



**Eleco plc**  
**Interim report**

for the six months ended 30 June 2021

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**Building on Technology®**

# Introduction

Eleco plc is an AIM-listed (AIM:ELCO) specialist international provider of software and related services to the Architectural, Engineering, Construction and Owner/Operator (AECO) industries and interior furnishing industries from centres of excellence in the UK, Sweden, Germany, Netherlands and the US.

The Company's market-leading ElecoSoft software solutions are developed by teams in the United Kingdom, Sweden and Germany, and its solutions cover project management, estimating, timber engineering, CAD and visualisation, asset and facility management and cloud-based digital marketing solutions.

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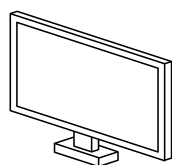
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# Highlights

six months to 30 June 2021

	Six months to 30 June		
	2021 £'000	2020 £'000	Change
<b>Financial</b>			
Revenue	<b>13,831</b>	12,215	+13%
Recurring maintenance support and subscription revenue	<b>7,543</b>	6,953	+8%
Adjusted EBITDA*	<b>3,649</b>	3,283	+11%
Operating profit	<b>2,366</b>	2,071	+14%
Adjusted operating profit**	<b>2,730</b>	2,366	+15%
Adjusted operating profit margin**	<b>20%</b>	19%	+1%
Profit before tax	<b>2,260</b>	1,930	+17%
Basic earnings per share (pence per share)	<b>2.2</b>	1.9	+16%
Adjusted earnings per share*** (pence per share)	<b>2.6</b>	2.2	+20%
Free cash flow****	<b>2,855</b>	3,711	-23%
Cashflow conversion*****	<b>105%</b>	157%	-52%

\* Adjusted to exclude amortisation of intangible assets, depreciation charge and former Directors' payments.

\*\* Adjusted to exclude former Directors' payments and amortisation of acquired intangible assets.

\*\*\* Adjusted earnings per share represents adjusted profit after 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.

\*\*\*\*\* Cashflow conversion represents free cash flow as a percentage of adjusted operating profit.

## Operational

- Strategic focus on leveraging strong customer relationships enabled further market penetration.
- Implementation of Powerproject Vision, our SaaS portal for collaborating on construction schedules, to support the digital transformation of VINCI Construction's planning process.
- Powerproject Vision launched in the Nordics, with a first order won from a Swedish residential property developer operating across 23 regions in nine countries.
- Continued to support customer success, evidenced by Frank Connolly of Mace Group, who won the CIOB Construction Manager of the Year award for his programmes that were managed using Powerproject.
- Collaboration Cloud solution launched in the UK and the latest version of Powerproject (v16) was released.
- Won a high-value visualisation solutions order from a Japanese floor manufacturer.
- Commenced the digital transformation of back-office systems to enhance efficiency, provide better real-time KPIs and streamline operations.

# Chairman's Statement

## “Eleco delivered a positive performance in the first half of 2021.”

I am delighted to report that the business has shown a strong performance for the six months ending 30 June 2021 with positive organic growth and an increase in both profitability and recurring revenues. The Board of Eleco launched its refined growth strategy mid-way through the period, focusing the business on its core competencies and targeting expansion on key growth markets.

Our teams have managed the internal transformation of the business very effectively whilst ensuring that our customers continue to experience a high level of service and I would like to thank them for their continued commitment and drive.

During the period, we placed increased emphasis on strong Corporate Governance by strengthening our Board of Directors, which will help Eleco to facilitate the execution of our refreshed growth strategy going forward.

### Trading Performance

#### Revenues

Revenues in the first half of 2021 were £13,831,000 (2020: £12,215,000), an increase of 13 per cent; or 12 per cent at constant currencies.

Revenues derived from recurring maintenance, support contracts, and other subscription-based contracts in the period increased to £7,543,000 (2020: £6,953,000), equivalent in percentage terms to 55 per cent of total revenues in the period (2020: 57 per cent). The strong revenue growth in new licence sales from our Building Lifecycle businesses and increase in services revenue has resulted in the slightly lower recurring revenue as a percentage of total revenue. However, the growth in licence sales combined with the investment in transitioning the portfolio to subscription will lead to a further increase in recurring revenues going forward.

#### Profit

Operating profit for the period was £2,366,000 (2020: £2,071,000), an increase of 14 per cent. Following the positive underlying performance of Eleco in 2020, the Board took the decision last year to pay back furlough funds that qualified for repayment. This amounted to £135,000 in 2021 (2020: £nil).

Adjusted EBITDA, which is defined as operating profit before amortisation of intangible assets, depreciation and former Directors' payments was £3,649,000 (2020: £3,282,000), an increase of 11 per cent.

Adjusted operating profit, which is defined as operating profit before former Directors' payments was £69,000 (2020: £nil) and

amortisation of acquired intangible assets of £295,000 (2020: £295,000) was £2,730,000 (2020: £2,366,000), representing an increase of 15 per cent, reflecting the continuing strength of our core business.

Profit before tax for the period ended 30 June 2021 was £2,260,000 (2020: £1,930,000), an increase of 17 per cent.

Profit after tax for the period ended 30 June 2021 was £1,797,000 (2020: £1,516,000), an increase of 19 per cent, equivalent to basic earnings per share for the period of 2.2 pence (2020: 1.9 pence), an increase of 16 per cent.

### Software

We continue to invest in our market-leading software. Total software development spend (which includes capitalised and expensed elements) in the period amounted to £1,628,000 (2020: £1,623,000), enabling us to enhance our software offerings to the market. This is the equivalent of 12 per cent (2020: 13 per cent) of our total revenues in the period. Software development expenditure capitalised in the period totalled £790,000 (2020: £760,000).

### Financial Performance

The Group's already strong financial position and strong cash position was further strengthened and as at 30 June 2021 Eleco had net cash balances of £8,470,000 (2020: £4,435,000) and £6,154,000 for the year ended December 2020. Free cash flow was impacted by the £135,000 repayment of furlough (2020: credit of £133,000) and a cash dividend of £329,000 (2020: £nil). In the prior half year there was also VAT deferred of £396,000 which was paid in the second half of 2020.

### Operational Highlights

During the period, the majority of our colleagues continued to work remotely, and despite this, our service revenue returned to normal run rates, increasing by 19 per cent compared with the same period in 2020, when Q2 was significantly impacted by services being delivered remotely.

Focus was given to align colleagues with our strategy, improve communications and develop our high-performance company culture to energise the teams as we make progress toward transitioning Eleco from being a product-led company to a customer-centric business. We are organising the Company around customer segments for a set of priority geographic markets, removing product silos and creating progress and growth opportunities for our employees. As well as increasing the efficiency of our business, this is expected to deliver growth by allowing us to achieve a more focused, high-value customer base.

During the period we strengthened and aligned the operational leadership team, and we commenced the following initiatives:

- The merger of Eleco's two German visualisation businesses, headed up by the new Managing Director, Volker Ahring. The unified business will be rebranded Veeuze and relaunched to its customer base by the end of the year.
- The merger of three UK Building Lifecycle businesses, led by the newly-appointed UK Managing Director Richard Choi, with a single customer-centric team. This is due for completion in Q1 2022.
- Creation of the Northern Europe Building Lifecycle operation, which includes all building lifecycle businesses in Germany and the Netherlands, with Frank van Riemsdijk as the Managing Director.
- Expanded the focus of our Swedish Building Lifecycle operation to the Nordics region, with Anders Karlsson as Managing Director of the Nordics.
- Group-wide implementation of a new finance system to enable us to enhance our financial reporting, enable better visibility centrally and create efficiencies in our finance organisation.
- Identification of Arcon and Staircon products as stand-alone niche business areas, delivering focus and agile decision making. Jürgen Krüger is Managing Director of Arcon and we currently seek to appoint a Managing Director for Staircon following the retirement of Kenneth Schönfeldt.

The transformation initiatives coming out of the strategy, as well as M&A and integration, will be progressed with the appointment of Birgit Lenton as Group Transformation Director, who will be joining the operational leadership team on 20 September. Birgit has 20 years' experience in business transformation, change management and leadership, with a strong focus on culture, customer, people, organisational development and continuous improvement. Birgit spent twelve years with the Construction Industry Training Board (CITB) in a number of senior UK and national transformational roles, and four years as Director of Corporate Services and Culture for a UK-based housing association.

From a product perspective, we intend to leverage our customer relationships by further identifying the future needs of our core customer base and creating software solutions to enable them to make better real-time decisions. To facilitate this, a design-first approach to product development is key, and we appointed Fredrik Pantze as Chief Product Officer in April to ensure that this is fully embedded into our customer-centric product culture.

Whilst we search for a Chief Technology Officer, we have also created communities such as the UXI community to support our ambitions of achieving a premium user experience.

The team has already made progress, developing our SaaS/ Subscription strategy, enabling our software to be sold on a subscription basis in the UK, Germany, Netherlands, Sweden and the US. We have made progress towards roadmap alignment and commenced development of the Eleco Design System to standardise product interface design. Additionally, we released Powerproject v16 and launched the new Elecosoft.com website in March to make it easier for our customers to interact and purchase from us.

The USA has been highlighted as a key growth territory for Eleco and we are focused on adopting a direct sales approach to achieve this while supporting our established channel partner relationships. We launched Elecosoft into the Texas market as a direct sales organisation in July and attended the Sunbelt Homebuilders Show as there is a proliferation of investment in housebuilding currently in the state. The uptake in orders is expected to take time as the market presence and recognition of the brand grows, but we will remain focused in the one geography to give us the best chance of success and look forward to providing updates in the future.

### Board Updates and Corporate Governance

During the period, we took steps to align our refreshed strategy with the experience on our Board. In March we appointed Paul Boughton to the Board. Paul is currently Chair of Quartix Technologies plc, the telematics and vehicle analytics company, having joined in 2014 ahead of its successful IPO. Previously he has held both Executive and Non-Executive positions in listed technology and software companies. 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 add tremendous value to the Board. This Board refresh also culminated in the appointments of Dr. Annette Nabavi, who joined on 12 August, and Mark Castle, who will join on 20 September, as Non-Executive Directors.

Annette Nabavi, a highly-qualified board director with more than 30 years' experience in the technology, telecoms and digital industries, brings additional expertise to advise with the shift from a perpetual to SaaS licence model. Additionally, Mark Castle, an experienced business leader, will bring with him a wealth of experience in the property, construction, consultancy and built environment sectors, and will help provide the voice of the customer on the Board.

Kevin Craig stepped down from the Board at the end of August to focus on his other growing business interests, and David Dannhauser also stepped down at the end of August. Dr. Nabavi will succeed Kevin Craig as Chair of the Remuneration Committee and become Senior Independent Director and Paul Boughton will become Chair of the Audit Committee.

Post period end, we also confirmed that I will return to my previous non-executive capacity as Non-Executive Chairman in September and Anders Karlsson, MD for Nordics, left the Board at the end of August and remains an important part of the Executive Team as one of the Company's key regional MDs. Stella Toresse stood down from her Company Secretarial duties to pursue her interests in a private company.

As part of our ongoing drive to continue to enhance our Corporate Governance, the Board is pleased to announce its intention for all Directors to stand for re-election at the Annual General Meeting in 2022 and in subsequent years. This is in line with corporate governance best practice.

### Dividend

Having regard to the strong trading performance and cash generation in the period under review, a good start to the second half and a positive outlook for the remainder of the year, the Board has decided to declare a dividend of 0.2 pence (2020: nil pence), which would be covered 10.8 times by unaudited earnings for the period of 2.2 pence per share.

# Chairman's Statement continued

The interim dividend will be made on 22 October 2021 to shareholders on the register at the close of business on 24 September 2021 and the ex-dividend date will be 23 September 2021.

## Outlook

Eleco delivered a positive performance in the first half of 2021, with growth in all regions and all customer segments. Importantly we were also able to strengthen our financial position considerably in the period. We are confident of meeting market expectations for the full year to 31 December 2021.

The Company is strategically investing to grow its business, most notably having set up a direct business in Texas in the USA and taken its maintenance management portfolio into the German market. These projects will take time to seed but ultimately are about growth. As the Company continues to drive organic growth in its core markets, it will invest further in business development as well as software development to secure its market-leading positions. At a Group level, we have just recruited a Group Transformation Director and are still searching for a Chief Technology Officer.

The Company is also undergoing some major transformation projects including the digitisation of its back-office systems which will not only enable efficiencies but also allow us to be more agile and innovative. Additionally the Company is moving towards a SaaS subscription model for many new customers. Inevitably, this will soften revenues and profits in the short term as revenues are spread over a longer period of time and costs are added to drive growth. However, the shift will drive growth in customer lifetime value, lower customer acquisition costs and increase our recurring revenues as we move away from a perpetual licensing model.

We therefore expect a temporary reduction in our level of profitability over the next 18 months as the SaaS subscription model and strategic initiatives bed in and deliver our long term growth. We will continue to drive our strategy and concentrate our efforts on the software solutions that our customers require, focused on delivering ease of use and improved efficiencies to our customers, and thus enabling them to reduce their own and their customers' costs in difficult markets. I am confident therefore that with the close collaboration with our customers, we will continue to build Eleco from strength to strength.

**Serena Lang**

**Executive Chairman**

15 September 2021

# Condensed Consolidated Income Statement

for the financial period ended 30 June 2021

	Notes	Six months to 30 June		Year ended
		2021 (unaudited) £'000	2020 (unaudited) £'000	31 December 2020 £'000
Revenue	3, 4	13,831	12,215	25,232
Cost of sales		(1,318)	(1,298)	(2,529)
<b>Gross profit</b>		<b>12,513</b>	10,917	22,703
Amortisation and impairment of intangible assets		(846)	(786)	(1,658)
Former Directors' payments		(69)	–	(328)
Other selling and administrative expenses		(9,232)	(8,060)	(16,566)
Selling and administrative expenses		(10,147)	(8,846)	(18,552)
<b>Operating profit</b>	4, 5	<b>2,366</b>	2,071	4,151
Finance cost	6	(106)	(141)	(262)
<b>Profit before tax</b>		<b>2,260</b>	1,930	3,889
Tax		(463)	(414)	(726)
<b>Profit for the financial period</b>		<b>1,797</b>	1,516	3,163
<i>Attributable to:</i>				
Equity holders of the parent		1,797	1,516	3,163
<b>Earnings per share (pence per share)</b>				
Basic earnings per share	7	2.2p	1.9p	3.9p
Diluted earnings per share	7	2.2p	1.8p	3.9p

## Condensed Consolidated Statement of Comprehensive Income

for the financial period ended 30 June 2021

	Six months to 30 June		Year ended
	2021 (unaudited) £'000	2020 (unaudited) £'000	31 December 2020 £'000
<b>Profit for the period</b>	<b>1,797</b>	1,516	3,163
<b>Other comprehensive income:</b>			
Items that will be reclassified subsequently to profit or loss:			
Translation differences on foreign operations	(107)	58	193
<b>Other comprehensive (loss)/income net of tax</b>	<b>(107)</b>	58	193
<b>Total comprehensive income for the period</b>	<b>1,690</b>	1,574	3,356
<i>Attributable to:</i>			
Equity holders of the parent	1,690	1,574	3,356

# Condensed Consolidated Statement of Changes in Equity

for the financial period ended 30 June 2021

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 January 2021</b>	<b>825</b>	<b>2,182</b>	<b>1,002</b>	<b>(8)</b>	<b>(2)</b>	<b>17,525</b>	<b>21,524</b>
Dividends	-	-	-	-	-	(329)	(329)
Share-based payments	-	-	-	-	40	-	40
Elimination of exercised share based payments	-	-	-	-	(66)	66	-
Issue of share capital	6	218	-	-	-	-	224
Transactions with owners	6	218	-	-	(26)	(263)	(65)
Profit for the period	-	-	-	-	-	1,797	1,797
Other comprehensive income:							
Exchange differences on translation of net investments in foreign operations	-	-	-	(107)	0	(1)	(108)
Total comprehensive income for the period	-	-	-	(107)	0	1,796	1,689
<b>At 30 June 2021 (unaudited)</b>	<b>831</b>	<b>2,400</b>	<b>1,002</b>	<b>(115)</b>	<b>(28)</b>	<b>19,058</b>	<b>23,148</b>

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2020	822	2,047	1,002	(198)	(108)	14,359	17,924
Share-based payments	-	-	-	-	(9)	-	(9)
Issue of share capital	1	15	-	-	-	-	16
Transactions with owners	1	15	-	-	(9)	-	7
Profit for the period	-	-	-	-	-	1,516	1,516
Other comprehensive income:							
Exchange differences on translation of net investments in foreign operations	-	-	-	58	-	-	58
Total comprehensive income for the period	-	-	-	58	-	1,516	1,574
At 30 June 2020 (unaudited)	823	2,062	1,002	(140)	(117)	15,875	19,505

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2020	822	2,047	1,002	(198)	(108)	14,359	17,924
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
Other comprehensive income:							
Exchange differences on translation of net investments in foreign operations	-	-	-	190	-	3	193
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



# Condensed Consolidated Balance Sheet

at 30 June 2021

	Notes	30 June		
		2021 (unaudited) £'000	2020 (unaudited) £'000	31 December 2020 £'000
<b>Non-current assets</b>				
Goodwill		15,729	15,643	15,762
Other intangible assets	9	7,140	7,223	7,195
Property, plant and equipment		595	702	651
Right-of-Use assets		1,867	2,033	2,208
Deferred tax assets		85	87	85
<b>Total non-current assets</b>		<b>25,416</b>	25,688	25,901
<b>Current assets</b>				
Inventories		8	16	23
Trade and other receivables		3,491	3,035	3,911
Current tax assets		100	82	90
Cash and cash equivalents		12,163	9,779	10,668
<b>Total current assets</b>		<b>15,762</b>	12,912	14,692
<b>Total assets</b>		<b>41,178</b>	38,600	40,593
<b>Current liabilities</b>				
Borrowings	10	(1,645)	(1,648)	(1,647)
Lease liabilities		(484)	(589)	(582)
Trade and other payables		(1,446)	(1,529)	(1,660)
Provisions		(125)	(142)	(125)
Current tax liabilities		(123)	(87)	–
Accruals and deferred income	11	(9,116)	(8,263)	(8,880)
<b>Total current liabilities</b>		<b>(12,939)</b>	(12,258)	(12,894)
<b>Non-current liabilities</b>				
Borrowings	10	(2,048)	(3,696)	(2,867)
Lease liabilities		(1,595)	(1,663)	(1,850)
Deferred tax liabilities		(1,407)	(1,437)	(1,417)
Non-current provisions		(41)	(41)	(41)
<b>Total non-current liabilities</b>		<b>(5,091)</b>	(6,837)	(6,175)
<b>Total liabilities</b>		<b>(18,030)</b>	(19,095)	(19,069)
<b>Net assets</b>		<b>23,148</b>	19,505	21,524
<b>Equity</b>				
Share capital		831	823	825
Share premium account		2,400	2,062	2,182
Merger reserve		1,002	1,002	1,002
Translation reserve		(115)	(140)	(8)
Other reserve		(28)	(117)	(2)
Retained earnings		19,058	15,875	17,525
<b>Equity attributable to shareholders of the parent</b>		<b>23,148</b>	19,505	21,524

# Condensed Consolidated Statement of Cash Flows

for the financial period ended 30 June 2021

	Six months to 30 June		Year ended
	2021 (unaudited) £'000	2020 (unaudited) £'000	31 December 2020 £'000
<b>Cash flows from operating activities</b>			
Profit before tax	2,260	1,930	3,889
Net finance costs	106	141	262
Depreciation charge	368	426	866
Amortisation charge	846	786	1,658
Loss/(profit) on sale of property, plant and equipment	3	–	(16)
Share-based payment charge	40	(9)	131
Decrease in provisions	–	–	(17)
<b>Cash generated in operations before working capital movements</b>	<b>3,623</b>	<b>3,274</b>	<b>6,773</b>
Decrease in trade and other receivables	420	1,304	428
Decrease in inventories and work in progress	14	30	23
Increase in trade and other payables and accruals and deferred income	22	341	914
<b>Cash generated in operations</b>	<b>4,079</b>	<b>4,949</b>	<b>8,138</b>
Interest paid	(57)	(112)	(206)
Net income tax paid	(360)	(354)	(785)
<b>Net cash inflow from operating activities</b>	<b>3,662</b>	<b>4,483</b>	<b>7,147</b>
<b>Investing activities</b>			
Purchase of intangible assets	(795)	(760)	(1,603)
Purchase of property, plant and equipment	(60)	(35)	(99)
Proceeds from sale of property, plant, equipment and intangible assets	48	23	71
<b>Net cash outflow from investing activities</b>	<b>(807)</b>	<b>(772)</b>	<b>(1,631)</b>
<b>Financing activities</b>			
Repayment of bank loans	(823)	(812)	(1,647)
Repayments of leasing liabilities	(355)	(375)	(761)
Issue of share capital	224	–	–
Equity dividends paid	(329)	–	–
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(1,283)</b>	<b>(1,187)</b>	<b>(2,408)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,572</b>	<b>2,524</b>	<b>3,108</b>
Cash and cash equivalents at beginning of period	10,668	7,236	7,236
Effects of changes in foreign exchange rates	(77)	19	324
<b>Cash and cash equivalents at end of period</b>	<b>12,163</b>	<b>9,779</b>	<b>10,668</b>
<b>Cash and cash equivalents comprise:</b>			
Cash and short term deposits	12,163	9,779	10,668
Bank overdrafts	–	–	–
	<b>12,163</b>	<b>9,779</b>	<b>10,668</b>

# Notes to the Condensed Consolidated Interim Financial Information

## 1. General information

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is 66 Clifton Street, London, EC2A 4HB.

The Company is listed on the Alternative Investment Market ("AIM").

The condensed consolidated interim financial information does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The Group's consolidated financial statements for the year ended 31 December 2020 have been filed at Companies House. The audit report was not qualified and did not contain a reference to any matter to which the auditor drew attention by way of emphasis and did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006.

## 2. Basis of preparation

The condensed consolidated interim financial statements for the six months to 30 June 2021 have been prepared in accordance with the accounting policies which will be applied in the twelve months financial statements to 31 December 2021. These accounting policies will be drawn up in accordance with Applicable law and UK-adopted International Accounting Standards (UK-IAS) that are effective at 31 December 2021.

The condensed consolidated interim financial statements are unaudited. They do not include all the information and disclosures required in the annual financial statements or for full compliance with UK-IAS, and therefore should be read in conjunction with the Group's published financial statements for the year ended 31 December 2020. The comparative figures for the year ended 31 December 2020 are not the Company's statutory accounts for that period but have been extracted from these accounts.

The Directors, having considered the Group's current financial resources, have concluded that they are adequate for the Group's present requirements. Therefore, the condensed consolidated interim financial information has been prepared on the going concern basis.

### Estimates

Application of the Group's accounting policies in preparing condensed consolidated interim financial statements requires management to make judgements and estimates that affect the reported amount of assets and liabilities, revenues and expenses. Actual results may ultimately differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

### Risks and uncertainties

A summary of the Group's principal risks and uncertainties was set out on pages 18 to 20 of the 2020 Annual Report and Accounts. The Board considers these risks and uncertainties are still relevant to the current financial year and the impact of changes in the UK economy is reviewed in the Chairman's statement contained in this report.

The Interim Report was approved by the Directors on 15 September 2021.

## 3. Revenue

Revenue disclosed in the income statement is analysed as follows:

	Six months to 30 June	Year to 31 December	
	2021 £'000	2020 £'000	2020 £'000
Licence sales	<b>3,253</b>	2,721	5,442
Recurring maintenance, support and subscription revenue	<b>7,543</b>	6,953	14,186
Services income	<b>3,035</b>	2,541	5,604
	<b>13,831</b>	12,215	25,232

Revenue is recognised for each category as follows:

- Licence sales – recognised at the point of transfer (delivery) of the licence to a customer.
- Maintenance, support and subscriptions – as these services are provided over the term of the contract, revenue is recognised over the life of the contract.
- Services – recognised on delivery of the service.

# Notes to the Condensed Consolidated Interim Financial Information

continued

## 4. Segmental information

### Operating segments

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 as the costs are not recorded in the same way, the information is presented as one segment and as such the information is presented in line with management information.

	Six months to 30 June		Year ended
	2021 £'000	2020 £'000	31 December 2020 £'000
Revenue	<b>13,831</b>	12,215	25,232
Adjusted EBITDA	<b>3,649</b>	3,283	7,003
Amortisation and impairment of purchased intangible assets	<b>(551)</b>	(491)	(1,068)
Depreciation	<b>(368)</b>	(426)	(866)
<b>Adjusted operating profit</b>	<b>2,730</b>	2,366	5,069
Amortisation of acquired intangible assets	<b>(295)</b>	(295)	(590)
Former Directors' payments	<b>(69)</b>	–	(328)
<b>Operating profit</b>	<b>2,366</b>	2,071	4,151
Net finance cost	<b>(106)</b>	(141)	(262)
<b>Segment profit before tax</b>	<b>2,260</b>	1,930	3,889
Tax	<b>(463)</b>	(414)	(726)
<b>Segment profit after tax</b>	<b>1,797</b>	1,516	3,163
Operating profit	<b>2,366</b>	2,071	4,151
Amortisation of intangible assets	<b>846</b>	786	1,658
Depreciation charge	<b>368</b>	426	866
Former Directors' payments	<b>69</b>	–	328
<b>Adjusted EBITDA</b>	<b>3,649</b>	3,283	7,003

# Notes to the Condensed Consolidated Interim Financial Information

## continued

### 4. Segmental information continued

#### Geographical, product and sales channel information

Revenue by geographical segment represents revenue from external customers based upon the geographical location of the customer.

	Six months to 30 June		Year ended
	2021 £'000	2020 £'000	31 December 2020 £'000
UK	<b>5,236</b>	4,645	9,470
Scandinavia	<b>3,311</b>	2,995	6,080
Germany	<b>2,457</b>	2,216	4,858
USA	<b>488</b>	438	890
Rest of Europe	<b>2,082</b>	1,750	3,538
Rest of World	<b>257</b>	171	396
	<b>13,831</b>	12,215	25,232

Revenue by product group represents revenue from external customers.

	Six months to 30 June		Year ended
	2021 £'000	2020 £'000	31 December 2020 £'000
Project Management	<b>5,517</b>	4,708	9,599
Site Management	<b>183</b>	187	379
Estimating	<b>1,476</b>	1,381	2,834
Engineering	<b>1,264</b>	988	2,137
CAD/Design	<b>937</b>	836	1,722
Information Management	<b>726</b>	584	1,221
Visualisation	<b>2,231</b>	2,205	4,553
Maintenance Management	<b>1,497</b>	1,326	2,787
	<b>13,831</b>	12,215	25,232

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

	Six months to 30 June		Year ended
	2021 £'000	2020 £'000	31 December 2020 £'000
Direct	<b>13,117</b>	11,628	24,000
Reseller	<b>714</b>	587	1,232
	<b>13,831</b>	12,215	25,232

# Notes to the Condensed Consolidated Interim Financial Information

## continued

### 5. Operating profit

Operating profit for the period is after charging the following items:

	Six months to 30 June		Year ended
	2021 £'000	2020 £'000	31 December 2020 £'000
Software product development	838	864	1,590
Depreciation of property, plant and equipment	112	141	220
Depreciation of Right-of-Use assets	256	285	646
Amortisation of acquired intangible assets	295	295	590
Amortisation of other intangible assets	551	491	1,068
Share based payments	40	(9)	131
Employer furlough scheme repayments / (credits)	135	(133)	(150)
Profit on disposal of property, plant and equipment	3	–	(16)
Foreign exchange losses / (gains)	29	(10)	(34)
Former Director's payments	69	–	328

### 6. Net finance cost

Finance income and costs disclosed in the income statement is set out below:

	Six months to 30 June		Year ended
	2021 £'000	2020 £'000	31 December 2020 £'000
Finance costs:			
Bank overdraft and loan interest	(73)	(104)	(191)
Interest expense for leasing arrangements	(33)	(37)	(71)
Total net finance cost	(106)	(141)	(262)

### 7. Earnings per share

The calculations of the earnings per share are based on profit after tax attributable to the ordinary equity shareholders of the Company and the weighted average number of shares in issue for the reporting period.

	Six months to 30 June			2020			Year to 31 December 2020		
	2021 Profit attributable to shareholders (£'000)	Weighted average number of shares (millions)	EPS (p)	Profit attributable to shareholders (£'000)	Weighted average number of shares (millions)	EPS (p)	Profit attributable to shareholders (£'000)	Weighted average number of shares (millions)	EPS (p)
Basic earnings per share	1,797	82.0	2.2	1,516	81.3	1.9	3,163	81.4	3.9
Diluted earnings per share	1,797	82.8	2.2	1,516	82.0	1.8	3,163	82.0	3.9
Adjusted earnings per share	2,092	82.0	2.6	1,755	81.3	2.2	3,907	81.4	4.8

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 13.

# Notes to the Condensed Consolidated Interim Financial Information

## continued

### 8. Dividends

Dividends paid in the six months to 30 June 2021 were 0.40 pence per ordinary share (2020: nil pence per ordinary share).

No scrip dividends were issued in the six months to 30 June 2021 (2020: £nil):

Ordinary Shares	Six months to 30 June				Year to 31 December	
	2021 shares issued	2021 £'000	2020 shares issued	2020 £'000	2020 shares issued	2020 £'000
<b>Declared and paid during the year</b>						
Interim – current year	–	–	–	–	–	–
Final – previous year	–	–	–	–	–	–
	–	–	–	–	–	–

Cash dividends of £329,000 (2020: £nil) were paid in the six months to 30 June 2021 as follows:

Ordinary Shares	Six months to 30 June				Year to 31 December	
	2021 per share	2021 £'000	2020 per share	2020 £'000	2020 per share	2020 £'000
<b>Declared and paid during the year</b>						
Interim – current year	–	–	–	–	–	–
Final – previous year	0.40	329	–	–	–	–
	0.40	329	–	–	–	–

The Directors have recommended an interim dividend of 0.20 pence per ordinary share (2020: nil pence per ordinary share).

### 9. Other intangible assets

Other intangible assets comprise capitalised development costs, acquired customer relationships and purchased intangible assets. Additions in the six months to 30 June 2021 represent purchased intangible assets of £5,000 (2020: £nil) and internal development costs capitalised of £790,000 (2020: £760,000). Internal development relates to software development projects that meet the accounting policy criteria for capitalisation.

# Notes to the Condensed Consolidated Interim Financial Information

continued

## 10. Cash and borrowings

The net cash position of the Group as at 30 June 2021 is set out below:

	At 30 June		At
	2021	2020	31 December
	£'000	£'000	2020
			£'000
Cash and cash equivalents	<b>12,163</b>	9,779	10,668
Bank loans	<b>(3,693)</b>	(5,344)	(4,514)
Lease liabilities	<b>(2,079)</b>	(2,252)	(2,432)
	<b>6,391</b>	2,183	3,722
<b>Maturity profile of borrowings</b>			
In one year or less	<b>(1,645)</b>	(1,648)	1,647
Between one and two years	<b>(1,645)</b>	(1,648)	1,647
Between two and five years	<b>(403)</b>	(2,048)	1,220
	<b>(3,693)</b>	(5,344)	4,514

The Group's borrowings include a five-year fixed term loan of £8.0m with Barclays Bank.

The facility is repayable over five years, with equal quarterly instalments of £400,000. The interest rate has been fixed for three years at 3.768 per cent. The Group also retains its existing £1.0m overdraft facility. Security provided to the bank comprises a cross guarantee and debenture between Eleco plc and certain Group subsidiaries.

## 11. Accruals and deferred income

	At 30 June		At
	2021	2020	31 December
	£'000	£'000	2020
			£'000
Accruals	<b>2,255</b>	2,020	2,487
Deferred income	<b>6,861</b>	6,243	6,393
	<b>9,116</b>	8,263	8,880

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.



# Notes to the Condensed Consolidated Interim Financial Information

## continued

### 12. Related Party Disclosures

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 period, other than a result of service agreements.

An amount of £35,000 (2020: £36,667) was paid to JHB Ketteley & Co Limited under a lease for occupation by the Group of 66 Clifton Street, London, EC2A 4HB and £nil (2020: £2,500) for a contribution to the office costs at Burnham-on-Crouch. There were no amounts outstanding at 30 June 2021 (30 June 2020: £nil). JHB Ketteley is a Director of JHB Ketteley & Co Limited.

### 13. Additional performance measures

The Group uses adjusted figures, which are not defined by generally accepted accounting principles ("GAAP") such as UK-IAS. Adjusted figures and underlying growth rates are presented as additional performance measures used by management, as they provide relevant information in assessing the Group's performance, position and cash flows. We believe that these measures enable investors to track more clearly the core operational performance of the Group, by separating out items of income or expenditure relating to acquisitions, disposals and capital items. Our management uses these financial measures, along with UK-IAS financial measures, in evaluating the operating performance of the Group.

	Six months to 30 June		Year ended
	2021	2020	31 December
	£'000	£'000	£'000
Operating profit	2,366	2,071	4,151
Former Directors' payments	69	–	328
Amortisation of acquired intangible assets	295	295	590
<b>Adjusted operating profit</b>	<b>2,730</b>	<b>2,366</b>	<b>5,069</b>
Profit before tax	2,260	1,930	3,889
Former Directors' payments	69	–	328
Amortisation of acquired intangible assets	295	295	590
<b>Adjusted profit before tax</b>	<b>2,624</b>	<b>2,225</b>	<b>4,807</b>
Tax charge	(463)	(414)	(726)
Former Directors' payments	(13)	–	(62)
Amortisation of acquired intangible assets	(56)	(56)	(112)
<b>Adjusted tax charge</b>	<b>(532)</b>	<b>(470)</b>	<b>(900)</b>
Profit after tax	1,797	1,516	3,163
Former Directors' payments	56	–	266
Amortisation of acquired intangible assets	239	239	478
<b>Adjusted profit after tax</b>	<b>2,092</b>	<b>1,755</b>	<b>3,907</b>
Cash generated in operations	4,079	4,949	8,138
Purchase of intangible assets	(795)	(760)	(1,603)
Purchase of property, plant and equipment	(60)	(35)	(99)
Former Directors' payments	69	–	328
<b>Adjusted operating cash flow</b>	<b>3,293</b>	<b>4,154</b>	<b>6,764</b>

# Notes to the Condensed Consolidated Interim Financial Information

continued

## 13. Additional performance measures continued

	Six months to 30 June		Year ended
	2021 £'000	2020 £'000	31 December 2020 £'000
Adjusted operating cash flow	<b>3,293</b>	4,154	6,764
Net interest paid	<b>(57)</b>	(112)	(206)
Tax paid	<b>(360)</b>	(354)	(785)
Proceeds from disposal of PPE	<b>48</b>	23	71
Former Directors' payments	<b>(69)</b>	–	(328)
<b>Free cashflow</b>	<b>2,855</b>	3,711	5,516

## 14. Exchange rates

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

	Income statement Six months to 30 June		Balance sheet As at 30 June		Year to 31 December 2020	
	2021	2020	2021	2020	Income Statement	Balance sheet
Swedish Krona to Sterling	<b>11.68</b>	12.17	<b>11.82</b>	11.52	11.84	11.22
Euro to Sterling	<b>1.15</b>	1.15	<b>1.17</b>	1.10	1.13	1.12
US Dollar to Sterling	<b>1.39</b>	1.27	<b>1.38</b>	1.24	1.30	1.37

## 15. 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 £nil during the six months ended 30 June 2021 (six months ended 30 June 2020: £133,000).

Given the underlying performance of Eleco for the six months ended 30 June 2021, the Board took the decision to repay furlough payments that were possible to be repaid. During the period £135,000 (2020: £nil) furlough payments were repaid.

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