurred. Development expenditure on new or substantially new products is capitalised only if it meets the criteria set out in the Significant Accounting Policies on page 61.

Employee Involvement
The Company is committed to keeping its employees fully informed regarding its performance and prospects.

Employees are encouraged to present their suggestions and views.

The Company has invested in an HR system and has introduced an employee survey in the UK and Sweden.

Directors’ Report continued

Employment of Disabled Persons

The Company provides equality of opportunity for all employees without discrimination and continues to encourage the employment, training and advancement of disabled persons in accordance with their abilities and aptitudes, provided that they can be employed in a safe working environment. Suitable employment would, if possible, be found for an existing employee who becomes disabled during their employment with the Company.

ESG (Environmental, Social and Governance) and Non-financial Reporting

The Company values and encourages non-financial measures and this year we are pleased to include a statement on the importance of non-financial information in our annual report. We will be building further on the initiatives currently in train as we strive to embed a responsible ESG culture into the organisation. The Board are committed to acting responsibly and working with our stakeholders to manage the social and ethical impact of our activities. We aim to treat all our stakeholders fairly and with integrity. Specifically, we will be implementing an environmental policy as well as developing policies relating to community outreach and ethics.

Understanding our impact on the environment is very important to us. Wherever possible, we aim to use renewable electricity. Our office in Market Harborough is powered exclusively by solar powered electricity. In Sweden hybrid cars have been the preferred choice for company cars since 2012.

This year we undertook a project to gain an in-depth understanding of the carbon footprint and we are reporting on our Carbon Emissions outputs for the first time on page 25. We continue to build on our sustainability strategy and to increase our focus on the environmental impact of our business.

In addition, we have completed the finnCap ESG Balanced Scorecard as a means to better understand and benchmark our activities against similar companies. We are pleased to set out the results of this exercise below:

Eleco		ESG quartile:	3
Basic Information			
ticker	ELCO-GB		
sector	Tech		

ESG data

Environmental					quartile:	3
individual components of Environmental:	**units**	**note**	**company value**	**actual/ estimate?**	**sector median**	**market median**
Energy consumption	MWh/£m	1	28	actual	27	33
CO2 production	tonnes/£m	1	45	estimate	45	39
Water consumption	m3/£m	1	50	estimate	no data	88
Waste production	tonnes/£m	1	1	estimate	no data	2
Has an environmental or sustainable policy?	yes/no	2	no		63%	64%

Social					quartile:	3
individual components of Social:	**units**		**company value**	**actual/ estimate?**	**sector average**	**market average**
Employee turnover rate	%	1	9%	actual	12%	14%
% tax paid	%		21%	actual	9%	8%
Has discrimination policy?	yes/no	2	yes		68%	68%
Has community outreach policy?	yes/no	2	no		37%	40%
Has ethics policy?	yes/no	2	no		63%	76%

Governance					quartile:	3
individual components of Governance:	**units**		**company value**	**actual/ estimate?**	**sector average**	**market average**
% women on board	%		13%	actual	11%	12%
% independent directors on board	%		38%	actual	40%	45%
CEO pay as multiple of UK median	x		9.7	actual	13.1	12.4
Is CEO and Chairman role split?	yes/no	2	yes		100%	95%
Adheres to QCA code for Corp Governance?	yes/no	2	yes		95%	95%

Tear Sheet notes
1. data is estimated when the company was not able to provide data. These are sector median values by default
2. sector and market level data is the percentage of companies in the survey answering ‘yes’ to the policy question

Our impact on and engagement with our stakeholders is set out in our s.172 Statement on pages 21 to 24.

We are keen to promote diversity and equal opportunities within our workforce, being mindful that having a workforce that comprises people from different backgrounds and with different perspectives encourages the creation of a more dynamic and inclusive environment. We aim to embed this into our entire recruitment, training and promotion processes.

The Company understands that there is still work to do in this area and will be working on further initiatives in the coming year.

Directors’ Responsibilities in Relation to the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors’ Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors have elected under company law to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of Companies Act 2006 and to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position and performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state for the Group financial statements whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.
- state for the Company financial statements whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements;
- prepare financial statements on the going concern basis unless it is inappropriate to presume the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group’s and the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Eleco website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor

Each of the Directors who are in office at the date when this report is approved has confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of such information.

By order of the Board

Ben Moralee
Group Finance Director
26 March 2021

Eleco plc
66 Clifton Street
London
EC2A 4HB

Independent Auditor's Report

to the members of Eleco plc

Opinion

We have audited the financial statements of Eleco Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Consolidated Statement of Cash Flows, Company Statement of Changes in Equity, Company Balance Sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included reviewing and evaluating management's 18-month cash flow forecasts from December 2020, including review of sensitivity analysis and forecast compliance with covenants.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Summary of our audit approach

Key audit matters	**Group** • Goodwill impairment • Capitalisation of development costs • Revenue recognition **Parent Company** • None
Materiality	**Group** • Overall materiality: £194,000 • Performance materiality: £145,000 **Parent Company** • Overall materiality: £194,000 • Performance materiality: £145,000
Scope	Our audit procedures covered 100% of revenue, 100% of total assets and 100% of profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report continued

to the members of Eleco plc

Goodwill impairment

Key Audit Matter	How the matter was addressed in the audit
Refer to page 60 (Significant accounting judgement and estimates – Impairment of Goodwill) and page 80 (Note 9 – Goodwill) As at 31 December 2020, the Group had Goodwill totalling £15,762k (2019: £15,598k) arising from past acquisitions. Management are required by IAS 36 to test for impairment of the cash generating units ("CGUs") to which goodwill is allocated on an annual basis. Management have prepared discounted cash flow ("DCF") models to estimate the value in use of the group's cash generating units ("CGUs") and compare this to the carrying value of the goodwill and other assets of the relevant CGU. Management have prepared their DCF using a pre-tax discount rate based on a weighted average cost of capital ("WACC") range from 11.6% to 13.9% (2019: 12%). The use of DCF models requires management to make estimates involving judgements, including forecasts of revenue, profitability and the application of appropriate discount rates. Given the value of the balances, significant management judgements are involved in forecasting the cash flows and in determining the assumptions used. Assessing whether goodwill is impaired could have a material impact on the financial statements and was therefore determined to be a key audit matter. Furthermore, this matter has had a significant impact on allocation of audit resources.	Our approach included: • Auditing management's annual impairment reviews by comparing the value in use to the carrying value of the goodwill and attributable operating assets of each group of CGUs and challenging the assumptions used in the model. • Agreeing the mathematical accuracy and integrity of the calculations. • Consulting internal valuations experts over the DCF model used, including inputs and reasonableness of the discount rate used. • Considering the sensitivity analysis performed by management and challenging the reasonableness and likelihood of changes in key assumptions that would result in an impairment. • Comparing forecast cash flows to actual results observed to date. • Considering any evidence of management bias in assumptions used in the annual impairment review. • Reviewing disclosures in the financial statements.

Capitalisation of development costs

Key Audit Matter	How the matter was addressed in the audit
Refer to page 61 (Significant accounting judgement and estimates – Capitalisation of development costs and carrying value) and page 82 (Note 10 – Other Intangible Assets) The group has intangible fixed assets other than goodwill of £7,195k (2019: £7,242k), of which £4,187k (2019: £3,913k) relates to capitalised development costs. During the year, total additions in relation to these costs were £1,602k (2019: £1,234k). IAS 38 *Intangible assets* requires development costs to be capitalised if the recognition criteria are met, including whether the project is technically feasible. Where recognition criteria are not met, costs must be recognised in profit or loss as incurred. Software development is a key part of the Group's activities with a number of new and improved products at various stages of development. As the capitalisation of development costs involves management judgement, there is a risk costs may be incorrectly capitalised, or incorrectly expensed. We have therefore identified capitalisation of development costs as a key audit matter.	Our audit approach included: • Understanding the controls, processes and monitoring in respect of capitalisation of development costs within the Group. • Obtaining a breakdown of additions during the period. • Agreeing a sample of additions to supporting evidence, which was predominately payroll records. • Reviewing and challenging management's assessment of whether costs capitalised meet the criteria for capitalisation under IAS 38. • Discussing with management responsible for product development to understand the nature and technical feasibility of the projects on which costs are being capitalised. • Considering the completeness of costs capitalised and whether any costs had been incorrectly expensed.

Independent Auditor's Report continued

to the members of Eleco plc

Revenue recognition

Key Audit Matter	How the matter was addressed in the audit
Refer to page 63 (Accounting policies – E - Revenue recognition), page 71 (Note 1 - Revenue) and page 72 (Note 2 – Segment Information) The Group's revenue for the year was £25,232k (2019: £25,398k). Revenue is generated through the sale of maintenance, support and subscription services, license sales and other services. The policies and associated audit risks vary between revenue streams. There is a risk that the financial statements could be misstated if the appropriate revenue recognition policies are not selected and applied consistently and in accordance with IFRS 15 "Revenue from contracts with customers". We consider revenue recognition to be a key audit matter due to the level of judgement involved in the identification of distinct performance obligations, in determining whether the transfer of license gives the customer "right of use" or "right of access" and identifying principal vs agent relationships and the significant allocation of audit resources.	Our audit approach included: • Obtaining an understanding of the processes and controls around revenue recognition. • Audit of revenue recognition policies and discussion of the policies with management to assess whether they are appropriate based on the service supplied, contractual terms and relevant accounting standards. • Performance of procedures including data analytics on invoiced and settled revenue in the year and tests of detail on revenue transactions. • Cut-off testing. • Testing of deferred income to ensure revenues related to the next accounting period have been appropriately deferred. • Discussed and reviewed management's assessment of whether group entities are acting as principal in certain revenue transactions. • Audit of the disclosures in the financial statements and consideration of their completeness, accuracy and appropriateness.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

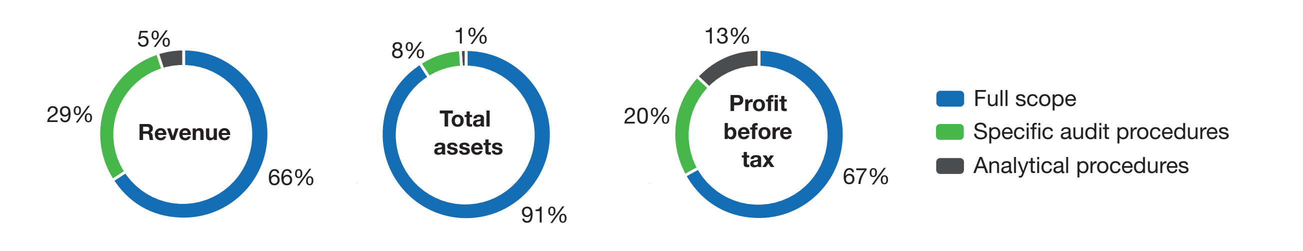
Materiality measure	Group	Parent company
Overall materiality	£194,000	£194,000
Basis for determining overall materiality	5% of profit before tax	5% of net assets (restricted to Group materiality)
Rationale for benchmark applied	As a listed entity, profit before taxation is considered the most appropriate benchmark for users of the financial statements.	Net assets is considered to be the most appropriate benchmark for the parent company as it is primarily a holding company.
Performance materiality	£145,000	£145,000
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £9,700 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £9,700 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of 15 components, located in the following countries;

- United Kingdom
- Sweden
- Germany
- United States
- Netherlands

The coverage achieved by our audit procedures was:



Full scope audit procedures were performed at Eleco plc and its UK and Swedish non-dormant subsidiaries. Specified procedures were performed for the audit of the German subsidiaries and analytical review procedures for the US and Dutch subsidiaries.

Specific audit procedures were performed on components which are not financially significant by size and have been performed to provide sufficient coverage for the Group opinion. Targeted procedures were performed on the areas of the financial statements most likely to give rise to significant risks of material misstatement of the group financial statements. This included testing over revenue and the associated balance sheet amounts in line with testing performed over revenue described above.

Component auditors were used to complete audit procedures for Swedish and German entities. The group audit team sent group instructions to the component auditors detailing the procedures to be completed for group purposes for each component. The group audit team reviewed the audit working papers of the Swedish and German component auditors and attended meetings with local and group management.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report continued

to the members of Eleco plc

Our opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 45, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team and component auditors:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

All relevant laws and regulations identified at a Group level and areas susceptible to fraud that could have a material effect on the financial statements were communicated to component auditors. Any instances of non-compliance with laws and regulations identified and communicated by a component auditor were considered in our audit approach.

The most significant laws and regulations were determined as follows:

Legislation/Regulation	Additional audit procedures performed by the Group audit engagement team and component auditors included:
International Accounting Standards in conformity with the requirements of the Companies Act 2006, FRS102 and Companies Act 2006	• Review of the financial statement disclosures and testing to supporting documentation. • Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	• Inspection of advice received from internal / external tax advisors. • Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	The audit procedures performed in relation to revenue recognition are documented in the key audit matter section of our audit report.
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report continued

to the members of Eleco plc

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Euan Banks
Senior Statutory Auditor
For and on behalf of RSM UK Audit LLP
Statutory Auditor, Chartered Accountants
25 Farringdon Street
London EC4A 4AB

26 March 2021

Consolidated Income Statement

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Continuing operations			
Revenue	1, 2	**25,232**	25,398
Cost of sales		**(2,529)**	(2,647)
Gross profit		**22,703**	22,751
Amortisation of intangible assets	2, 3, 10	**(1,658)**	(1,445)
Acquisition and corporate finance related expenses	3	**–**	(143)
Former Directors' payments	3	**(328)**	–
Administrative expenses		**(16,566)**	(17,351)
Administrative expenses	3	**(18,552)**	(18,939)
Operating profit	2,3	**4,151**	3,812
Finance cost	5	**(262)**	(339)
Profit before tax		**3,889**	3,473
Tax	6	**(726)**	(772)
Profit for the financial period		**3,163**	2,701
Attributable to:			
Equity holders of the parent		**3,163**	2,701
Earnings per share – (pence per share)			
Basic	8	**3.9p**	3.3p
Diluted	8	**3.9p**	3.3p

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020

	2020 £'000	2019 £'000
Profit for the period	**3,163**	2,701
Other comprehensive income:		
Items that will be reclassified subsequently to profit or loss:		
Translation differences on foreign operations	**193**	(51)
Other comprehensive income net of tax	**193**	(51)
Total comprehensive income for the period	**3,356**	2,650
Attributable to:		
Equity holders of the parent	**3,356**	2,650

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2019	818	2,049	1,004	(148)	(177)	11,933	15,479
Dividends	–	–	–	–	–	(275)	(275)
Share-based payments	–	–	–	–	70	–	70
Issue of share capital	4	(4)	–	–	–	–	–
Transactions with owners	4	(4)	–	–	70	(275)	(205)
Profit for the period	–	–	–	–	–	2,701	2,701
Other comprehensive income:							
Exchange differences on translation of net investments in foreign operations	–	–	–	(51)	–	–	(51)
Other	–	2	(2)	1	(1)	–	–
Total comprehensive income for the period	–	2	(2)	(50)	(1)	2,701	2,650
At 31 December 2019	822	2,047	1,002	(198)	(108)	14,359	17,924
Dividends	–	–	–	–	–	–	–
Share-based payments	–	–	–	–	131	–	131
Elimination of exercised share-based payments	–	25	–	–	(25)	–	–
Issue of share capital	3	110	–	–	–	–	113
Transactions with owners	3	135	–	–	106	–	244
Profit for the period	–	–	–	–	–	3,163	3,163
Exchange differences on translation of net investments in foreign operations	–	–	–	190	–	3	193
Other	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	190	–	3,166	3,356
At 31 December 2020	**825**	**2,182**	**1,002**	**(8)**	**(2)**	**17,525**	**21,524**

Consolidated Balance Sheet

At 31 December 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Goodwill	9	15,762	15,598
Other intangible assets	10	7,195	7,242
Property, plant and equipment	11	651	734
Right-of-Use assets	22	2,208	2,048
Deferred tax assets	19	85	118
Total non-current assets		25,901	25,740
Current assets			
Inventories	13	23	46
Trade and other receivables	14	3,911	4,339
Current tax assets		90	105
Cash and cash equivalents		10,668	7,236
Total current assets		14,692	11,726
Total assets		40,593	37,466
Current liabilities			
Borrowings	16	(1,647)	(1,645)
Lease liabilities	16, 22	(582)	(558)
Trade and other payables	15	(1,660)	(1,704)
Provisions	17	(125)	(142)
Current tax liabilities		–	(117)
Accruals and deferred income	18	(8,880)	(7,747)
Total current liabilities		(12,894)	(11,913)
Non-current liabilities			
Borrowings	16	(2,867)	(4,490)
Lease liabilities	16, 22	(1,850)	(1,691)
Deferred tax liabilities	19	(1,417)	(1,407)
Non-current provisions	17	(41)	(41)
Total non-current liabilities		(6,175)	(7,629)
Total liabilities		(19,069)	(19,542)
Net assets		21,524	17,924
Equity			
Share capital	20	825	822
Share premium account		2,182	2,047
Merger reserve		1,002	1,002
Translation reserve		(8)	(198)
Other reserve		(2)	(108)
Retained earnings		17,525	14,359
Equity attributable to shareholders of the parent		21,524	17,924

The financial statements of Eleco plc, registered number 00354915, on pages 55 to 99 were approved by the Board of Directors on 26 March 2021 and signed on its behalf by:

Serena Lang
Executive Chairman

Consolidated Statement of Cash Flows

for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Profit before tax		3,889	3,473
Net finance costs		262	339
Depreciation charge		866	902
Amortisation charge		1,658	1,445
Profit on sale of property, plant and equipment		(16)	(8)
Share-based payments charge		131	70
Decrease in provisions		(17)	(2)
Cash generated in operations before working capital movements		6,773	6,219
Decrease in trade and other receivables		428	152
Decrease/(increase) in inventories and work in progress		23	(39)
Increase in trade and other payables and accruals and deferred income		914	337
Cash generated in operations		8,138	6,669
Interest paid		(206)	(268)
Net income tax paid		(785)	(1,052)
Net cash inflow from operating activities		7,147	5,349
Investing activities			
Purchase of intangible assets		(1,603)	(1,237)
Purchase of property, plant and equipment		(99)	(110)
Proceeds from sale of property, plant, equipment and intangible assets		71	67
Net cash outflow from investing activities		(1,631)	(1,280)
Financing activities			
Repayment of bank loans	16	(1,647)	(1,646)
Repayments of principal of lease liabilities	22	(761)	(755)
Equity dividends paid		–	(275)
Net cash (outflow) from financing activities		(2,408)	(2,676)
Net increase in cash and cash equivalents		3,108	1,393
Cash and cash equivalents at beginning of period		7,236	6,036
Effects of changes in foreign exchange rates		324	(193)
Cash and cash equivalents at end of period		10,668	7,236
Cash and cash equivalents comprise:			
Cash and short-term deposits		10,668	7,236
		10,668	7,236

Significant Accounting Policies

Eleco plc is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group"). The consolidated and parent company financial statements were authorised for issuance on 26 March 2021.

The address of the registered office is given on page 115. The nature of the Group's operations and its principal activities are set out in the Executive Chairman's Statement on pages 2 to 5, Strategic Report on pages 2 to 29 and Directors' Report on pages 42 to 45.

Eleco plc's consolidated annual financial statements are presented in Pounds Sterling which is also the functional currency of the parent company. Foreign operations are included in accordance with the accounting policies set out below.

A. Statement of compliance

The Group financial statements have been prepared and approved by the Directors in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 effective at 31 December 2020 and the Companies Act 2006 applicable for companies reporting under IFRS.

The following new accounting standards are effective for the year ended 31 December 2020 and have been adopted in these financial statements:

- Amendments to IAS 1 and IAS 8: Definition of Material

There has been no significant impact on the Group on adoption.

Furthermore, new standards, new interpretations and amendments to standards and interpretations that have been issued but are not effective for the current period have not been adopted early and are set out in note X.

B. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis and all financial information has been rounded to the nearest thousand.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Significant accounting judgements and estimates

Application of the Group's accounting policies in conformity with generally accepted accounting principles requires judgements and estimates that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. These judgements and estimates may be affected by subsequent events or actions such that actual results may ultimately differ from the estimates.

The key assumptions concerning the future and other key sources of uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill – Judgement

The Group determines whether goodwill is impaired at least on an annual basis. This requires a judgement of the value in use of the cash-generating units to which the goodwill is allocated. The value in use requires the Group to make a judgement of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 9 of the Consolidated Financial Statements.

B. Basis of preparation continued

Capitalisation of development costs and carrying value – Judgement

Development costs are capitalised in accordance with the Group accounting policy. Initial recognition is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. There are judgements used in apportioning costs relating to work that can be capitalised compared to those of maintenance nature. The carrying value of the capitalised development costs are reviewed annually by management with reference to the expected future cash generation of the assets, discount rates to be applied and expected period of the benefits. Further details are given in note 10 of the Consolidated Financial Statements.

Provisions and contingent liabilities – Judgement

In accordance with the accounting policy outlined overleaf, judgement is made of the likely outcome of any disputes. Where it is judged to be probable that an outflow of resources will be required to settle the obligation, an estimate will be made of the provision where it can be reliably made based on the information available and advice from third parties where appropriate.

Leases – Judgement

The Group makes judgements and estimates about the following IFRS 16 criteria:

- whether a contract contains a lease – judgement
- the discount rate – estimate
- variable payments using a fixed index – estimate
- residual guarantee amounts – estimate

For any new contracts, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration".

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability.

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

In the statement of financial position the right-of-use assets and lease liabilities have been included separately in the statement.

Further information is disclosed in note 22.

Significant Accounting Policies continued

C. Going concern

The Group has identified that Covid-19 and Brexit could create a risk to the business and have therefore assessed these when considering the Group's going concern.

During the initial lockdowns in 2020, the impact of Covid-19 saw the delay of orders and reduction in training and face-to-face consultancy services, which impacted revenues.

However, the Group has seen a growing adoption of online training and more recently higher requirements for consultancy connected to offering customers cloud-based solutions, as the industry looks to accelerate their digitisation.

While Covid-19 and further lockdowns could have an impact, the Group has demonstrated an ability to mitigate these challenges, remain cash generative and increase customer adoption.

Brexit had previously impacted the delay in orders as the voting created uncertainty for customers. However customer confidence resumed and orders were no longer delayed. While Brexit may have an impact, as demonstrated through 2020 the Group has been able to mitigate challenges and remained resilient.

The Group's clients include many top contractors in the building and construction sector in the UK, Scandinavia, Germany, Benelux and the United States with no significant client concentration. The software products and services provided by the Group are reasonably embedded in their client's core operations and 56 per cent (2019 (restated): 53 per cent) of the Group's revenue is from recurring revenue contracts.

These contracts are renewed throughout the year although there is a slightly greater weighting in the fourth quarter. For these reasons, the Group has good visibility on any potential deterioration in its trading outlook and potential risk to the business. Notwithstanding the Group has net current assets of £1,798,000 at 31 December 2020 (2019: net current liabilities of £187,000) these amounts are after deferred income of £6,393,000 (2019: £5,862,000) relating to annual maintenance contracts which are non-refundable. Historically, there is a low level of cancellations each year and the Board closely monitors clients that are potentially at risk of cancellation as well as the pipeline of new business.

The Group has both cash and undrawn credit facilities available and headroom of £5.4m (2019: £4.8m) to support its business operations and therefore the Board believes that the Group is well-positioned to manage the business risks. Revenue, operating profit and cash flow budgets have been prepared at business unit level. After making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future, being the twelve-month period from approval of these consolidated financial statements. Accordingly, the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

D. Basis of consolidation

The Group financial statements consolidate those of Eleco plc and of its subsidiary undertakings at the balance sheet date and all subsidiaries have a reporting date of 31 December. Subsidiaries are entities controlled by the Group and their results have been adjusted, where necessary, to ensure accounting policies are consistent with those of the Group. Control exists where the Group has the power to direct the activities that significantly affect the subsidiary's returns and exposure or rights to variable returns from its investment with the subsidiary and the ability to use its power over the subsidiary to affect the amount of the subsidiary's returns. The Group obtains and exercises control through board representation and voting rights.

All inter-company balances and transactions are eliminated in full.

The results of subsidiaries acquired or sold in the year are included in the consolidated income statement from or up to the date control passes and until control ceases.

D. Basis of consolidation continued

Business combinations

The acquisition of subsidiaries is dealt with using the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities at the acquisition date, including contingent liabilities of the subsidiary regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. Acquisition costs are expensed as incurred.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

E. Revenue recognition

The Group recognises revenue in accordance with IFRS 15 "Revenue from Contracts with Customers".

The core principle of IFRS 15 is that an entity will recognise revenue when control of goods or services is transferred to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgement.

The table below shows the main revenue recognition differences for each performance obligation under IFRS 15:

Revenue Type	Accounting Treatment under IFRS 15:
Licence revenues (perpetual)	At the point of transfer (delivery) of the licence to a customer, the customer has control and benefit of the software. It therefore remains appropriate under IFRS 15 to recognise revenue at the point of sale and acceptance by the customer. There is no obligation to provide updates which are provided under maintenance contracts.
Subscription Licences	The licence does not provide the customer with the ownership of the software, nor the right to use it in perpetuity. The performance obligations associated with the software as a service are access to software, hosting of software, hosting of client data and maintaining software and client data. These performance obligations are not distinct – the obligations are highly interdependent. The customer simultaneously receives and consumes the benefits of the contract as the Company provides the services. As these services are provided over the term of the contract, revenue is recognised over the life of the contract.
Maintenance and Support Contracts	The customer simultaneously receives and consumes the benefits of the contract as the Company provides the services. As these services are provided over the term of the contract, revenue is recognised over the life of the contract.

Significant Accounting Policies continued

E. Revenue recognition continued

Revenue Type	Accounting Treatment under IFRS 15:
Hosted Services (Licence, Maintenance and Hosted Services performance obligations)	The licence is considered a separate service, and hence treated as a separate performance obligation, where the customer could have the licence installed on their own systems. For the licence element, the point of transfer (delivery or access to the hosted system) of the licence to the customer is the point to recognise revenue. For Maintenance and Hosting Services, the customer simultaneously receives and consumes the benefits of the contract as the Company provides the services. As these services are provided over the term of the contract, revenue is recognised over the life of the contract.
Consultancy	Consulting revenues are considered to have passed to the customer upon consulting hours being worked. Revenue is therefore recognised in line with delivery of consulting.
Training	Training revenues are considered to have passed to the customer upon delivery of training. Revenue is therefore recognised in line with delivery of training.
Development Consultancy	Such projects are typically small in scale and completed over a relatively short space of time. In such cases, control of the asset is assumed to pass to the customer when they obtain possession of the developed software and have accepted the software.
Scanning and rendering	The performance obligation is satisfied on delivery of images to the customers, and revenue is recognised at that point in time.

The Group recognised Deferred Revenue in respect of contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these as Deferred Revenues in the Consolidated Balance Sheet (see note 18).

F. Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the statement of comprehensive income within administrative expenses over the period necessary to match them with the costs that they are intended to compensate.

G. Exceptional items

Exceptional items are those significant items which are separately disclosed by their size or nature to enable a full understanding of the financial performance of the Group.

H. Finance income and costs

Financing costs comprise interest payable on borrowings and leasing arrangements, calculated on an effective interest basis. Interest income and cost is recognised in the income statement as it accrues.

I. Taxation

Current tax is the tax payable based on taxable profit for the year, calculated using tax rates that have been enacted, or substantially enacted, by the balance sheet date.

Deferred tax is calculated using the liability method on temporary differences and provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill nor on the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting profit.

I. Taxation continued

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided the expected tax rates are enacted or substantively enacted at the balance sheet date and charged or credited to the income statement or statement of comprehensive income.

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 tax assets and liabilities on a net basis.

J. Intangible assets

Goodwill arising on consolidation represents the excess of the consideration transferred, excluding expenses, over the Group's interest in the fair value of the identifiable net assets acquired. The carrying value of goodwill is recognised as an asset and reviewed for impairment and any impairment is recognised immediately in the income statement. On disposal, the amount of goodwill attributable to the disposal is included in the determination of profit or loss on disposal.

Other intangible assets acquired separately are capitalised at cost and on a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, an intangible asset is held at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets excluding goodwill are amortised on a straight-line basis over their useful economic lives and shown separately in the income statement. The useful economic life of each class of intangible asset is as follows:

Customer relationships	–	up to twelve years
Intellectual property	–	up to five years

The Group owns intellectual property both in its software tools and software products. Intellectual property purchased is capitalised at cost and is amortised on a straight-line basis over its expected useful life.

Research expenditure is written off as software product development when incurred. Development expenditure on a project is written off as incurred unless it can be demonstrated that the following conditions for capitalisation as intellectual property, in accordance with IAS 38 "Intangible Assets", are met:

- the intention to complete the development of the intangible asset and use or sell it;
- the development costs are separately identifiable and can be measured reliably;
- management are satisfied as to the ultimate technical and commercial viability of the project, so that it will be available for use or sale;
- management are satisfied with the availability of technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- it is probable that the asset will generate future economic benefit.

Any subsequent development costs are capitalised and are amortised from the date the product or process is available for use on a straight-line basis over the period of their expected benefit, being their finite life of up to five years.

The carrying amounts of intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and in the case of capitalised development expenditure reviewed for impairment annually while the asset is not yet in use.

Significant Accounting Policies continued

K. Property, plant and equipment

Property, plant and equipment is stated at purchase cost, together with any directly attributable costs of acquisition, and subsequently cost less accumulated depreciation and impairment. The carrying amount and useful lives of property, plant and equipment with material residual values are reviewed at each balance sheet date.

Depreciation is provided on all property, plant and equipment on a straight-line basis to write down the assets to their estimated residual value over the useful economic life of the asset as follows:

Long leasehold buildings	–	50 years or term of the lease, if shorter
Short leasehold property	–	over the term of the lease
Plant, equipment and vehicles	–	two to ten years

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment. An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

L. Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of twelve months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability.

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

M. Impairment of assets

Goodwill

The carrying amounts of the Group's goodwill assets are assessed annually as to whether an impairment adjustment may be required. The assets under review are grouped under the appropriate cash-generating unit ("CGU") for which there are separately identifiable cash flows. Goodwill is held at CGU level and allocated directly to the CGU under review. The calculation requires an estimation of the value in use of the CGU to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. An impairment charge is initially made against goodwill of the CGU and thereafter against other assets. Any impairment is charged to the income statement under the relevant expense heading.

Property, plant and equipment and intangible assets excluding goodwill

At each balance sheet date the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of the asset's value in use and its fair value less costs to sell. Value in use is calculated using cash flow projections for the asset discounted at the specific discount rate for the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense in the income statement.

A previously recognised impairment loss, other than goodwill, is reversed only if there has been a change in the previous indicator used to determine the assets recoverable amount since the last impairment loss was recognised. The reinstated carrying amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years.

N. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion such as marketing, selling and distribution.

O. Share-based payments

The Company issues share options to employees from time to time. Under IFRS the equity-settled, share-based payment awards are valued at fair value at inception and this cost is recognised over the option vesting period. The Board has used a valuation model to estimate the fair value of the options. Various assumptions affect the value of the options and the Board has considered these assumptions in order to derive an appropriate charge for the cost of the options. The key assumptions used to derive the charge include the probability of performance achievement and the expected future dividend yield of the shares.

P. Provisions and contingent liabilities

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or present obligations where the outflow of resources is uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

Significant Accounting Policies continued

Q. Pensions
The Group provides contributions on behalf of certain Directors and employees to a series of defined contribution pension schemes. Contributions payable in the year are charged to the income statement.

R. Foreign currencies
The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each Group company are expressed in UK Pounds Sterling, which is the functional currency of the Company and the presentational currency for the consolidated financial statements.

Transactions in foreign currencies are translated at the exchange rate ruling at the date of transaction. Foreign exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the income statement in the period in which they arise.

Assets and liabilities of subsidiaries denominated in a different functional currency to that of the Group's presentational currency are translated into Pounds Sterling at the rate of exchange ruling at the balance sheet date and results are translated at the average rate of exchange for the year. The use of an average exchange rate for the year rather than actual exchange rates at the dates of transactions is considered to approximate to actual rates for the translation of the results of foreign subsidiaries.

Differences on exchange, arising from the retranslation of the opening net investment in subsidiary companies which have functional currencies that differ to Pound Sterling, and from the translation of the results of those companies at an average rate, are taken to reserves and reported in other comprehensive income. Exchange differences arising on the retranslation of non-trading intra-group balances reported in foreign subsidiaries are regarded as part of the net investment in the subsidiary and treated as a movement in the translation reserve on consolidation. When an operation is sold, amounts recognised in reserves on the translation of foreign operations are recycled through the income statement.

S. Financial instruments
The Group has adopted IFRS 9 and applied it as at 1 January 2018.

The Group reviewed its business model for its financial assets which comprise only basic loan and receivable and concluded that they are held for collecting contractual associated cash flows. Loans and receivables are initially recognised at fair value and will subsequently be measured at amortised cost.

Financial Assets
The Group applies the impairment requirements and recognises a loss allowance for expected credit losses on its financial assets. At each reporting date, it will measure the loss allowance at an amount equal to the lifetime expected credit losses.

The Group will recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with IFRS 9.

Trade and other receivables
Trade receivables are initially measured at fair value and subsequently at amortised cost. At each period end, there is an assessment of the expected credit loss in accordance with IFRS 9; with any increase or reduction in the credit loss provision charged or released to other selling and administrative expenses in the statement of comprehensive income.

S. Financial instruments continued
Cash and Cash Equivalents
Cash and cash equivalents comprise cash on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

Financial liabilities
Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are recorded initially at fair value and subsequently at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the profit and loss.

A financial liability is derecognised when the obligation is extinguished.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year in which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of issue costs. They are subsequently measured at amortised cost using the effective interest method.

T. Equity
Share capital reflects the nominal value of the Company's shares in issue. The share premium account reflects any premium arising on the issuance of those shares, net of issue costs.

The merger reserve arose on the premium on shares issued to acquire 100 per cent of Integrated Computing & Office Networking Limited (2016) and Active Online GmbH (2018). The reserve relates to merger relief applied under s.612 of the Companies Act 2006.

The translation reserve is used to record exchange differences arising from the retranslation of the opening net investment and income statement of foreign subsidiaries. The amounts relating to share options issued but not yet exercised and shares in the Company held by the Employee Share Ownership Trust are reported as other reserves.

U. Dividends
Dividends attributable to the equity holders of the Company approved for payment during the year are recognised directly in equity.

V. Earnings per share
Basic earnings per share is calculated based on the Group's profit after tax divided by the weighted average number of shares in issue during the year.

Diluted earnings per share is calculated based on the Group's profit after tax divided by the diluted weighted average number of shares in issue during the year. Dilution to the weighted average shares issues in the year are as a result of any share options granted, exercised, cancelled or lapsed in the year.

W. Employee Share Ownership Trust
Equity shares in Eleco plc held by the Employee Share Ownership Trust ("ESOT") are treated as a deduction from the weighted average number of shares. The consideration paid is deducted from equity (other reserves) until the shares are cancelled, reissued or disposed of. When such shares are subsequently sold or reissued, any consideration received, net of related transaction costs and income tax effects, are included in equity attributable to the Company's equity holders.

Significant Accounting Policies continued

X. New standards and interpretations not applied

At the date of authorisation of these financial statements, the following Standards and Interpretations relevant to the Group operations that have not been applied in these financial statements were in issue but not yet effective:

	Effective date
International Accounting Standards (IAS/IFRS)	
IFRS 3 Business Combinations	1 January 2022
IAS 16 Property, Plant and Equipment	1 January 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
IAS 1 Presentation of Financial Statements	1 January 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023

The expected impact of these has not yet been assessed.

Notes to the Consolidated Financial Statements

1. Revenue

Revenue from continuing operations disclosed in the income statement is analysed as follows:

	2020 £'000	2019 (restated) £'000
Licence sales	5,442	5,877
Recurring maintenance, support and subscription revenue	14,186	13,557
Services income	5,604	5,964
Total revenue	25,232	25,398

Revenue recorded in the year includes £5.9m (2019: £5.7m) of income that had been deferred in the balance sheet in the previous year because the associated performance obligations were not fully satisfied. Payments are received from certain customers on maintenance or subscription contracts either three months or one year in advance, which leads to the recognition of deferred income in advance of satisfaction of the performance obligation over time.

The Group has applied the practical expedient of IFRS15.121 in respect of transaction price allocated to remaining performance obligations as the performance obligations relate to contracts which have a duration of one year or less. Contract liabilities in respect of contracts with customers have been disclosed in note 18 under deferred income.

Revenues for the year ended 31 December 2019, have been restated as we identified elements within Recurring which related to Services. The reclassification of revenue types has been made with a net effect that £878,000 has been reclassified from Recurring to Services, while £169,000 has been reclassified from Licence to Services.

Geographical, Product and Sales Channel Information

Revenue by geographical area represents continuing operations revenue from external customers based upon the geographical location of the customer.

Revenue by geographical destination is as follows:

	2020 £'000	2019 £'000
UK	9,470	9,436
Scandinavia	6,080	6,548
Germany	4,858	4,487
USA	890	1,021
Rest of Europe	3,538	3,407
Rest of World	396	499
	25,232	25,398

Notes to the Consolidated Financial Statements continued

1. Revenue continued

Revenue by product group represents continuing operations revenue from external customers.

Revenue by product group is as follows:

	2020 £'000	2019 £'000
Software for:		
Project management	9,599	10,090
Site management	379	395
Estimating	2,834	2,737
Engineering	2,137	2,232
CAD/Design	1,722	1,969
Information management	1,221	1,400
Visualisation	4,553	4,150
Maintenance management	2,787	2,425
	25,232	25,398

The Group utilises resellers to access certain markets. Revenue by sales channel represents continuing operations revenue from external customers.

Revenue by sales channel is as follows:

	2020 £'000	2019 £'000
Direct	24,000	24,149
Reseller	1,232	1,249
	25,232	25,398

2. Segment information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance.

The chief operating decision maker has been identified as the Executive Directors. The Group revenue is derived entirely from the sale of software licences, software maintenance and support and related services. Consequently, the Executive Directors review the three revenue streams but during the year as the costs and profits are not monitored or recorded in the same way the information is presented as one segment and as such the information is presented in line with management information. As described in the Executive Chairman's Report and CEO Report the activities will be restructured into two operating segments – Building Lifecycle and CAD & Visualisation, for the year ended 31 December 2021 and going forward, reporting to the Executive Directors will be presented as these two operating segments.

2. Segment information continued

	2020 Software £'000	2019 Software £'000
Revenue	25,232	25,398
Adjusted EBITDA	7,003	6,302
Amortisation and impairment of purchased intangible assets	(1,068)	(855)
Depreciation	(866)	(902)
Adjusted operating profit	5,069	4,545
Amortisation of acquired intangible assets	(590)	(590)
Acquisition and corporate finance related expenses	–	(143)
Former Directors' payments	(328)	–
Operating profit	4,151	3,812
Net finance cost	(262)	(339)
Segment profit before tax	3,889	3,473
Tax	(726)	(772)
Segment profit after tax	3,163	2,701
Operating profit	4,151	3,812
Amortisation of intangible assets	1,658	1,445
Depreciation charge	866	902
Acquisition expenses	–	143
Former Directors' payments	328	–
Adjusted EBITDA	7,003	6,302

Former Directors' payments are upfront costs borne by the Group and are adjusted to reflect their services provided.

Development project costs are expensed as incurred unless they meet the accounting policy requirements for capitalisation. The software projects that have been capitalised in the twelve months to 31 December 2020 are explained in the Financial Review on pages 26 to 29 and the accounting policy requirements for capitalisation are set out in the Significant Accounting Policies in section I.

Notes to the Consolidated Financial Statements continued

2. Segment information continued

	2020 Software £'000	2019 Software £'000
Group assets and liabilities		
Segment assets	40,593	37,466
Total Group assets	40,593	37,466
Segment liabilities	19,069	19,542
Total Group liabilities	19,069	19,542

Non-current assets excluding deferred tax by geographical area represent the carrying amount of assets based in the geographical area in which the assets are located.

Non-current assets by geographical location are as follows:

	2020 £'000	2019 £'000
UK	14,967	15,005
Scandinavia	7,737	7,565
Germany	3,146	3,117
USA	3	1
Rest of Europe	48	52
Rest of World	–	—
	25,901	25,740

Information about major customers
Revenues arising from sales to the Group's largest customer were below the reporting threshold of 10 per cent of Group revenue (2019: Below 10 per cent reporting threshold).

3. Operating profit

The continuing operations operating profit for the period is stated after charging/(crediting) the following items:

	2020 £'000	2019 £'000
Software product development	1,590	1,862
Depreciation of property, plant and equipment	220	241
Depreciation of right-of-use assets	646	661
Amortisation of acquired intangible assets	590	590
Amortisation of other intangible assets	1,068	855
Share-based payments	131	71
Employer furlough scheme credits	(150)	–
Profit on disposal of property, plant and equipment	(16)	(8)
Foreign exchange (gains)/losses	(34)	110
Fees payable to the Company's auditor for:		
The audit of the parent company and consolidated financial statements	70	108
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries	94	81
Other services	7	7
Operating lease rentals:		
Plant, equipment and vehicles	268	290
Properties	222	238
Acquisition expenses	–	143
Former Directors' payments	328	–

4. Employee information

The average number of employees during the period, including Directors, in continuing operations was made up as follows:

	2020 Number	2019 Number
Sales & marketing	56	58
Client services	78	82
Software development	68	66
Management and administration	44	45
	246	251

Staff costs during the period, including Directors, in continuing operations amounted to:

	2020 £'000	2019 £'000
Wages and salaries	11,350	11,133
Social security	2,002	2,145
Pension costs	547	589
Share-based payments	131	71
	14,030	13,938
Less: Development staff costs capitalised	(1,602)	(1,234)
	12,428	12,704

Notes to the Consolidated Financial Statements continued

4. Employee information continued

Pension costs relate to contributions to defined contribution pension schemes. Development staff costs are charged to projects and capitalised if those projects meet the criteria for capitalisation. The details of the criteria for capitalisation is set out in the Significant Accounting Policies under section H.

The remuneration of the Directors, who are the key management personnel of the Group, is set out below:

	2020 £'000	2019 £'000
Short-term employee benefits	974	908
Post-employment benefits	52	51
Former Directors' benefits	304	–
Share-based payments	112	(18)
Executive Directors	1,442	941
Fees – Non-Executive Directors	132	146
	1,574	1,087

The emoluments and share based payments of the highest paid Director totalled £525,000 (2019: £278,000).

The remuneration of the Non-Executive Directors is determined by the Board. The Non-Executive Directors do not have service contracts but are appointed for an initial term of three years, which may thereafter be renewed from year to year. They do not participate in any of the Group's share-based incentive or pension schemes.

5. Finance cost

Finance income and costs from continuing operations is set out below:

	2020 £'000	2019 £'000
Finance costs:		
Bank overdraft and loan interest	(191)	(259)
Interest expense for leasing arrangements	(71)	(80)
Total finance cost	(262)	(339)

6. Taxation

(a) Tax on profit on ordinary activities

The tax charge in the income statement from continuing operations is as follows:

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax on profits of the year	371	447
Tax adjustments in respect of previous years	(25)	37
	346	484
Foreign tax	362	291
Total current tax	708	775
Deferred tax:		
Origination and reversal of temporary differences	(19)	(11)
Tax adjustments in respect of previous years	37	8
Total deferred tax	18	(3)
Tax charge in the income statement	726	772

Income tax for the UK has been calculated at the weighted average rate of UK corporation tax of 19 per cent (2019: 19 per cent) on the estimated assessable profit for the period. Taxation for foreign companies is calculated at the rates prevailing in the relevant jurisdictions.

A change to the main UK corporation tax rate was substantively enacted for IFRS purposes. The rate applicable from 1 April 2020 now remains at 19 per cent, rather than the previously enacted reduction to 17 per cent. These rates have been applied to determine deferred tax assets and liabilities at the Balance Sheet date.

Notes to the Consolidated Financial Statements continued

6. Taxation continued

(b) Reconciliation of continuing operations tax charge

The tax assessed on continuing operations accounting profit before income tax for the year is the same as the standard rate of UK corporation tax of 19 per cent (2019: 19 per cent) for the period under review. The reconciliation is explained below:

	2020 £'000	2019 £'000
Profit on continuing operations before tax	3,889	3,473
Tax calculated at the average standard rate of UK corporation tax of 19% (2019: 19%) applied to profits before tax	739	660
Effects of:		
Expenses not deductible for tax purposes	67	52
Research & development tax relief	(48)	(26)
Prior year adjustments	(25)	53
Utilisation of losses	–	4
Tax rate differences in foreign jurisdictions	(15)	32
Other differences	8	(3)
Continuing operations tax charge for the year	726	772

(c) Unrecognised tax losses

The Group has tax losses of £1,623,000 (2019: £1,623,000) arising in the UK. The potential deferred tax asset not recognised in respect of losses in UK subsidiaries is £314,000 (2019: £282,000). No deferred tax is recognised on the unremitted earnings of UK and overseas subsidiaries as there are no future profits available in the respective subsidiaries to offset the losses against.

7. Dividends

No 2019 final dividend was paid during the year. No 2020 interim dividend was paid during the year.

No cash dividends were paid during the year (2019: £275,000):

Ordinary Shares	2020 pence per share	2019 pence per share	2020 £'000	2019 £'000
Declared and paid during the year				
Interim – current year	•	0.30	–	134
Final – previous year	•	0.40	–	141
	•	0.70	–	275

No scrip dividends were issued in the year:

	Shares issued		Value of shares issued (£'000)	
Ordinary Shares	2020	2019	2020	2019
Declared and paid during the year				
Interim – current year	–	171,658	–	133
Final – previous year	225,000	248,585	108	186
	225,000	420,243	108	319

The Directors have recommended a final dividend of 0.40 pence (2019: nil). The dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

8. Basic and diluted earnings per share

	2020			2019		
Ordinary Shares	Net profit attributable to shareholders £'000	Weighted average number of shares (millions)	EPS (pence)	Net profit attributable to shareholders £'000	Weighted average number of shares (millions)	EPS (pence)
Basic earnings per share	3,163	81.4	3.9	2,701	81.1	3.3
Diluted earnings per share	3,163	82.0	3.9	2,701	81.8	3.3
Adjusted basic earnings per share	3,907	81.4	4.8	3,322	81.1	4.1

Shares held by the Employee Share Ownership Trust are excluded from the weighted average number of shares in the period. Adjusted profit attributable to shareholders is reconciled to reported profit attributable to shareholders in note 26.

Notes to the Consolidated Financial Statements continued

9. Goodwill

	2020 £'000	2019 £'000
Cost:		
As at 1 January	15,598	15,746
Transfers	–	(35)
Exchange differences	164	(113)
As at 31 December	15,762	15,598
Impairment:		
At 1 January and 31 December	–	–
Net book value	15,762	15,598

There were no acquisitions in the year.

Goodwill denominated in currencies other than Sterling is revalued at the appropriate closing exchange rate.

Goodwill acquired through acquisitions net of impairments is set out below:

	2020 £'000	2019 £'000
Elecosoft UK	4,804	4,804
Asta Development Germany	242	229
Elecosoft Sweden	4,493	4,430
Elecosoft Netherlands	21	20
Eleco Software Germany	336	336
ESIGN Software Germany	370	370
Elecosoft ICON	1,225	1,225
Elecosoft Shire System	2,674	2,674
Active Online Germany	1,597	1,510
	15,762	15,598

The Directors consider each of the operating businesses listed above, which are those units for which a separate cash flow is computed, to be a cash-generating unit ("CGU") and each CGU is reviewed annually for impairment. For each CGU the Directors have determined its recoverable amount based on value in use calculations.

The value in use was derived from discounted pre-tax management cash flow forecasts for the businesses, using the budgets and strategic plans based on past performance and expectations for the market development of the CGU incorporating an appropriate business risk. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to revenues and operating cost during the period.

9. Goodwill continued

The key judgement and assumptions used in calculating each CGU value in use are shown in the table below. The market growth rates, nominal long-term growth rate and inflation rates used are in line with external sources.

The market growth rates for revenues for years one to five range from 5 to 10 per cent (2019: 5 to 10 per cent) after this initial five years, the nominal long-term growth rates are used in subsequent years.

The pre-tax discount rate and nominal long-term growth rates are shown in the table below:

	2020		2019	
CGU	Pre-tax discount rate	Nominal long-term growth rate	Pre-tax discount rate	Nominal long-term growth rate
Elecosoft UK	12.0%	0.01%	12.0%	1.10%
Asta Development Germany	13.9%	0.60%	12.0%	0.50%
Elecosoft Sweden	12.3%	0.40%	12.0%	1.60%
Elecosoft Netherlands	11.6%	0.50%	12.0%	1.90%
Eleco Software Germany	13.9%	0.60%	12.0%	0.50%
ESIGN Software Germany	13.9%	0.60%	12.0%	0.50%
Elecosoft ICON	12.0%	0.01%	12.0%	1.10%
Elecosoft Shire System	12.0%	0.01%	12.0%	1.10%
Active Online Germany	13.9%	0.60%	12.0%	0.50%

These budgets and strategic plans cover a five-year period. The growth rates used to extrapolate the cash flows beyond this period ranges between 0.01 per cent and 0.60 per cent depending on the geographical location of the CGU.

A sensitivity analysis has been performed based on changes in key assumptions considered to be reasonably possible by management: an increase in the discount rate of 1 per cent, a decrease in the compound annual growth rate for cash flow in the five-year forecast period of 1 per cent, and a decrease in the nominal long-term market growth rates of 1 per cent. The sensitivity analysis shows that no impairment charges would result from these scenarios.

Notes to the Consolidated Financial Statements continued

10. Other intangible assets

	Customer relationships £'000	Intellectual property £'000	Total £'000
Cost:			
At 1 January 2019	7,217	6,208	13,425
Additions	–	3	3
Additions – internal development	–	1,234	1,234
Disposals	–	(7)	(7)
Transfers	(68)	(49)	(117)
Exchange differences	(2)	(14)	(16)
At 31 December 2019	7,147	7,375	14,522
Additions	–	1	1
Additions – internal development	–	1,602	1,602
Disposals	–	(248)	(248)
Transfers	–	(40)	(40)
Exchange differences	2	4	6
At 31 December 2020	**7,149**	**8,694**	**15,843**
Accumulated amortisation and impairment:			
At 1 January 2019	3,493	2,396	5,889
Amortisation charge for the year	324	1,121	1,445
Transfers	–	(49)	(49)
Exchange differences	1	(6)	(5)
At 31 December 2019	3,818	3,462	7,280
Amortisation charge for the year	324	1,334	1,658
Disposals	–	(248)	(248)
Transfers	–	(40)	(40)
Exchange differences	(1)	(1)	(2)
At 31 December 2020	**4,141**	**4,507**	**8,648**
Net book value:			
At 31 December 2019	3,329	3,913	7,242
At 31 December 2020	**3,008**	**4,187**	**7,195**

The values attributed to customer relationships represent the fair value of acquired customer contracts and relationships held by the acquired company at the date of acquisition. Similarly, values attributed to intellectual property represent the fair value of acquired intellectual property. There were no acquisitions in the year.

Additions in the year represent purchased intangible assets of £1,000 (2019: £3,000) and internal development costs capitalised of £1,602,000 (2019: £1,234,000). Internal development represents software development project costs that meet the accounting policy criteria for capitalisation. Further details of the software development projects that have been capitalised in the period are set out in the Financial Review on pages 26 to 29.

Amortisation charges are shown separately on the Consolidated Income Statement.

11. Property, plant and equipment

	Leasehold buildings £'000	Plant, equipment and vehicles £'000	Total £'000
Cost:			
At 1 January 2019	572	1,218	1,790
Additions	–	110	110
Disposals	–	(230)	(230)
Transfers	–	–	–
Exchange differences	(12)	(41)	(53)
At 31 December 2019	560	1,057	1,617
Additions	36	63	99
Disposals	(17)	(205)	(222)
Transfers	–	–	–
Exchange differences	20	33	53
At 31 December 2020	**599**	**954**	**1,553**
Accumulated depreciation and impairment:			
At 1 January 2019	88	790	878
Depreciation charge for the year	52	189	241
Disposals	–	(217)	(217)
Transfers	–	–	–
Exchange differences	9	(28)	(19)
At 31 December 2019	149	734	883
Depreciation charge for the year	55	165	220
Disposals	(17)	(205)	(222)
Transfers	–	–	–
Exchange differences	-	21	21
At 31 December 2020	**187**	**715**	**902**
Net book value:			
At 31 December 2019	411	323	734
At 31 December 2020	**412**	**239**	**651**

12. Capital commitments

Capital expenditure commitments of £nil (2019: £nil) have been placed with suppliers at 31 December 2020.

Notes to the Consolidated Financial Statements continued

13. Inventories

	2020 £'000	2019 £'000
Finished goods	23	46
	23	46

At 31 December 2020 the Group's inventory provisions were £nil (2019: £nil).

14. Trade and other receivables

	2020 £'000	2019 £'000
Gross trade receivables	3,455	3,924
Provision for credit losses	(66)	(73)
Net trade receivables	3,389	3,851
Other receivables	82	82
Prepayments and accrued income	440	406
	3,911	4,339

The Group offers credit terms to customers depending on the credit status of the customer. Trade receivables are initially measured at fair value and subsequently amortised at cost. The Group performed an impairment exercise to determine whether the write down of amounts receivable was required, using an expected credit loss model. In its assessment using the expected loss model, it was deemed provisions against receivables to be immaterial. The average credit period taken on the sales of goods and services is 42 days (2019: 47 days). No interest is charged on past due trade receivables (2019: £nil).

The carrying amounts of trade and other receivables are denominated in the following currencies:

	2020 £'000	2019 £'000
Sterling	1,596	1,712
Euro	1,028	1,088
Swedish Krona	1,123	1,236
US Dollar	112	251
Other	52	52
	3,911	4,339

Movement in the provision for credit losses in respect of trade receivables during the period was as follows:

	2020 £'000	2019 £'000
At 1 January	(73)	(60)
Written off as uncollectable	24	6
Recovered during the period	–	32
Provided against during the period	(12)	(54)
Exchange	(5)	3
At 31 December	(66)	(73)

15. Trade and other payables

	2020 £'000	2019 £'000
Trade payables	558	528
Other taxation and social security	708	711
Other liabilities	394	465
	1,660	1,704

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 36 days (2019: 36 days). The Directors consider that the carrying amount of trade payables approximates to their fair value.

16. Borrowings

	2020 £'000	2019 £'000
Current liabilities:		
Bank loans	1,647	1,645
Lease liabilities	582	558
	2,229	2,203
Non-current liabilities:		
Bank loans	2,867	4,490
Lease liabilities	1,850	1,691
	4,717	6,181
Total loans and borrowings	6,946	8,384
Cash and cash equivalents	(10,668)	(7,236)
Net (cash)/borrowings	(3,722)	1,148

The UK banking facilities are with Barclays Bank plc and the Group facilities comprise the following:

- an outstanding term loan of £4.4m, with 11 quarterly loan repayments of £400,000 commencing from January 2021, carrying a fixed interest rate of 3.768 per cent; and
- a £1.0m overdraft facility, carrying an interest rate of 2.75 per cent over base rate (undrawn at 2020 and 2019).

Notes to the Consolidated Financial Statements continued

16. Borrowings continued

Security provided to the bank for the provision of these facilities is a cross guarantee and debenture between the parent company and certain UK subsidiary companies and a commitment of the shares of the operating companies.

Included in bank loans is an outstanding loan of £154,000 (2019: £191,000) in a German subsidiary company and is net of prepaid issue costs of £40,000 (2019: £56,000).

The bank loans and overdrafts are repayable as follows:

	2020 £'000	2019 £'000
In one year or less	1,647	1,645
Between one and two years	1,647	1,645
Between two and five years	1,220	2,845
	4,514	6,135

The Group has leases for the properties it occupies, motor vehicles and other plant and equipment. With the exception of short-term leases, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment for presentation purposes (see note 22).

Each lease imposes a restriction that the right-of-use asset can only be used by the Group. Some leases have a break clause; however, the majority are either non-cancellable or may only be cancelled by incurring a substantial termination fee.

17. Provisions

	2020 £'000	2019 £'000
At 1 January 2020	183	185
Charge/(credit) to the income statement	30	22
Utilised in the year	(47)	(24)
Exchange	–	–
At 31 December 2020	166	183
Current liabilities	125	142
Non-current liabilities	41	41
	166	183

Provisions principally relate to reorganisation costs following the disposal of the former ElecoBuild businesses, the expected ongoing cost of the professional indemnity run off insurance premiums relating to the former ElecoBuild businesses and the restructuring of head office and part of the overseas software operations.

18. Accruals and Deferred Income

	2020 £'000	2019 £'000
Accruals	2,487	1,885
Deferred income	6,393	5,862
	8,880	7,747

Deferred income represents income from software maintenance and support contracts and is taken to revenue in the income statement on a straight-line basis in line with the service and obligations over the term of the contract.

19. Deferred Tax

	Deferred tax assets				Deferred tax liabilities			
	Tax losses carried forward £'000	Excess of amortisation over tax allowances £'000	Other temporary differences £'000	Total £'000	Intangible assets £'000	Accelerated capital allowances £'000	Other temporary differences £'000	Total £'000
At 1 January 2019 (restated)	55	83	1	139	(1,340)	(3)	(210)	(1,553)
Reclassification	–	–	–	–	103	–	–	103
Credit/(charge) to the income statement	(17)	(4)	–	(21)	70	(1)	(45)	24
Exchange differences	–	–	–	–	–	–	19	19
At 31 December 2019 (restated)	38	79	1	118	(1,167)	(4)	(236)	(1,407)
Reclassification	–	–	–	–	–	–	–	–
Credit/(charge) to the income statement	(39)	6	–	(33)	22	1	(8)	15
Exchange differences	–	–	–	–	–	–	(25)	(25)
At 31 December 2020	(1)	85	1	85	(1,145)	(3)	(269)	(1,417)

The reclassification is to reallocate balances to correct the classification of deferred tax liabilities. This has had no impact on the total deferred tax liability.

Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets and liabilities are presented as non-current in the consolidated balance sheet. Potential deferred tax assets in respect of losses in UK subsidiaries of £314,000 (2019: £282,000) have not been recognised due to the unpredictability of future profit streams against which these losses may be offset. These losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements continued

20. Called up share capital

	No. of shares	2020 Nominal Value £'000	No. of shares	2019 Nominal Value £'000
Authorised:				
Ordinary Shares of 1p each	85,000,000	850	85,000,000	850
Allotted, called up and fully paid:				
At start of year	82,239,650	822	81,819,407	818
Issue of Ordinary Shares	225,000	3	420,243	4
At end of year	82,464,650	825	82,239,650	822

The increase in called up and fully paid share capital in the year was in respect of scrip issue of shares.

21. Share-based payments

The Company operates one share scheme and options outstanding at 31 December 2020 over Ordinary Shares granted under the scheme were as follows:

Date awarded	Number of Ordinary Shares	Vesting dates Earliest	Vesting dates Latest	Weighted average remaining contractual life (years)
13 February 2015	300,000	1 February 2018	12 February 2025	4.1
27 October 2016	–	1 June 2019	26 October 2026	5.8
9 August 2017	790,000	1 May 2020	8 August 2027	6.6
24 January 2018	100,000	1 May 2020	24 January 2028	7.1
18 May 2020	800,000	31 May 2023	31 May 2030	9.4
12 November 2020	250,000	31 May 2023	12 November 2030	9.9
	2,240,000			7.7

Share awards were made under the Company's Long Term Incentive Plan ("LTIP") during the year amounting to 800,000 shares at an exercise price of 74.3 pence per share and a further 250,000 shares at an exercise price of 74.9 pence per share (2019: nil).

During the year, a total of 800,000 share options were granted to the Executive Directors. Half of the options are exercisable after 3.0 years (refer to the Remuneration Committee Report on pages 39 and 40), subject to the share price being equal to or exceeding 117 pence per share for 20 consecutive dealing days between the date of issue and 31 May 2023.

The remaining half of the options shall vest if, and only if:

(a) The basic EPS reported in the audited Accounts for the year ended 31 December 2022 is at least 7.1 pence; or

(b) if target (a) is not met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 8.23 pence; or

(c) if neither target (a) nor (b) is met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.88 pence 2/3rds of the award will vest; or

(d) if none of targets (a), (b) or (c) is met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.70 pence fifty percent of the award will vest; or

21. Share-based payments continued

(e) if none of targets (a), (b), (c) or (d) is met but basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.53 pence 1/3rd of the option will vest, failing which the remaining half of Options will lapse.

In the event that the employee leaves within the initial 3.0 year period they may (depending upon the timing and circumstances of their departure) be entitled to retain some of their options but only if certain yearly earnings per share targets have at that time been met. The options are exercisable until 31 May 2030, 10 years after the date of grant.

In addition, 250,000 share options were granted to the Executive Directors. Half of the options are exercisable after 3.0 years (refer to the Remuneration Committee Report on pages 39 and 40), subject to the share price being equal to or exceeding 117 pence per share for 20 consecutive dealing days between the date of issue and 31 May 2023.

The remaining half of the options shall vest if, and only if:

(a) The basic EPS reported in the audited Accounts for the year ended 31 December 2022 is at least 7.15 pence; or

(b) if target (a) is not met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 8.23 pence; or

(c) if neither target (a) or (b) is met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.88 pence 2/3rds of the award will vest; or

(d) if none of targets (a), (b) nor (c) is met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.70 pence fifty percent of the award will vest; or

(e) if none of targets (a), (b), (c) or (d) is met but basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.53 pence 1/3rd of the option will vest, failing which the remaining half of Options will lapse.

In the event that the employee leaves within the initial 3.0 year period they may (depending upon the timing and circumstances of their departure) be entitled to retain some of their options but only if certain yearly earnings per share targets have at that time been met. The options are exercisable until 12 November 2030, 10 years after the date of grant.

The options awarded in 2018 are exercisable after 2.3 years, subject to certain performance criteria being achieved. The criteria includes the EPS for the twelve months ended 31 December 2019 is at least 2.97 pence. In the event that the employee leaves within the initial 2.3-year period they may (depending upon the timing and circumstances of their departure) be entitled to retain some of their options but only if certain yearly earnings per share targets have at that time been met. The options are exercisable until 24 January 2028, ten years after the date of grant.

The options awarded in 2017 are exercisable after 2.7 years, subject to certain performance criteria being achieved. The criteria includes the EPS for the twelve months ended 31 December 2019 is at least 2.97 pence. In the event that the employee leaves within the initial 2.7-year period they may (depending upon the timing and circumstances of their departure) be entitled to retain some of their options but only if certain yearly earnings per share targets have at that time been met. The options are exercisable until 8 August 2027, ten years after the date of grant.

The options awarded in 2015 are available to exercise at 20.75 pence per share. In the event that the employee leaves within the three-year period they may (depending upon the timing and circumstances of their departure) be entitled to retain some of their options but only if certain yearly earnings per share targets have at that time been met. The options are exercisable until 12 February 2025, ten years after the date of grant.

Notes to the Consolidated Financial Statements continued

21. Share-based payments continued

Details of the number of options over Ordinary Shares outstanding during the year are as follows:

	2020		2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of the year	1,415,000	42.0	1,815,000	39.1
Granted during the year	1,050,000	74.4	–	–
Exercised during the year	(225,000)	48.0	–	–
Forfeited during the year	–	–	(400,000)	28.7
Outstanding at the end of the year	2,240,000	56.6	1,415,000	42.0
Exercisable at the end of the year	–		–	

The expense recognised by the Group for share-based payments under the LTIP scheme in respect of employee services during the year ended 31 December 2020 was £131,000 (2019: £70,000).

A valuation model is used to value the share options and the key assumptions used for the outstanding awards are shown below:

	2020	2019
Share price at grant date	72.5p	–
Exercise price per share	74.3p	–
Per cent expected to vest (at date of grant)	98%	–
Expected life (years)	5.0	–
Dividend yield	0.39%	–
Share price volatility	36%	–
Fair value per option	27.6p	–

22. Right-of-Use assets

In the prior year, the Group applied the Full Retrospective Approach under IFRS 16 where leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability.

The Group has historically purchased plant and equipment, the exception being a small number of leased vehicles for the sales team. However, it has lease contracts for office accommodation in the UK, Sweden, Germany and the Netherlands.

The financial impact of IFRS 16 has resulted in a reduction in the Group's annual operating expenses of £769,000 (2019: £763,000) and additional depreciation costs of £646,000 (2019: £661,000) and finance costs payable of £71,000 (2019: £80,000). Details of lease liabilities and right-of-use assets are provided below.

Under IFRS 16, the Group recognised a lease liability at the date of initial application, for leases previously classified as an operating lease under IAS17, at the present value of the remaining lease payments, discounted using the Group's estimated incremental borrowing rate.

The Group has assessed the lease liability on each individual lease and applied an appropriate incremental borrowing rate determined by the type and geographical location of the right-of-use asset.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The Group has elected not to recognise a lease liability for short-term leases (leases with an expected term of twelve months or less). Payments made under such leases are expensed on a straight-line basis.

The recognised right-of-use assets relate to the following types of assets:

Right-of-Use assets

	2020 £'000	2019 £'000
Properties	1,747	1,511
Motor vehicles	435	513
Other plant and equipment	26	24
	2,208	2,048

Below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Right-of-Use-assets

	Property £'000	Motor vehicles £'000	Other plant and equipment £'000	Total
At 1 January 2019	1,907	469	64	2,440
Additions	176	162	–	338
Disposals	–	98	–	98
Exchange	(129)	(35)	(3)	(167)
Depreciation charge for the year	(443)	(181)	(37)	(661)
At 31 December 2019	1,511	513	24	2,048
Additions	534	134	39	707
Disposals	–	(56)	–	(56)
Exchange	116	38	1	155
Depreciation charge for the year	(414)	(194)	(38)	(646)
At 31 December 2020	**1,747**	**435**	**26**	**2,208**

Notes to the Consolidated Financial Statements continued

22. Right-of-Use assets continued

The corresponding amounts of lease liabilities recognised under IFRS 16 and movements during the period are set out below:

Lease liabilities

	Property £'000	Motor vehicles £'000	Other plant and equipment £'000	Total
At 1 January 2019	2,098	476	65	2,639
Additions	176	299	–	475
Interest charge	63	15	2	80
Interest income on lease liabilities	–	(8)	–	(8)
Lease payments	(489)	(226)	(40)	(755)
Exchange	(144)	(36)	(2)	(182)
At 31 December 2019	1,704	520	25	2,249
Additions	534	135	39	708
Interest charge	56	14	1	71
Interest income on lease liabilities	–	(8)	–	(8)
Lease payments	(464)	(257)	(40)	(761)
Exchange	135	40	(2)	173
At 31 December 2020	**1,965**	**444**	**23**	**2,432**

23. Financial instruments

(a) Financial assets and liabilities

The carrying amount and fair value of financial assets and liabilities at the period end are set out below:

	2020 £'000	2019 £'000
Financial assets at amortised cost:		
Cash and cash equivalents	10,668	7,236
Trade and other receivables	3,472	3,933
Loans and receivables	**14,140**	11,169
Financial liabilities at amortised cost:		
Trade and other payables	952	993
Bank loans and overdrafts	4,514	6,135
Accruals	2,487	1,885
Non-current liabilities	–	–
Financial liabilities held at amortised cost	**7,953**	9,013

The carrying value of the Group's financial assets and liabilities are considered to approximate their respective fair values.

23. Financial instruments continued

(b) Interest rate and currency profile of financial assets and liabilities

Loans comprise interest bearing and non-interest-bearing liabilities.

The currency profiles of the Group's financial assets and liabilities are set out below:

	Financial liabilities		Financial assets		
	Floating rate £'000	Total £'000	Floating rate £'000	Total £'000	Net financial (assets)/ liabilities £'000
Sterling	5,635	5,635	5,730	5,730	(95)
Euro	961	961	3,942	3,942	(2,981)
Swedish Krona	1,340	1,340	3,605	3,605	(2,265)
US Dollar	11	11	759	759	(748)
South African Rand	6	6	47	47	(41)
Other	–	–	57	57	(57)
At 31 December 2020	**7,953**	**7,953**	**14,140**	**14,140**	**(6,187)**
Sterling	7,005	7,005	5,238	5,238	1,767
Euro	669	669	2,709	2,709	(2,040)
Swedish Krona	1,323	1,323	2,476	2,476	(1,153)
US Dollar	9	9	637	637	(628)
South African Rand	7	7	51	51	(44)
Other	–	–	58	58	(58)
At 31 December 2019	9,013	9,013	11,169	11,169	(2,156)

There are no fixed interest rate financial assets.

The Group finances its operations through a mixture of retained profits, a term loan and a bank overdraft. The interest rate on the term loan is fixed at 3.768 per cent and the overdraft is 2.75 per cent over the Bank of England base rate.

(c) Currency profile of net foreign currency monetary assets and liabilities

The table below shows the net unhedged monetary assets/(liabilities) of the Group that are not denominated in the functional currency of the operating unit and which therefore give rise to exchange gains and losses in the income statement.

Functional currency of Group operation	Sterling £'000	Euro £'000	Swedish Krona £'000	US Dollar £'000	Other £'000	Total £'000
Sterling	–	380	–	719	9	1,108
Euro	–	–	–	–	–	–
Swedish Krona	–	233	–	65	48	346
At 31 December 2020	**–**	**613**	**–**	**784**	**57**	**1,454**
Sterling	–	119	(3)	486	3	605
Euro	–	–	–	–	–	–
Swedish Krona	–	307	–	124	55	486
At 31 December 2019	–	426	(3)	610	58	1,091

Notes to the Consolidated Financial Statements continued

23. Financial instruments continued

(d) Financial risk: objectives, policies and strategies

The Group's interest rate risks and currency risks are managed centrally within policies approved by the Board. The objective of these policies is to mitigate the impact of movements in interest rates and currency rates on the consolidated results of the Group. In addition to these policies, the Group's liquidity risk policies, approved by the Board, ensure appropriate funding is made available across the Group and is managed centrally.

The net interest payable for the year from continuing operations was £262,000 (2019: £339,000). No speculative transactions are undertaken.

At present there is no policy to hedge the Group's currency exposures arising from the translation of the Group's overseas net assets or the effect of exchange rate movements on the Group's overseas earnings.

(e) Market risk: sensitivities

A sensitivity analysis for financial assets and liabilities affected by market risk is set out below. Each risk is analysed separately and shows the sensitivity of financial assets and liabilities when a certain parameter is changed. The sensitivity analysis has been performed on period end balances each year and therefore is not representative of transactions throughout the year. The rates used are based on historical trends and, where relevant, projected forecasts.

(i) Currencies

The Group is exposed to currency risk in relation to the value of its financial assets and liabilities that are denominated in currencies other than Sterling (see note 23(c) above), arising from fluctuations in exchange rates. The Group's mitigation of its currency risk is set out on page 20 of the Strategic Report. The table below shows the impact on the value of the Group's reported net financial assets at 31 December of exchange rates either strengthening or weakening by 10 per cent against Sterling and the impact this would have on the reported profit or loss and equity. The Group's reported equity would be £310,000 lower (2019: £256,000) if Sterling strengthened by 10 per cent and £341,000 higher (2019: £282,000) if Sterling weakened by 10 per cent.

	Net financial (assets)/liabilities:			Profit/(loss)		Equity	
Effect of change in Sterling +/-10%	2020 £'000	Rate +10% £'000	Rate -10% £'000	Rate +10% £'000	Rate -10% £'000	Rate +10% £'000	Rate -10% £'000
Denominated in Sterling	(95)	–	–	–	–	–	–
Not denominated in Sterling	(6,092)	554	(609)	(128)	141	(310)	341
Total net financial liabilities	(6,187)	554	(609)	(128)	141	(310)	341

	Net financial (assets)/liabilities:			Profit/(loss)		Equity	
Effect of change in Sterling +/-10%	2019 £'000	Rate +10% £'000	Rate -10% £'000	Rate +10% £'000	Rate -10% £'000	Rate +10% £'000	Rate -10% £'000
Denominated in Sterling	1,767	–	–	–	–	–	–
Not denominated in Sterling	(3,923)	357	(392)	(82)	90	(256)	282
Total net financial liabilities	(2,156)	357	(392)	(82)	90	(256)	282

23. Financial instruments continued

(ii) Interest rates

Changes in market interest rates expose the Group to the risk of fluctuations in the cash flow relating to its financial assets and liabilities some of which attract interest at floating rates (see note 23(b) above). Based upon the interest rate profile of the Group's financial assets and liabilities as at 31 December, the table below shows the impact of a one percentage point change in the market interest rates on the Group's profit and equity.

	2020	Effect of increase in interest rates of 1%			Effect of decrease in interest rates of 1%		
	As reported £'000	Rate +1% £'000	Profit/(loss) £'000	Equity £'000	Rate -1% £'000	Profit/(loss) £'000	Equity £'000
Net finance cost	(262)	(70)	(70)	(70)	70	70	70

	2019	Effect of increase in interest rates of 1%			Effect of decrease in interest rates of 1%		
	As reported £'000	Rate +1% £'000	Profit/(loss) £'000	Equity £'000	Rate -1% £'000	Profit/(loss) £'000	Equity £'000
Net finance cost	(339)	(90)	(90)	(90)	90	90	90

(f) Liquidity risk

The Group monitors its liquidity to maintain a sufficient level of undrawn committed debt facilities together with central management of the Group's cash resources to minimise liquidity risk. The table below shows the maturity of the Group's debt:

	Fair value £'000	3 months or less £'000	3 to 6 months £'000	6 to 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Trade and other payables	1,660	1,660	–	–	–	–
Bank loans and overdraft	4,735	439	435	859	1,720	1,282
Lease liabilities	2,432	27	28	527	90	1,760
At 31 December 2020	8,827	2,126	463	1,386	1,810	3,042
Trade and other payables	1,704	1,704	–	–	–	–
Bank loans and overdraft	6,549	454	450	889	1,778	2,978
Lease liabilities	2,249	24	25	509	97	1,594
At 31 December 2019	10,502	2,182	475	1,398	1,875	4,572

The amounts for bank loans, overdraft and lease liabilities are inclusive of interest payable in the period. The Group's facilities with Barclays Bank plc are explained on page 28 of the Financial Review.

At 31 December, the Group had available to it the following committed borrowing facilities expiring in the periods shown. As at 31 December 2020 the loan facilities were fully drawn and overdraft facilities were not fully drawn.

	2020 £'000	2019 £'000
Expiring in one year or less	1,647	1,645
Expiring between one and two years	1,647	1,645
Expiring between two and five years	1,220	2,845
	4,514	6,135

Notes to the Consolidated Financial Statements continued

23. Financial instruments continued

(g) Credit risk

Group policies are aimed at minimising losses due to customer payment default. The loss allowance on all financial assets is measured by considering the probability of default. Receivables are considered to be in default when the principal or any interest is more than 90 days past due, based on an assessment of past payment practices and the likelihood of such overdue amounts being recovered. Deferred payment terms are only granted to those customers who satisfy creditworthiness criteria and individual exposures to customers are monitored.

The maximum exposure to credit risk for uninsured trade receivables only at the reporting date by geographic region is as follows:

	2020 £'000	2019 (restated) £'000
UK	1,280	1,358
Germany	494	443
Scandinavia	1,111	1,155
USA	133	267
Rest of Europe	315	541
Rest of World	122	160
	3,455	3,924

Receivables are written off by the Group when there is no reasonable expectation of recovery, such as when the counterparty is known to be going bankrupt, or into liquidation or administration. Receivables will also be written off when the amount is more than 300 days past due and is not covered by security over the assets of the counterparty or a guarantee. The prior year has been restated to reallocate the balances correctly between regions and to agree to the gross receivables. This has increased the comparative by £53,000.

(h) Capital risk

The Group's objective is to minimise its cost of capital by optimising the efficiency of its capital structure, being the balance between equity and debt. The objective is subject always to an overriding principle that capital must be managed to ensure the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

Covenants have been made to the bank in respect of three elements: EBITA to gross financing costs, gross borrowings to EBITDA and cash flow to debt service. These covenants are tested quarterly.

The Group uses a range of financial metrics to monitor the efficiency of its capital structure, including its net debt to EBITDA and ensures that its capital structure provides sufficient financial strength to allow it to secure access to debt finance at reasonable cost.

At 31 December 2020, the continuing operations EBITDA for the year was £7,003,000 (2019: £6,302,000) and the net bank cash position was £6,154,000 before lease liabilities (2019: net bank cash position £1,101,000).

23. Financial instruments continued

(i) Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Long-term borrowings £'000	Short-term borrowings £'000	Lease liabilities £'000	Total £'000
At 1 January 2020	**4,490**	**1,645**	**2,249**	**8,384**
Cash flows:				
– Repayment	(1,647)	–	(761)	(2,408)
– Proceeds	–	–	741	741
Non-cash:				
– Acquisition	–	–	–	–
– Fair value	–	–	–	–
– Reclassification	24	2	203	229
At 31 December 2020	**2,867**	**1,647**	**2,432**	**6,946**

	Long-term borrowings £'000	Short-term borrowings £'000	Lease liabilities £'000	Total £'000
At 1 January 2019	6,202	1,648	2,639	10,489
Cash flows:				
– Repayment	(1,646)	–	(755)	(2,401)
– Proceeds	–	–	177	177
Non-cash:				
– Acquisition	–	–	–	–
– Fair value	–	–	–	–
– Reclassification	(66)	(3)	188	119
At 31 December 2019	4,490	1,645	2,249	8,384

24. Contingent liabilities

It is the Group's policy to make specific provisions at the balance sheet date for all liabilities which, in the opinion of the Directors, represent a present obligation and outflow of resources to be probable at the balance sheet date.

The Directors have considered all the facts surrounding any open claims and any pending litigation against the Group at 31 December 2020 and have concluded that no material loss is likely to accrue from any such unprovided claims.

25. Related party transactions

Transactions between Group undertakings, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Directors of the Company had no material transactions with the Company during the year, other than a result of service agreements.

An amount of £71,667 (2019: £75,000) was paid to JHB Ketteley & Co Limited under a lease for occupation by the Group of 66 Clifton Street, London, EC2A 4HB and £3,750 (2019: £5,000) for a contribution to the office costs at Burnham-on-Crouch. There were no amounts outstanding at 31 December 2020 (31 December 2019: £nil). JHB Ketteley is a Director of JHB Ketteley & Co Limited.

Notes to the Consolidated Financial Statements continued

25. Related party transactions continued

An amount of £14,400 (2019: £9,900) was paid to Political Lobbying & Media Relations Ltd (PLMR) in respect of website development costs. There were no amounts outstanding at 31 December 2020 (31 December 2019: £nil). K Craig is a Director of PLMR.

26. Additional performance measures

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Operating profit	4,151	3,812
Acquisition related expenses	–	143
Former Directors' payments	328	–
Amortisation of acquired intangible assets	590	590
Adjusted operating profit	5,069	4,545
Profit before tax	3,889	3,473
Acquisition related expenses	–	143
Former Directors' payments	328	–
Amortisation of acquired intangible assets	590	590
Adjusted profit before tax	4,807	4,206
Tax charge	(726)	(772)
Acquisition related expenses	–	–
Former Directors' payments	(62)	–
Amortisation of acquired intangible assets	(112)	(112)
Adjusted tax charge	(900)	(884)
Profit after tax	3,163	2,701
Acquisition related expenses	–	143
Former Directors' payments	266	–
Amortisation of acquired intangible assets	478	478
Adjusted profit after tax	3,907	3,322
Cash generated in operations	8,138	6,669
Purchase of intangible assets	(1,603)	(1,237)
Purchase of property, plant and equipment	(99)	(110)
Acquisition related expenses	–	143
Former Directors' payments	328	–
Adjusted operating cash flow	6,764	5,465
Adjusted operating cash flow	6,764	5,465
Net interest paid	(206)	(268)
Tax paid	(785)	(1,052)
Proceeds from disposal of PPE	71	67
Acquisition related expenses	–	(143)
Former Directors' payments	(328)	–
Free cashflow	5,516	4,069

27. Post-balance sheet events

The Board has taken the decision to repay furlough payments that are possible to be repaid given the underlying performance of Eleco for the year as a whole. This is £98,000 furlough repayments of the £150,000 which will be repaid in the coming months.

After the Balance Sheet date, share awards were made under the Company's Long Term Incentive Plan (LTIP) amounting to 700,000 shares at an exercise price of 100.4 pence per share.

A total of 700,000 share options were granted to the Executive Directors and are exercisable after 3.0 years, subject to EPS for the 12 months ended 31 December 2023 being at least 20 per cent higher than EPS as per the accounts for the year ended 31 December 2020. In the event that the employee leaves within the initial 3.0-year period they may (depending upon the timing and circumstances of their departure) be entitled to retain some of their options but only if certain yearly earnings per share targets have at that time been met. The options are exercisable until 23 February 2031, 10 years after the date of grant.

28. Exchange rates

The following exchange rates have been applied in preparing the consolidated financial statements:

	Income statement Average rate		Balance sheet Year end rate	
	2020	2019	2020	2019
Swedish Krona to Sterling	11.84	12.06	11.22	12.39
Euro to Sterling	1.13	1.14	1.12	1.18
US Dollar to Sterling	1.30	1.28	1.37	1.33

29. Government Grants

Grants related to income are presented as part of the profit and loss and have been deducted against the related expense in the period.

Grants, across the Group, amounted to £150,000 (2019: £nil) during the year ended 31 December 2020.

Company Statement of Changes in Equity

for the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2019	**818**	**2,049**	**1,004**	**(42)**	**5,587**	**9,416**
Dividends	–	–	–	–	(275)	(275)
Share-based payments	–	–	–	11	–	11
Issue of share capital	4	(4)	–	–	–	–
Transactions with owners	4	(4)	–	11	(275)	(264)
Profit for the period	–	–	–	–	930	930
Exchange differences on translation of net investments in foreign operations	–	–	–	75	–	75
Other	–	2	(2)	–	–	–
Total comprehensive income for the period	–	2	(2)	75	930	1,005
At 31 December 2019	**822**	**2,047**	**1,002**	**44**	**6,242**	**10,157**
Dividends	–	–	–	–	–	–
Share-based payments	–	–	–	116	–	116
Elimination of exercised share-based payments	–	25	–	(25)	–	–
Issue of share capital	3	106	–	–	–	109
Transactions with owners	3	131	–	91	–	225
Profit for the period	–	–	–	–	1,043	1,043
Exchange differences on translation of net investments in foreign operations	–	–	–	(74)	–	(74)
Other	–	4	–	(4)	–	–
Total comprehensive income for the period	–	4	–	(78)	1,043	969
At 31 December 2020	**825**	**2,182**	**1,002**	**57**	**7,285**	**11,351**

Company Balance Sheet

At 31 December 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Intangible assets	3	**30**	56
Tangible assets	4	**20**	41
Investments	5	**6,546**	8,111
Debtor due after more than one year	6	**20,218**	19,511
		26,814	27,719
Current assets			
Debtors	7	**1,773**	1,674
Cash at bank and in hand		**1,696**	2,057
		3,469	3,731
Creditors: amounts falling due within one year	8	**(16,004)**	(16,768)
Provisions for liabilities	10	**(168)**	(181)
Net current liabilities		**(12,703)**	(13,218)
Total assets less current liabilities		**14,111**	14,501
Creditors: amounts falling due after more than one year	9	**(2,760)**	(4,344)
Net assets		**11,351**	10,157
Capital and reserves			
Called up share capital	11	**825**	822
Share premium account		**2,182**	2,047
Merger reserve		**1,002**	1,002
Other reserve	13	**57**	44
Profit and loss account		**7,285**	6,242
Shareholders' equity		**11,351**	10,157

The parent company's profit for the year was £1,043,000 (2019: £930,000) and total comprehensive income attributable to the equity shareholders was £969,000 (2019: £1,005,000).

The financial statements of Eleco plc, registered number 00354915, on pages 100 to 112 were approved by the Board of Directors on 26 March 2021 and signed on its behalf by:

Serena Lang
Executive Chairman

Statement of Company Accounting Policies

The Company financial statements have been prepared in accordance with applicable United Kingdom accounting standards including Financial Reporting Standard 102, the Financial Reporting Standard applicable to the United Kingdom and Ireland, and with the Companies Act 2006 including the provisions of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention. A summary of the more important accounting policies, which have been applied consistently, is set out below:

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention and are presented in Pounds Sterling. The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Income Statement in these financial statements. In addition, the Company has adopted the following disclosure exemptions under FRS 102 as the parent company consolidated financial statements are publicly available:

- requirement to present a statement of cash flows and related notes; and
- financial instrument disclosures.

Significant accounting judgements and estimates

Application of the Company's accounting policies in conformity with generally accepted accounting principles requires judgements and estimates that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. These judgements and estimates may be affected by subsequent events or actions such that results may ultimately differ from the estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Inter-company loan interest rates

The Company has intercompany loan balances with certain other subsidiary companies. These balances principally relate to the transfer of funds between Group companies and the balances are subject to interest calculated on a daily basis. The Directors estimate an appropriate market rate of interest that is applied to the intercompany loan balances after consideration of local interest rates and the business risk of the borrower. The estimation of the appropriate market rate is therefore a key judgement.

Recoverability of intercompany investments and loans

Intercompany investments and loans to subsidiary companies are stated at their carrying value under fixed assets in the Company Balance Sheet. The carrying value of the intercompany investments and loans are determined after consideration of the historical financial performance and future financial projections of the subsidiary company and the recoverability of the investments and loans. The recoverability of intercompany investments and loans is therefore a key judgement.

Provisions and contingent liabilities

In accordance with the accounting policy outlined overleaf, judgement is made of the likely outcome of any disputes. Where it is judged to be probable that an outflow of resources will be required to settle the obligation, an estimate will be made of the provision where it can be reliably made based on the information available and advice from third parties where appropriate.

Intangible and tangible fixed assets

Tangible fixed assets are stated at their purchase cost, together with any incidental costs of acquisition, net of depreciation and provision for impairment.

The Company owns intellectual property both in its software tools and software products. Intellectual property acquired is capitalised at cost and is amortised on a straight-line basis over its expected useful life not exceeding twelve years. The current intellectual property assets held by the Company were attributed a useful life of five years and this amortisation period has been used in the accounts.

Depreciation is provided on all tangible fixed assets, except freehold and leasehold land, at annual rates calculated to write off the cost, less the estimated residual value of each asset, over its expected useful life as follows:

Plant, equipment and vehicles – from two to ten years.

Investments in subsidiaries

Fixed asset investments are shown at cost, together with any incidental costs of acquisition, less any provision for impairment. Provisions are reviewed and adjusted annually to reflect any changes in the carrying value of the underlying subsidiary investments.

Finance and operating leases

The capital element of finance lease commitments is shown as obligations under finance leases. The capital element of finance lease rentals is applied to reduce the outstanding obligations under finance leases. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease in proportion to the reducing capital balance outstanding. Amounts payable under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

Share-based payments

The Company issues share options to employees from time to time. Under FRS 102 the equity-settled, share-based payment awards are valued at fair value at inception and this cost is recognised over the option vesting period of three years. The Board has used an appropriate model to estimate the fair value of the options. Various assumptions affect the value of the options and the Board has considered these assumptions in order to derive an appropriate charge for the cost of the options. The key assumptions used to derive the charge include the probability of performance achievement and the expected future dividend yield of the shares.

Provisions

A provision is recognised in the Company Balance Sheet when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Interest-bearing loans and borrowings

All loans and borrowings are recognised at proceeds received less directly attributable transaction costs. Borrowing costs are recognised as an expense over the period based on the maturity of the underlying instrument.

Intercompany loans that are not considered to be at market rate are adjusted to their fair value. The difference between the transaction value and the fair value of the intercompany loans are recorded as an investment in the Company Balance Sheet. The difference unwinds to the profit and loss as interest receivable over the period of the loan.

Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain/loss in the profit and loss account.

Taxation

Current UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Statement of Company Accounting Policies continued

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at the date will result in an obligation to pay more tax or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiary undertakings only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Employee Share Ownership Trust

Equity shares in Eleco plc held by the Employee Share Ownership Trust ("ESOT") are treated as a deduction from the weighted average number of shares. The consideration paid is deducted from equity (other reserves) until the shares are cancelled, reissued or disposed of. When such shares are subsequently sold or reissued, any consideration received, net of related transaction costs and income tax effects, is included in equity attributable to the Company's equity holders.

Notes to the Company Financial Statements

1. Profit for the year

As permitted by section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The Parent Company's profit for the financial year was £1,043,000 (2019: £930,000).

2. Employee information

The average number of employees during the period, including Directors, was made up as follows:

	2020 Number	2019 Number
Marketing	2	2
Management and administration	11	12
	13	14

Staff costs during the period, including Directors, amounted to:

	2020 £'000	2019 £'000
Wages and salaries	1,400	1,251
Social security	145	150
Pension costs	36	35
Share-based payments	116	11
	1,697	1,447

Pension costs relate to contributions to defined contribution pension schemes. The remuneration of the Directors, who are the key management personnel of the Company, is set out below:

	2020 £'000	2019 £'000
Short-term employee benefits	792	760
Post-employment benefits	32	30
Former Directors' payments	304	–
Share-based payments	98	(25)
Executive Directors	1,226	765
Fees – Non-Executive Directors	132	146
	1,358	911

The emoluments and share based payments of the highest paid Director totalled £525,000 (2019: £278,000).

The remuneration of the Non-Executive Directors is determined by the Board. The Non-Executive Directors do not have service contracts but are appointed for an initial term of three years, which may thereafter be renewed from year to year. They do not participate in any of the Company's share-based incentive or pension schemes.

Notes to the Company Financial Statements continued

3. Intangible fixed assets

	Intellectual property £'000
Cost:	
At 1 January 2019	1,301
Additions	–
Disposals	–
At 31 December 2019	1,301
Additions	–
Disposals	–
At 31 December 2020	**1,301**
Accumulated amortisation and impairment:	
At 1 January 2019	1,215
Amortisation charge for the year	30
Disposals	–
At 31 December 2019	1,245
Amortisation charge for the year	26
Disposals	–
At 31 December 2020	**1,271**
Net book value at 31 December 2019	56
Net book value at 31 December 2020	**30**

4. Tangible fixed assets

	Plant, equipment and vehicles £'000	Total £'000
Cost:		
At 1 January 2019	164	164
Additions	5	5
Disposal	–	–
At 31 December 2019	169	169
Additions	–	–
Disposal	–	–
At 31 December 2020	**169**	**169**
Accumulated depreciation:		
At 1 January 2019	106	106
Depreciation charge for the year	22	22
Disposal	–	–
At 31 December 2019	128	128
Depreciation charge for the year	21	21
Disposal	–	–
At 31 December 2020	**149**	**149**
Net book value at 31 December 2019	41	41
Net book value at 31 December 2020	**20**	**20**

5. Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

	Shares at cost £'000	Investments £'000	Total £'000
Cost:			
At 1 January 2019	26,523	728	27,251
Reclassification	–	1,565	1,565
At 31 December 2019	26,523	2,293	28,816
Disposals	(4,665)	–	(4,665)
Reclassification	–	(1,565)	(1,565)
At 31 December 2020	**21,858**	**728**	**22,586**
Accumulated provision:			
At 1 January 2019	20,705	–	20,705
At 31 December 2019	20,705	–	20,705
Disposals	(4,665)	–	(4,665)
At 31 December 2020	**16,040**	**–**	**16,040**
Net book value at 31 December 2019	5,818	2,293	8,111
Net book value at 31 December 2020	**5,818**	**728**	**6,546**

Notes to the Company Financial Statements continued

5. Investments in subsidiaries continued

Investments include £728,000 in respect of a fair value adjustment to a particular intercompany loan receivable and the amount represents the benefit passed to that subsidiary as a result of the loan being at below market value.

During the year, the intercompany loan in respect of one of the overseas subsidiaries was reclassified to debtors because this is now considered to represent a long-term loan.

The trading subsidiary undertakings are unlisted and wholly owned and set out in the table below. They are registered in England and Wales, where their operations are located in the United Kingdom. Overseas subsidiary undertakings are incorporated in their country of operations. All other subsidiary undertakings are dormant and are listed on page 114.

Company	Country of operations	Class of share capital held	Proportion held within Group	Nature of business
Elecosoft UK Limited	UK	Ordinary	100%	Software and services
Eleco Software Limited	UK	Ordinary	100%	Software
Integrated Computing & Office Networking Limited	UK	Ordinary	100%	Software and services
Shire Systems Limited	UK	Ordinary	100%	Software and services
Elecosoft Consultec AB	Sweden	Ordinary	100%	Software and services
Asta Development GmbH	Germany	Ordinary	100%	Software and services
Eleco Software GmbH	Germany	Ordinary	100%	Software and services
ESIGN Software GmbH	Germany	Ordinary	100%	Software and services
Active Online GmbH	Germany	Ordinary	100%	Software and services
Elecosoft LLC	US	Ordinary	100%	Software
Elecosoft BV	Netherlands	Ordinary	100%	Software and services
Elecosoft Limited	UK	Ordinary	100%	Holding company
Asta Group Limited	UK	Ordinary	100%	Holding company

The registered office of Elecosoft UK Limited, Eleco Software Limited and Integrated Computing and Office Networking Limited is Parkway House, Haddenham Business Park, Pegasus Way, Haddenham, Bucks, England, HP17 8LJ.

The registered office of Shire Systems Limited, Elecosoft Limited and Asta Group Limited is 66 Clifton Street, London, EC2A 4HB.

The registered office of the overseas subsidiary undertakings is shown in the Group Directory section of the Annual Report and Accounts.

The ordinary shares in the above companies are held through an intermediate holding company except for Integrated Computing & Office Networking Limited, ESIGN Software GmbH and Active Online GmbH.

6. Debtor due after more than one year

	2020 £'000	2019 £'000
Amounts due from subsidiary undertakings	**20,218**	19,511
	20,218	19,511

During the year, the intercompany loan in respect of one of the overseas subsidiaries was reclassified from investments because this is now considered to represent a long-term loan. The loan is interest bearing.

7. Debtors

	2020 £'000	2019 £'000
Trade debtors	**14**	14
Other debtors	**18**	18
Prepayments and accrued income	**97**	73
Deferred tax	**9**	7
Amounts due from subsidiary undertakings	**1,635**	1,562
	1,773	1,674

8. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank loans	**1,600**	1,600
Trade creditors	**146**	141
Other creditors	**112**	127
Accruals and deferred income	**341**	287
Other taxation and social security	**(21)**	10
Current tax	**129**	112
Amounts due to subsidiary undertakings	**13,697**	14,491
	16,004	16,768

Notes to the Company Financial Statements continued

9. Creditors: amounts falling due after more than one year

The Company's facilities with Barclays Bank plc are explained on page 28 of the Financial Review.

	2020 £'000	2019 £'000
Bank loans	2,760	4,344
	2,760	4,344

Bank loans and overdrafts are repayable as follows:

	2020 £'000	2019 £'000
In one year or less	1,600	1,600
Between one and two years	1,600	1,600
Between two and five years	1,160	2,744
	4,360	5,944

Bank loans are stated net of prepaid issue costs of £40,000 (2019: £56,000).

10. Provisions for liabilities

	2020 £'000	2019 £'000
At 1 January 2020	181	183
Charge to the profit and loss account	30	22
Utilised in the year	(43)	(24)
At 31 December 2020	168	181

Further information on the details of the provisions is set out in note 17 of the consolidated accounts.

11. Called up share capital

	2020 No. of shares	2020 Nominal value £'000	2019 No. of shares	2019 Nominal Value £'000
Authorised:				
Ordinary Shares of 1p each	85,000,000	850	85,000,000	850
Allotted, called up and fully paid:				
At start of year	82,239,650	822	81,819,407	818
Issue of Ordinary Shares	225,000	3	420,243	4
At end of year	82,464,650	825	82,239,650	822

The increase in called up and fully paid share capital in the year was in respect of scrip issue of shares.

12. Share-based payments

The Company operates one share scheme and options outstanding at 31 December 2020 over Ordinary Shares granted under the scheme were as follows:

	Number of Ordinary Shares	Vesting dates: Earliest	Vesting dates: Latest	Weighted average remaining contractual life (years)
13 February 2015	300,000	1 February 2018	12 February 2025	4.1
27 October 2016	–	1 June 2019	26 October 2026	5.8
9 August 2017	790,000	1 May 2020	8 August 2027	6.6
24 January 2018	100,000	1 May 2020	24 January 2028	7.1
18 May 2020	800,000	31 May 2023	31 May 2030	9.4
12 November 2020	250,000	31 May 2023	12 November 2030	9.9
	2,240,000			7.7

Details of the number of options over Ordinary Shares outstanding during the year are as follows:

	2020 Number	2020 Weighted average exercise price Pence	2019 Number	2019 Weighted average exercise price Pence
Outstanding at the beginning of the year	1,415,000	42.0	1,815,000	39.1
Granted during the year	1,050,000	74.4	–	–
Exercised during the year	(225,000)	48.0	–	–
Forfeited during the year	–	–	(400,000)	28.7
Outstanding at the end of the year	2,240,000	56.6	1,415,000	42.0
Exercisable at the end of the year	–	–	–	–

The expense recognised by the Company for share-based payments under the LTIP scheme in respect of employee services during the year ended 31 December 2020 was £116,000 (2019: £11,000).

Further details of the share options and the valuation model used are included in note 21 of the Consolidated Financial Statements of the Annual Report and Accounts.

13. Reserves

The other reserve carried forward includes the shares in the Company held by the Employee Share Ownership Trust and the share-based payments reserve. The share premium reserve represents the value of the consideration shares that were issued to fund the acquisitions of both Integrated Computing and Office Networking Limited in October 2016 and Active Online GmbH in November 2018.

The Employee Share Ownership Trust held 907,849 shares at 31 December 2020 (2019: 907,849 shares) with a market value of £731,000 (2019: £713,000) and has waived its entitlement to dividends on Ordinary Shares held by it until such time as they are vested in employees.

Notes to the Company Financial Statements continued

14. Operating lease commitments

	Property 2020 £'000	Other 2020 £'000	Property 2019 £'000	Other 2019 £'000
Leases expiring:				
Within one year	70	–	75	–
Between two and five years	–	–	–	–
	70	–	75	–

15. Related party transactions

The Company has taken advantage of the exemption granted by paragraph FRS102.33.1A not to disclose transactions with other Group companies as all subsidiaries are wholly owned. The Directors of Eleco plc had no material transactions with the Company during the year, other than a result of service agreements or as disclosed in the Directors' Report. Details of the Directors' remuneration are disclosed in the Remuneration Committee Report on pages 38 and 39.

The Directors of the Company had no material transactions with the Company during the year, other than a result of service agreements.

An amount of £71,667 (2019: £75,000) was paid to JHB Ketteley & Co Limited under a lease for occupation by the Group of 66 Clifton Street, London, EC2A 4HB and £3,750 (2019: £5,000) for a contribution to the office costs at Burnham-on-Crouch. There were no amounts outstanding at 31 December 2020 (31 December 2019: £nil). JHB Ketteley is a Director of JHB Ketteley & Co Limited.

An amount of £14,400 (2019: £9,900) was paid to Political Lobbying & Media Relations Ltd (PLMR) in respect of website development costs. There were no amounts outstanding at 31 December 2020 (31 December 2019: £nil). K Craig is a Director of PLMR.

16. Post-balance sheet events

The Board has taken the decision to repay furlough payments that are possible to be repaid given the underlying performance of Eleco for the year as a whole. This is £98,000 furlough repayments of the £150,000 which will be repaid in the coming months.

After the Balance Sheet date, share awards were made under the Company's Long Term Incentive Plan (LTIP) amounting to 700,000 shares at an exercise price of 100.4 pence per share.

A total of 700,000 share options were granted to the Executive Directors and are exercisable after three years, subject to EPS for the 12 months ended 31 December 2023 being at least 20 per cent higher than EPS as per the accounts for the year ended 31 December 2020. In the event that the employee leaves within the initial three year period they may (depending upon the timing and circumstances of their departure) be entitled to retain some of their options but only if certain yearly earnings per share targets have at that time been met. The options are exercisable until 23 February 2031, 10 years after the date of grant.

Five-Year Summary

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Revenue					
Software	25,232	25,398	22,220	19,996	17,795
Discontinued operations	–	–	–	–	–
Adjusted EBITDA	7,003	6,302	5,257	3,643	2,753
Amortisation and impairment of purchased intangible assets	(1,068)	(855)	(529)	(623)	(339)
Depreciation	(866)	(902)	(778)	(247)	(207)
Adjusted operating profit	5,069	4,545	3,950	2,773	2,207
Amortisation of acquired intangible assets	(590)	(590)	(595)	(412)	(292)
Exceptionals	(328)	(143)	(689)	–	(321)
Operating profit	4,151	3,812	2,666	2,361	1,594
Finance expense	(262)	(339)	(272)	(107)	(90)
Profit before taxation	3,889	3,473	2,394	2,254	1,504
Taxation	(726)	(772)	(598)	(357)	(261)
Profit after taxation	3,163	2,701	1,796	1,897	1,243
Basic earnings per share (continuing operations)	3.9p	3.3p	2.4p	2.5p	1.7p
Shareholders equity	21,524	17,924	15,479	11,486	9,716
Dividend per share	0.40p	0.30p	0.68p	0.60p	0.40p

Dormant Subsidiary Undertakings

The dormant subsidiary undertakings are unlisted and wholly owned and set out in the table below:

Company	Country of operations	Class of share capital held	Proportion held within Group	Nature of business
Asta Group Limited	UK	Ordinary	100%	Holding company
Bell and Webster Limited	UK	Ordinary	100%	Dormant
Citehow Limited	UK	Ordinary	100%	Dormant
D G Metal Products Limited	UK	Ordinary	100%	Dormant
Durable Fabricators Limited	UK	Ordinary	100%	Dormant
Eleco Building Products Limited	UK	Ordinary	100%	Dormant
Eleco Directors Limited	UK	Ordinary	100%	Dormant
Eleco (DCS) Limited	UK	Ordinary	100%	Dormant
Eleco (MS) Limited	UK	Ordinary	100%	Dormant
Eleco (PP) Limited	UK	Ordinary	100%	Dormant
Elecosoft Limited	UK	Ordinary	100%	Holding company
Elecoprecast Limited	UK	Ordinary	100%	Holding company
Elecosoft Pvt Limited	India		100%	Dormant
Falconer Road Property Limited	UK	Ordinary	100%	Dormant
Online Warehouse Limited	UK	Ordinary	100%	Dormant
RB Fabrications (Norwich) Limited	UK	Ordinary	100%	Dormant
Webster Homes (Southern) Limited	UK	Ordinary	100%	Dormant
Webster Properties (Developments) Limited	UK	Ordinary	100%	Dormant
Webster Properties Limited	UK	Ordinary	100%	Dormant
Consultec Group AB	Sweden	Ordinary	100%	Holding company
Elecosoft (Pty) Limited	South Africa	Ordinary	100%	Dormant

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