ELECO®

Eleco plc
Annual Report and
Accounts 2021

Creating certainty for
the **built environment**

Introduction

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

The Company's software solutions are trusted by international customers 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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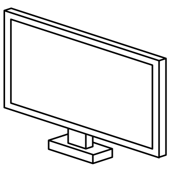

Overview

Strategic Report

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Financial Statements

Highlights

	2021 £'000	2020 £'000	Change
Financial			
Revenue	**27,344**	25,232	+8%
Of which: Recurring Revenue	**15,424**	14,186	+9%
EBITDA*	**7,182**	6,675	+8%
Adjusted EBITDA**	**7,251**	7,003	+4%
Operating profit	**4,099**	4,151	-1%
Profit before tax	**3,926**	3,889	+1%
Basic earnings per share (pence per share)	**3.3**	3.9	-15%
Free cash flow***	**4,751**	5,516	-14%

* EBITDA is defined as Earnings before Interest, Tax, Depreciation, Amortisation and Impairment of Intangible Assets

** Adjusted to exclude former Directors' payments

*** 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

- The introduction of subscription-based pricing to new Building Lifecycle customers in Q4 2021 will lead to increased Recurring Revenue and enhanced Lifetime Customer Value.
- The successful merger of our UK Building Lifecycle businesses and separately of our German visualisation operations, providing greater business development opportunities.
- Winner of the Megabuyte Quoted 25 award for Best Performing Software Company in Industrials.
- Winner of Project Management Software of the Year at the UK Construction Computing Awards.

Chairman's Statement

As an award-winning specialist provider of world-class software to the £8.5bn built environment market, Eleco is well-positioned to expand.

A year ago, we set out our refreshed strategy and the last twelve months have been focused on setting the foundations for further growth. It has been a truly transformative year for Eleco. We are very much a customer-focused organisation and have a clear purpose and a values statement developed through a truly interactive process with our people. A strong, engaging culture is key to enable us to attract and retain talent in such a competitive market.

I am pleased to report that our strategy is already generating results, with our organic growth rate increasing to 8 per cent (2020: -1 per cent), underpinned by double-digit sales growth from our core Building Lifecycle portfolio. This was achieved at the same time as implementing our move to a subscription licensing model for new customers in the last quarter. Recurring revenue (subscription and SaaS licences, maintenance and support contracts) increased by 9 per cent to £15.4m.

We have maintained strong cash generation, despite Covid-19 continuing to impact our ability to undertake face to face sales and training, having fully repaid monies given to Eleco through the UK Government furlough scheme as well as clearing our UK bank debt. We are now debt free after settling the remaining £0.1m of subsidiary bank debt in Q1 2022.

We were delighted to win the Megabuyte Quoted 25 Award for best performing software company in the industrials peer group in March 2022, showing the strength of our overall financial performance.

Implementing our strategy for organic growth

We are aligning our business with clear customer segment strategies and through product portfolio alignment, driven by our Chief Product Officer (CPO) Fredrik Pantze, who was appointed in April 2021, and we have started on the journey to adapt our software to become next generation cloud-based solutions. Our aim is to help our customers reimagine their businesses by creating software which allows them to better collaborate, get faster access to data for analytics and ensure interoperability. As a result, we are seeing an increase in new customer wins away from our competitors.

This has also been bolstered by the strengthening demand for our products in our core regions where we are in a strong position with Powerproject being used for the master construction plan. Collaboration is driving us to partner and share data with other parties. As a result, we have formed several partnerships and data integrations during the last twelve months, as we continue to leverage/ understand our strong customer relationships.

With our move to subscription, we are more focused on customer success through account management and services. We believe that building on our customer relationships will allow Eleco to better support the management and leadership teams of those organisations which are starting to look for an integrated end to end approach.

Our new Chief Technology Officer, Luben Kirov, was appointed in December 2021. This role has the remit to bring together all the separate development teams, break down the product silos and drive forward our integrated technology roadmap in conjunction with our CPO. Having started in February 2022, we look forward to reporting on the results of this appointment as we go through the current year.

From a customer perspective, digitalisation is increasingly being recognised for its ability to manage the complex supply chain and inflationary issues, while rising pressures on companies to reduce wastage provides another tailwind as regulation around this increases. We are a well-known provider of innovative technology for the construction and built environment sectors, with 87 per cent of the top 100 UK construction contractors on our books. This provides us with a strong and established platform for growth and new contract wins.

The move to subscription-based pricing of our products will benefit our customers with a lower upfront cost for an enhanced product, as well as creating increased value for our shareholders through higher Recurring Revenue growth.

In the year, Eleco's US business grew 16 per cent predominantly through our reseller channel, which the Company will continue to support. Following this growth, the Executive team are refocusing on potential strategic opportunities for expansion into the US.

We continue our strategy to provide best of breed software targeted at our chosen customer segments.

Board appointments and Environmental, Social and Governance (ESG)

Aligned to the new strategy, I undertook a full skills audit of the Board and in March we brought in Paul Boughton as a NED, adding more technology PLC experience to the business as well as additional financial and acquisition expertise.

In a desire to refresh our Board and further improve our corporate governance, this was followed by a further extensive search to recruit the best candidates for our other skills gaps. This led to two further NED appointments in the summer, with Dr Annette Nabavi and Mark Castle joining the Board in August and September, respectively. Annette Nabavi is a highly-qualified board director with more than 30 years' experience in the technology, telecoms and digital industries who brings additional expertise to advise with the shift from a perpetual to SaaS licence model, while Mark Castle is an experienced business leader, bringing the voice of the customer to the Board – a vital stakeholder group for Eleco - with his wealth of experience in the Property, Construction, Consultancy and Built Environment sectors.

Kevin Craig and David Dannhauser stepped down from the Board at the end of August, and I would like to take this opportunity to thank them both for the immense contribution that they made to this business throughout their tenure.

Paul Boughton took over as Chair of Audit and Annette Nabavi took over as Chair of Remuneration. Over the next twelve months, we plan to strengthen our ESG disclosures, building on the steps taken during 2021. With this in mind, we set up an ESG Committee at the end of period under review, chaired by Mark Castle. This will assist the Board in fulfilling its oversight responsibilities regarding environmental, health and safety, corporate social responsibility, sustainability, customer satisfaction, employee wellbeing and retention, corporate governance, diversity, equity and inclusion. We look forward to building our disclosure on these areas over the months and years ahead as we develop our Net Zero Strategy and our ESG Scorecard.

On 29 March 2021, Robert Tearle was appointed as CFO as we launched our refreshed strategy. On 7 February 2022, we announced that Robert was resigning from the Board. This is obviously disappointing for both the Company and for Robert personally. We thank Robert for his valued contribution to the planning of the steps needed for the delivery of our move towards a SaaS environment

Chairman's Statement continued

for our most successful products. The process to recruit a permanent CFO is underway. In the meantime, we have Rose Clark, an experienced CFO, covering the position.

Proposed Dividend

In light of Eleco's resilient trading performance and cash generation in 2021, the Board has decided to recommend a final cash dividend 0.40 pence per share.

Payment of the final dividend will follow approval by shareholders at the AGM. The record date is the close of business on 27 May 2022, with the ex-dividend date being 26 May 2022.

Outlook

Eleco continues to be well-positioned in a very exciting and attractive market as technology is seen as the catalyst to meet the growing demands of the building industry. Our customer base has been facing unprecedented labour challenges and escalating materials costs. Eleco's software plays a crucial role in mitigating these issues, driving productivity for our customers, and enabling them to better plan their resources. There is a drive for more efficient and sustainable building methodologies and techniques. Our technology solutions are widely recognised for allowing better decision-making and collaboration across our clients' projects, positioning us to benefit from increasing digitalisation trends in our core markets. As a result, the increasing digital transformation within the built environment is a significant opportunity for Eleco to leverage its position as a proven provider of software for the construction and built environment sectors, strengthen its platform, and continue to drive organic growth.

Over the next twelve months, we intend to continue to focus the business on our core Building Lifecycle products and on further growing our recurring revenues. Our strategy, as previously announced, is to transition that part of our product portfolio which has traditionally been sold through perpetual licences towards a subscription pricing basis and eventually to a full SaaS service. This has well established benefits by giving choice for our customers and enhanced Customer Lifetime Value for our shareholders. While this is expected to reduce the revenues we report relating to perpetual licences moving forward, our Recurring Revenues will increase, creating strong visibility of income. This is an exciting transition that will deliver multiple benefits to both our customers and shareholders.

We will also continue to strengthen our business in our core markets and look for further opportunities for meaningful expansion in the US. Additionally, we will be proactively assessing the market for M&A opportunities that will further place Eleco at the forefront in assisting our customers to solve the future challenges of the built environment.

By creating more value for our customers, we will be increasing our Customer Lifetime Value, expanding beyond our current users into the operations management of our customer base. The importance of our existing customers and growth opportunities leads us to continue to focus on direct sales in our core geographic regions.

2021 has been an exciting year for Eleco and I would like to take this opportunity to thank our skilled and hard-working team and valued customers for their support over the past twelve months. With the foundations set in place, we are well positioned for continued growth and increased market share through further product evolution and potential acquisition opportunities, supported by favourable market dynamics.

Serena Lang
Chairman
30 March 2022

CEO Report

I am delighted to present Eleco's Annual Report for 2021.

2021 was a transformational year for Eleco as we reshaped and repositioned the Group. We launched our refined growth strategy with a focus on our people and our organic performance.

As part of this strategy, we made new board appointments, implemented a new matrix organisational design and strengthened the leadership team to drive growth in the regions and across product solutions.

I am pleased to report that we are already seeing positive results. We have made strong progress towards Eleco becoming a world-class customer-centric organisation which people want to work with and for to meet the needs of our core customer segments, driven by our purpose: solving the challenges of the built environment through digital transformation.

This is reflected in our three strategic objectives:

- Growing in a customer-centric way
- World-class through prioritised innovation
- Efficient and effective through resilient operations

I believe that a highly-focused, empowered and high-performing workforce provides us with the greatest opportunity of success in delivering our vision. With this in mind, during the period we brought in our new Group Transformation Director (GTD), Birgit Lenton, appointed our CPO, Fredrik Pantze and in February 2022, brought in our new Group CTO, Luben Kirov. Additionally, we have strengthened our sales teams and added in customer success management.

Culture will play an important part in the successful implementation of our strategy and we have invested time with our people in 2021 to develop an expected behaviours approach for Eleco that aligns to our core values. Retaining and attracting talent has never been more challenging than in 2022 and we are committed to ongoing investment in our diverse workforce to complement and enhance the skills, thinking and decision-making throughout the organisation. We

CEO Report continued

remain proud of the fact that over 30 per cent of our workforce comprises talented women across all areas of the business, which is above the industry average.

Importantly, our clear strategy and skilled team of people have driven our strong financial performance, with revenues experiencing organic growth of 8 per cent during the full year period.

We also continued to expand our customer base in 2021, as well as introducing subscription licensing to new customers for our Building Lifecycle portfolio in the second half of the year. This is a significant step forward for the Group as we focus on expanding our already established recurring revenue to support our excellent cash generation.

Strengthening our engagement with our external stakeholders has also been a priority for the Board. Our strong customer loyalty is an investable quality of Eleco, and our strategic intent is to further enhance the offer to our customers. Throughout the year, we released new versions of our software and added measures to ensure the continued growth of the Group and retention of our customers, who value our products, our brand and the level of service we provide.

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 shareholders and customers alike.

2021 Review

The Board launched the refined Eleco growth strategy in March 2021, and this has focused and energised the whole organisation, resulting in growth in all regions. Eleco continued to add new customers and leveraged our strong customer relationships to support them with their digital transformation.

Eleco delivered a robust and resilient financial performance in another year of challenges brought about by the Covid-19 pandemic. The strong first half performance in 2021 facilitated the introduction of a subscription-based pricing model to new Building Lifecycle product customers in Q4. The introduction of subscription-based pricing is a key stage on our SaaS journey which will improve the predictability of our revenue and increase the Customer Lifetime Value.

The transformation programme started with identifying and focusing on Eleco's core customer segments of construction businesses, maintenance managers, building asset owners and specialist interior product manufacturers, staircase and timber frame manufacturers and residential architects. During the year, we reorganised our business to build our product strategies, sales and marketing functions around customer segments. As a result, our products are now defined in two groups: Building Lifecycle and CAD & Visualisation.

Our 'Building Lifecycle' portfolio is adopted by construction contractors, asset owners and maintenance managers. The second category, the 'CAD and Visualisation' solutions, comprise what can be defined as niche products with minimal synergies between customer segments of the Building Lifecycle portfolio.

Organising our business in this way has provided better understanding and focus on our core customer needs, or 'sweet spots', allowing Eleco to better solve the challenges of the built environment through digital transformation.

The Group Leadership Team, now comprising the Chief Executive Officer, Chief Product Officer, Chief Technology Officer and Group Transformation Director, is responsible for steering and implementing the Group's strategy. The Operational Leadership Team comprises the Building Lifecycle operations which are managed by three Regional Managing Directors, Anders Karlsson, Richard Choi and Frank van Riemsdijk, along with a Managing Director for each of our CAD and Visualisation businesses, Volker Ahring (Veeuze/Arcon) and Niklas Markgren (Staircon), who are responsible for these product lines in their international markets. There is now a diverse mix of nationalities, gender and experience both from within the industry and we have an opportunity to further enhance this team as we select our new CFO.

Building Lifecycle

Our focused and streamlined organisational design led us to strengthen our growth platform by merging our three UK operations under a single Building Lifecycle management team so that we are now offering all UK Building Lifecycle products from a single business unit.

Our regional focus delivered revenue growth in the core regions where our customers reside.

The US revenue increased through our reseller channel while efforts to sell Powerproject directly in the US were met with recruitment challenges and the resignation of our US country manager.

We also worked on introducing ShireSystem into Germany, carrying out product development and localisation as well as setting up sales, marketing and support functions. There were lessons learnt as we had underestimated the volume of work required, however I am pleased to report that we are showcasing ShireSystem at the Maintenance Dortmund exhibition at the end of March.

Project Management
Voted the Best Project Management Software of 2021 at the Construction Computing Awards, Powerproject continues to be central to driving digital innovation in project planning and critical to underpinning project success despite the myriad challenges the construction industry faces.

Some customer successes include:

- Empowering organisations with the data necessary for informed decision making (Careys).
- Supporting the use of pre-fabrication practices to model and streamline build process and reduce the project's carbon footprint (Willmott Dixon).
- Modelling and managing supply chain disruptions by bridging the gap between the office and site (JJ Rhatigan & Company).
- Supporting business transformation with digital solutions that make best practice sustainable (Vinci).

Estimating
Our Bidcon estimating software revenues surpassed the all-time high of 2020, irrespective of the transition to SaaS for new customers. One of the reasons for our success was our investment in new product functionality to meet customer requirements and to secure larger customers. The importance of sustainability in construction and the fact that Swedish law now mandates climate declarations has resulted in a growing interest and demand for the Bidcon climate module.

Site Management
We continued the development of mobile and SaaS site management applications used by construction and maintenance operations and valued by existing customers in our Swedish market.

Property Management
2021 was a record year for service delivery, with increased customer demand from non-essential retailers who began to recover somewhat from the pandemic closures. With less focus on new build, the emphasis in retail was the regeneration of existing property estates and development of in-store concepts.

New product enhancements to introduce workflow management continued and included the release of a new digital forms solution in Q4 2021.

Maintenance
I am proud of what our colleagues have achieved with our maintenance solution, ShireSystem, which was runner-up in the Asset Management category at the UK Construction Computing Awards 2021 ('The Hammers').

ShireSystem's revenue growth has made it the second largest product by revenue for Eleco. The migration to SaaS revenues continued across both existing and new customer contracts, with a third of customers now on hosted solutions. ShireSystem has managed to attract an impressive list of new accounts, including Cambridge Weight Plan and global food conglomerate Cargill. Existing customers also fuelled growth, with further deployments at G's Group and Fox's Biscuits.

CAD and Visualisation

Veeuze
The ActiveOnline and ESIGN visualisation businesses experienced a significant year of change and improvement, relaunching as Veeuze (pronounced 'views'), to combine the service portfolio and product material library of both companies and expand their offerings to all customers.

Veeuze now offers personalised product visualisation across a multitude of marketing channels with the support of its AI tools as well as Augmented Reality and Virtual Reality technologies. We released our Confimerce platform which provides our interior product business customers with a combined portfolio approach to online selling through ecommerce, with integrated visualisation tools and a Product Information Management (PIM) data management system.

CEO Report continued

Staircon

The development of our new generation Staircon CAD continued according to the releases planned in 2022 and 2023. During 2021, the team also strengthened its management and sales capabilities by adding more than 18 years of stair manufacturing experience to the team via successful recruitments, including a new Head of Staircon. We also appointed new Staircon resellers in Poland and the Netherlands.

Arcon

Our Arcon business experienced a challenging year, with a reduction in sales through partners and active competition in our core German market. Arcon direct sales were negatively impacted as major exhibitions did not take place during the period, and these have traditionally been a successful sales channel.

Financial Summary

Revenue increased by 8 per cent to £27.3m (2020: £25.2m).

Recurring Revenue (maintenance, subscription and SaaS revenue) increased by 9 per cent to £15.4m from £14.1m in 2020. Licence sales were £5.9m compared with £5.4m in 2020, representing an increase of 9 per cent, despite the introduction to subscription licensing in Q4 2021. The impact of the transition to subscription will change the profile of our revenue, with one-off perpetual licence revenue, which is recognised immediately, being transitioned to a higher lifetime value subscription revenue which is recognised over a longer period of time. Thus our total reported revenue growth will temporarily soften during this transition to higher value and predictable recurring revenue.

Service revenue increased to £6.0m compared to £5.6m in 2020, which represents an increase of 7 per cent, despite continuing challenges presented by the pandemic during the period.

Building Lifecycle revenue increased by 11 per cent, which was driven by new customers and recurring revenue growth. CAD and Visualisation revenue increased by 2.9 per cent.

Revenues by customer location were positive, with the UK and Scandinavia increasing by 11 per cent and 8 per cent respectively. Overall, revenue from customers based in Germany was at a level comparable with 2020. This was largely due to increased sales in the Building Lifecycle customers offset by a decrease in CAD perpetual licence sales. The Rest of Europe grew by 7 per cent, USA revenue increased by 16 per cent and revenue from the Rest of World increased by 38 per cent compared with 2020, which was supported by good growth in Australia.

We invested 12 per cent of Revenue in product development across our portfolio during 2021. One product was identified as unlikely to generate new customer revenues as anticipated, however provides an upgrade path to existing supported customers. The Board took a prudent approach and decided to impair the carrying value of the product during the year reducing Profit Before Tax by £0.6m.

Outlook

Eleco has proven its resilience during the pandemic, although the recent crisis in Ukraine has added a further level of uncertainty to the markets. We have taken measures to temporarily cease providing our solutions to resellers and customers in Russia and Belarus, and we do not expect this to have a substantial impact on revenues.

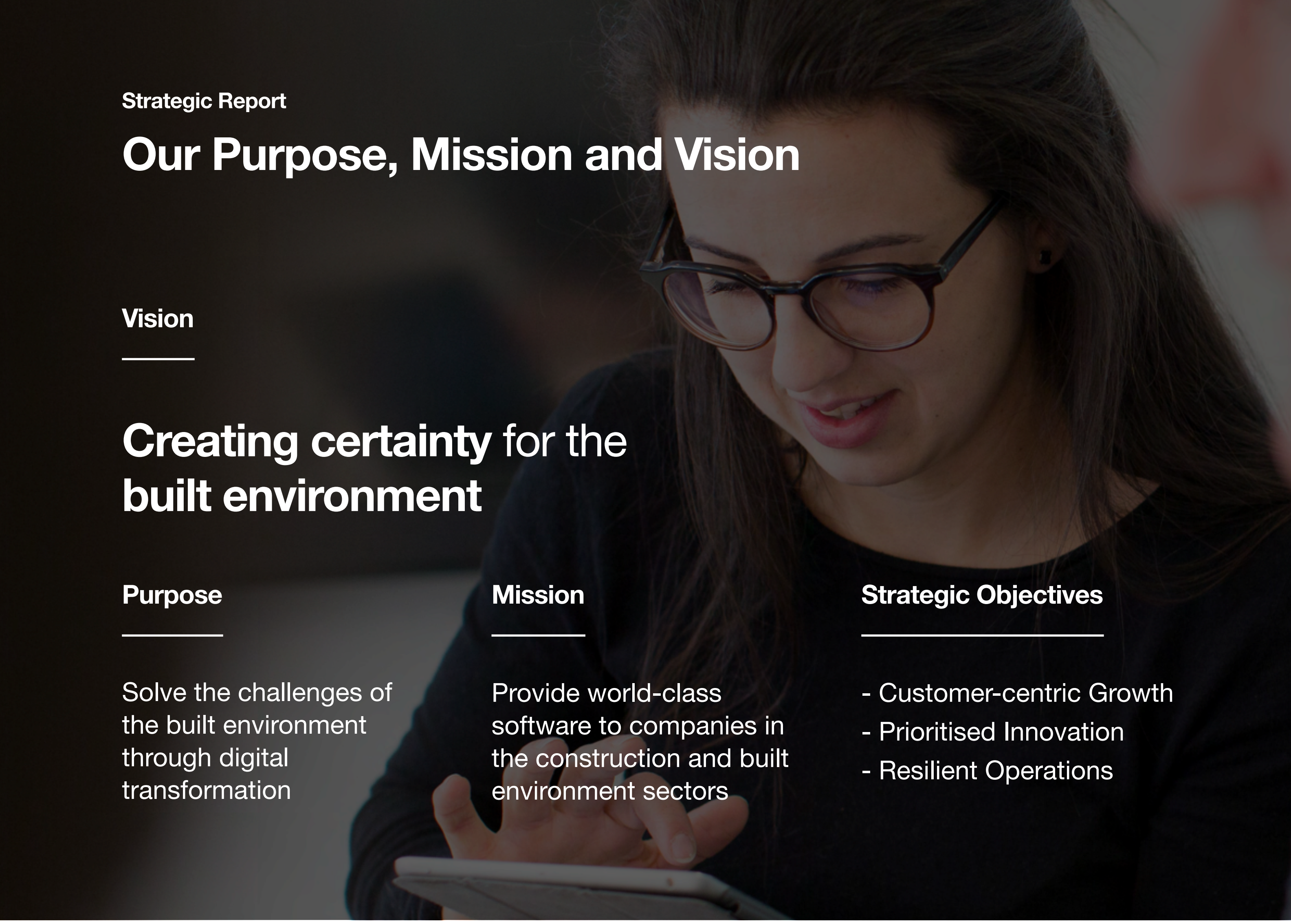
Digitalisation is increasingly embraced as a critical solution for the issues that our customers are facing and is at the heart of our strategy. We will invest in product development and our technology environment to create our next generation solutions with a customer-centric experience and the foundations of the Elecosoft Cloud for all our Building Lifecycle products. This will also enable our customers to have access to other Elecosoft products through a unified platform. We see the rising demand for buildings with green credentials as a key driver for Eleco, as our products support the reduction of waste, drive efficiency and deliver essential data required by our customers. Our roadmap will ensure that in the future we will be able to offer full lifecycle support, addressing carbon challenges, productivity improvements and compliance issues through one suite of solutions.

Our people are the lifeblood of our organisation, and their commitment is key to Eleco's success. Our biggest challenge in the coming year, apart from rising inflation and the competitive job market, is our ability to retain and attract talent. During 2022 and beyond we will therefore continue to invest in our employee value proposition and global company culture by further embedding the cultural values in the way we do business. As Eleco grows, we will review and update our policies and procedures across the organisation to maintain good practice and gain the benefits of alignment whilst ensuring our people feel empowered.

Our customer-centric approach, strong values and clear vision make us well placed to compete with the best in the market, and we look forward with confidence to the year ahead. Our transition to subscription, continued investment in software development and increased focus on software strategies will open further exciting prospects for growth in our core markets.

Jonathan Hunter
Chief Executive Officer
30 March 2022

Our Purpose, Mission and Vision



Vision

Creating certainty for the **built environment**

Purpose

Solve the challenges of the built environment through digital transformation

Mission

Provide world-class software to companies in the construction and built environment sectors

Strategic Objectives

- Customer-centric Growth
- Prioritised Innovation
- Resilient Operations

Our **Purpose** is to solve the challenges of the built environment through digital transformation.

The built environment has some serious challenges ahead: increasing compliance at every stage of the building process, being more sustainable, using resources more efficiently and effectively as well as facing the biggest digital transformation of how it delivers its services. These aspects play an ever-increasing role in how we design and construct the world's buildings, their fit-out and maintenance.

At Eleco we make it our **Mission** to play a part in solving those challenges. How? By providing world-class software to companies in the construction and built environment sectors.

Imagine a built environment that produces less waste, whose people are more productive and operate more safely. Imagine a built environment that treads lightly on the planet. That's where we come in.

We take our mission seriously. We enable companies supporting the Building Lifecycle and Visualisation/CAD processes across a range of industries to drive efficient operations through the use of market-leading, integrated software: during the early planning stages through to construction and facilities management and digital marketing of interior products, driving the performance and day-to-day operations of our customers' businesses and their customers.

We won't rest until our **Vision** comes to pass: until we have created certainty for the built environment. In other words, until we have enabled the built environment industry to be able to determine the true efforts required to achieve the desired outcomes, reduce waste, mitigate risk, be compliant and more efficient and effective in its resource management.

Regions

£10.4m

United Kingdom

The UK remains 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 developing our project planning and maintenance software.

£6.6m

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.

£4.9m

Germany

With 18 per cent revenue, Germany remains our third largest region. It has seen growth in revenues for Powerproject and visualisation software and has seen the launch of ShireSystem in 2021.

£4.4m

Rest of Europe/World

The rest of the world presents 16 per cent of our Group revenue and will continue to present growth opportunities through our success in the Netherlands and further opportunities in Australia.

£1.0m

USA

The USA represents 4 per cent of the Group's revenue. Powerproject is being adopted by general construction contractors to manage their demanding project schedules, serviced through our value-added reseller channel.

Our Products and Services

Solving the challenges of the built environment through digital transformation

Building Lifecycle

Elecosoft is our world-class Building Lifecycle portfolio comprising planning and design stages through to construction, asset & standards management and facilities management.

Powerproject®
Planning & Project Management

Bidcon®
Construction Estimating

Memmo®
Site Management

ShireSystem®
CMMS/ CAFM

IconSystem®
Design Standards & Data Management

Customer Stories

We recognise that the success of our customers is key to the success of our business, and we work closely with them to understand their challenges and evolve our software to support their changing needs.

With a drive for more efficient and sustainable building methodologies and techniques, Eleco's software plays a crucial role in managing these issues, driving productivity for our customers and enabling them to better plan their resources.

For more information visit
www.elecosoft.com

Better maintenance means faster manufacturing

Wren Kitchens has enhanced its production capabilities by investing in ShireSystem, using smart facilities management software to respond more quickly to maintenance issues, improve machinery run times, and increase output.

Continuous brand expansion through digital software

InterContinental Hotels Group (IHG) has used IconSystem to innovate its processes around the real-time management of design standards, continuity and building specification compliance to give stakeholders one version of the truth.

Visualisation & CAD

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

VEEUZE

Veeuze offers personalised product visualisation across a multitude of marketing channels with the support of its AI tools as well as Augmented Reality and Virtual Reality technologies.

Arcon Evo®

CAD/ Design

Staircon®

Staircase Manufacturing

Statcon®

Structural Engineering

Services

Solution implementation

Our consultancy services are tailored to ensure your implementation is seamless during a transition to our software at scale.

Professional training

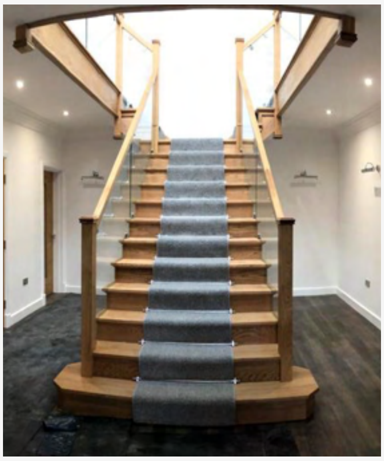
We provide a wide range of training to help both new and more experienced users to improve skills and maximise use of our software.

Technical support

Our software support and upgrade packages give you access to technical support, maintenance updates and upgrades.

Addressing global sustainability through technology

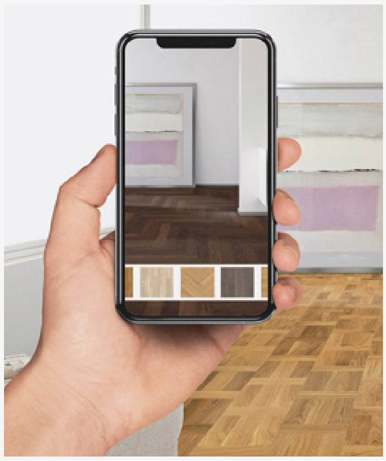
Willmott Dixon manufactured 50 per cent of the University of Warwick's Interdisciplinary Biomedical Research Building offsite, using Powerproject to coordinate operations, reducing site deliveries by nearly 40 per cent, and lowering the building's carbon footprint.



Keeping pace with demand

Staircase specialist GL Joinery has increased its production capacity by 275 per cent and turnover by 30 per cent using Staircon.

Digitising design and automating the production process has led to the faster turnaround of customer projects and the ability to offer new, intricate design features.



AI-Tool for floors and walls

Around 90 per cent of Veeuze's floor manufacturer and wholesale customers are now using the AI-Tool. An upload increase of 143 per cent was seen in 2021 compared to the previous year, with over 3 million room photos uploaded since the product's launch in 2020.

Our Business Model

Our business model is all about embedding our purpose, mission and vision into everything that we do in order to add value to our stakeholders – clients and their customers, employees and shareholders, as well as the wider community and the planet.

Our products and services are designed to drive forward our purpose: solving the challenges of the built environment through digital transformation. We achieve this by focusing on our three strategic goals:

World-class through prioritised innovation

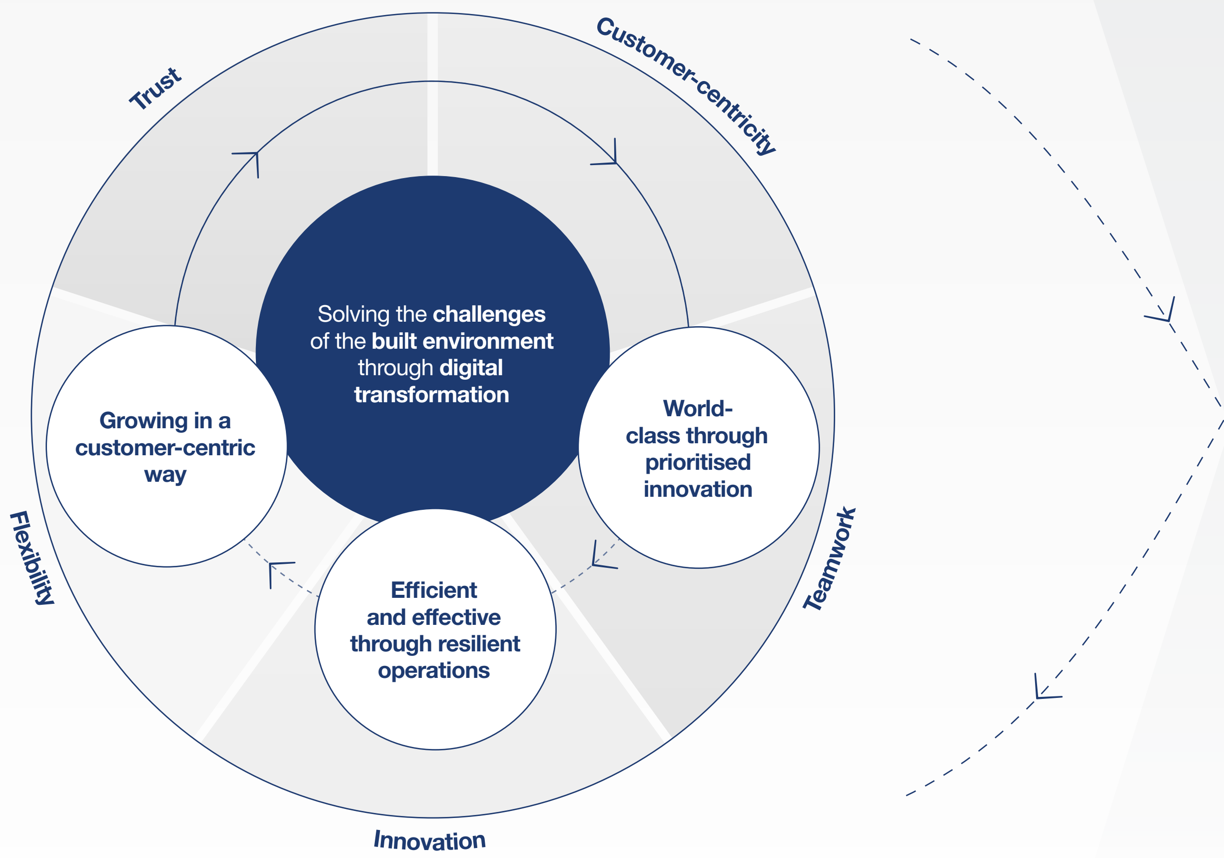
We are creating **NextGen** customer solutions by leveraging our deep knowledge of our customer base to identify and address future needs and create solutions in-house, through partnership and/or acquisition.

Efficient and effective through resilient operations

We capitalise on our unique **capabilities and strengths** to serve specific customer needs ('sweet spots') through best-of-breed products, strong customer relationships, engaged employees and a strong financial position. We develop capabilities to better serve specific customer segments' needs with tailored solutions.

Growing in a customer-centric way

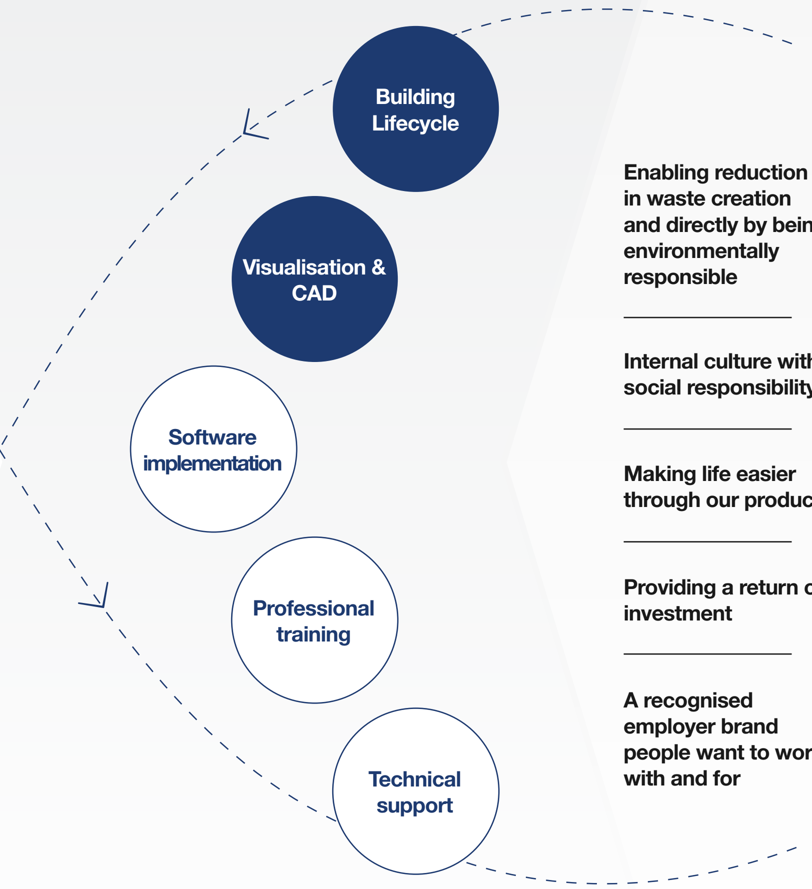
We **focus**, reinforce and expand the customer platform by growing a more focused, high-value customer base through product portfolio alignment and clear customer segment strategies using a **customer-centric** approach.



Our values and behaviours play a key part in driving through our purpose: we believe that our brand values should be reinforced by our cultural values and behaviours. As the foundation of our culture, this combination defines how we engage with those we work with and for in order to achieve value-adding outcomes for:

- The planet/environment and the wider society: being environmentally and socially responsible,
- Our people: creating an organisation people want to work with and for,
- Our customers: making life easier for our customers through our products and services,
- Our shareholders: providing a return on our shareholders' investment.

We measure the impact of our actions through **E**nvironmental, **S**ocial and **G**overnance (**ESG**) performance indicators and outcomes as well as internal operational and external shareholder value measures.



Enabling reduction in waste creation and directly by being environmentally responsible

Internal culture with social responsibility

Making life easier through our products

Providing a return on investment

A recognised employer brand people want to work with and for

Environment
- Energy/Water consumption
- CO2/Waste production
- NetZero

Society
- Employee turnover
- Employee satisfaction
- Volunteering days
- Training days
- Gender Pay Gap
- Value to society *(formula)*

Internal operations
- Financial indicators
- Customer measures
- Employee measures

Shareholder value
- Share price maximisation
- Profit margins

Governance
- Women on the Board
- Independent directors on the Board
- Payment days to supply chain
- R&D % of revenue

Review of Principal Risks

Product Risk

Risk	Description	Mitigation
Product development and competition	Eleco provides digital solutions for clients and their end customer. In an environment of constantly changing customer requirements, increased technology adoption, and industry and technological innovation, there is a risk that competitors may develop solutions that are superior to ours. This could result in a loss of customers and related revenue.	The CPO and CTO will closely align in prioritising the development activity such that it keeps abreast of the broader technological environment, existing customer feedback, as well as existing and future competition in the building sector. Product development is tested with the market using an MVP (minimal viable product) prior to major spend commitment. Eleco continually reviews the spend on product development to ensure that we are generating sufficient revenue or gaining a competitive advantage to justify the investment.
Cyber risk and data security	As a technology business, Eleco places great reliance on the use of technology to operate the business; Eleco is also increasingly providing SaaS and therefore consuming globally available cloud services to ensure the greatest uptime for our customers and their end clients. There is a risk of critical IT systems being unavailable or having restricted availability to the business; there is also a risk that access to confidential data is compromised due to cyber-attacks which could lead to reduced sales, penalties and/or reputational damage.	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. 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 partners used for communication, security or hosting services 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.

People Risk

Risk	Description	Mitigation
Inability to attract and/or retain employees	Eleco's employees develop and maintain our solutions, serve our customers, and provide leadership to the business. Loss of key employees or an inability to attract talent could have an impact on the Group's operations.	Eleco has won many awards for its products and has been recognised as a top performer in the market. Remaining in this space means we need to ensure we retain and continue to attract the best talent the industry has to offer. To do that we will continue to look at our employee value proposition (EVP), having already delivered our new cultural values and associated behavioural framework, our employee assistance programme (EAP) and our Employee Hub. The continued work will focus on the topics of pay/pay progression, benefits, learning and development, talent and succession management and wellbeing; they will build on and strengthen the arrangements that are already in place, both globally and regionally, and will strike a balance between affordability and the desire to be a top employer within the industry. Communicating our employee value proposition will be key to building our employer brand.
Suboptimal business performance due to siloed working and conflicting priorities	There is a risk that the organisational structure results in siloed focus and siloed priorities between distinct business units, products, and geographies rather than collaborative efforts to reach group objectives.	There are various interventions that we have already made which now need to be embedded further and continue to be strengthened: this includes group target setting and clarifying roles and responsibilities in the matrix organisation, particularly around the key cross-cutting functions sales/account management, marketing, product, technology, and the sharing of data. Early in 2022, we finalised the merger of our three UK trading entities and we are in the process of installing one common finance system globally across our Building Lifecycle business to increase transparency, improve the control environment and make data more readily available. As we build on this in 2022 we will be reviewing our policies and procedures across the Group and adapting our governance model and matrix structure as we adapt the organisation for growth. In addition, the intention is for our work on the employee value proposition (EVP, employee offer) to include the design and implementation of global career paths and harmonised roles across the regions which will further enable cross-fertilisation. This will be supplemented by people policies and procedures and cohesive learning and development approaches.

Review of Principal Risks continued

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.
Reputational risk	The risk of failure to meet stakeholder expectations as a result of any event, behaviour, action or inaction, either by Eleco itself, our employees or partners, that may cause stakeholders to form an adverse view. The risk may not only affect revenue and resulting cost of mitigation but could also have an effect on confidence and market value.	Eleco takes an active role in identifying, assessing and escalating reputational risks. Our policies aim to ensure reputational risk matters are managed in a globally consistent manner and align with our strategy. Eleco governance of reputational risk is integrated with the broader risk framework. Eleco looks to mitigate these risks by taking steps to protect against data breaches; listening to customer and employee feedback to address areas of improvement and any training needs; developing strong company values and ethics and operating on them and being aware of relevant social media adverse comments from stakeholders.

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.
Regulatory, legal and tax compliance	Eleco operates across several territories and geographies which are each subject to their own laws, regulations and tax jurisdictions. There is a risk of non-compliance which could result in fines, claims, and reputational damage.	Eleco uses the services of professional advisors, who are experts in their field, to complement in-house knowledge. Transactions between group companies are carried out in accordance with Eleco's interpretation of tax laws, tax treaties and OECD guidelines.

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 whenever necessary. By having a good governance framework and procedures in place, the Board aims to ensure that its decision-making is open and transparent. We feel that the refresh of the Non-Executive Directors during 2021 has created a strong platform for good governance.

We set out below how we have considered the matters found in s.172. First, we explain some of the key decisions taken by the Board over the past year and how stakeholder interests were considered over the course of decision-making. Then we outline in the form of a table how we engage with our stakeholders generally and the influence that such engagements have on our decision making as a board.

Key decisions of 2021

1. Strategy review and transition to subscription pricing

The Board reviews the Company's strategy annually. As part of this, the Directors consider the following:

I. business plan for the coming year

II. budget and any relevant investments

III. the impact that decisions will have in the long term.

In considering the long-term success of the Company, the Directors decided to embark on a strategic transition toward SaaS, initially focussing on subscription pricing, details of which have been summarised in the Chairman's Statement and CEO Report.

The Directors also decided to streamline the corporate structure and become more agile to better meet the needs of the Company's customer segments. As part of this, ActiveOnline and ESIGN businesses in Germany were merged into what is now Veeuze, and all UK operations were brought under a single UK trading entity, Elecosoft UK. This process was commenced in 2021 and completed in January 2022. The impact on employees and opportunities for professional development arising through the Group restructuring were also borne in mind throughout the implementation of the programme.

2. AGM and shareholder response

In the interests of health and safety of all our shareholders, employees and the wider community, the AGM held in 2021 was held as a hybrid event. This unfortunately meant that for the second year in a row we missed the element of personal engagement with shareholders. At the AGM, several shareholder resolutions were voted down and we immediately set out to understand the reasons for this result. As a result of the consultation, the Board agreed to go beyond the applicable corporate governance requirements and has decided that all Directors will stand for annual re-election. The Board has also reviewed the level of share authorities requested at the AGM and obtained external advice to ensure that they are in line with investor best practice. The Board is pleased to confirm that this is the case and that the resolutions proposed in the AGM Notice that accompanies this report are fully in line with investor guidance.

3. Covid-19 response

Our people remain the critical resource in our business and the Board has ultimate responsibility for ensuring the safety and security of our people. As part of the ongoing response to the Covid-19 pandemic, we have maintained our working from home policy and continued to utilise the government support packages available in the territories in which we operate in order to safeguard jobs where applicable. We have also regularly sought the sentiment of our employees on emerging issues that affect them, such as the timing of returning to work in the office.

4. Employee wellbeing initiative

We continue to invest in the wellbeing of our people. To that effect, we have invested in a state-of-the-art, multilingual employee assistance programme (EAP) which offers wellbeing support via a digital platform, web chat and phone, as well as one-to-one counselling support. Managers can also access one-to-one help in dealing with wellbeing matters with their teams.

Building on the Covid-19 response, we recognise that flexible working is a key differentiator in retaining and attracting talent and we continue to work with our people across our regions as to how, where and when work gets done, meeting both the requirements of the business and our people.

5. Capital allocation

Each year the Board considers the strength of the Group's balance sheet and as a result, the Board was this year able to approve the repayment of the external bank debt whilst maintaining a strong cash position.

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 dividend of 0.40 pence per share in respect of the year ended 31 December 2021. This is in addition to an interim dividend of 0.20 pence per share.

6. Board appointments and Environmental, Social and Governance (ESG)

As further set out in the Corporate Governance Report and the Chairman's Statement, the Board heightened its focus on Corporate Governance, refreshed the Independent Non-Executive Directors and established an ESG Committee to ensure that the Company is well-placed to thrive over the next twelve months and beyond.

Section 172 Statement continued

Stakeholder 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 regular updates on customer feedback and sales throughout the year, which informs its strategic decisions.
Shareholders and Investors	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 Company maintains open communications with the wider stakeholder community. The Chairman and Executive directors engage through results roadshows. The Company utilises Investor Meet Company to give access to a wider group of investors. The Company also hosts analyst meetings to promote the business and releases regular announcements to keep investors informed on the Company's latest progress and performance. We continue to look at ways to improve our communication with all of our shareholders.	The Board regularly seeks and reviews the feedback from shareholders and investors, which feeds into board discussions and informs strategic decisions.

Stakeholder	Engagement	How this engagement influenced Board discussions and decision-making
Employees	Our employees are a strong and talented group of people who work with skill and enthusiasm in all of our target markets. Their health, safety, and wellbeing are fundamental to us. We seek regular feedback through staff surveys and have rolled out a regular eNPS (Employee Net Promoter Score) to assess employee engagement, reduce employee attrition and build stronger teams.	Understanding the views of our people helps us in improving our relationship with employees and influences decisions such as spending allocation.
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.
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.

Section 172 Statement continued

Stakeholder	Engagement	How this engagement influenced Board discussions and decision-making
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. Therefore, the Board has decided to establish an ESG Committee to specifically consider the impact of our decision-making on the community. Further details of this can be found in the ESG Committee report on pages 45 to 47.

Financial Review

I am pleased to report that 2021 was a year of strong Recurring Revenue growth for Eleco, boosted by the introduction of a subscription only offering for our Building Lifecycle products to new customers. Our overall revenue is up 8 per cent to £27.3m (2020: £25.2m), with recurring revenue overall growing by 9 per cent to £15.4m (2020: £14.2m).

EBITDA for the year is £7.2m (2020: £6.7m) with free cash flow at £4.8m (2020: £5.5m).

Cash generation has been strong, with net cash at £10.0m (2020: £6.2m). In the second half of 2021, the strong net cash position of the Group allowed the Company to repay the main bank debt outstanding of £2.8m. The Company now has no UK bank debt and the £0.1m of bank debt as at 31 December 2021 elsewhere in our Group was repaid in full in Q1 2022.

Revenue

Recurring revenue grew from £7.5m in the first half year to £7.9m in the second half year, primarily due to the launch of subscription-based licence sales for Powerproject, Bidcon and ShireSystem products to new customers and markets.

Our double-digit growth in the core Building Lifecycle software portfolio was driven by strong performance from ShireSystem supplying facilities management and Powerproject planning solutions growing 15 per cent and 13 per cent respectively year on year. Powerproject Vision, our SaaS portal for collaborating on construction schedules, is being used by VINCI Construction's planning processes and won our first order from a Swedish residential property developer. During the year, we also won a high value visualisation solution order from a Japanese floor manufacturer.

The level of deferred income at the balance sheet date increased by 11 per cent to £7.1m (2020: £6.4m), which demonstrates a positive sign of future recurring revenue.

Profit

Gross profit has grown by 8 per cent to £24.6m (2020: £22.7m). A 90 per cent margin on revenue along with the low churn rate of our customers demonstrates a high customer lifetime value.

Operating profit for the period was £4.1m (2020: £4.2m). Following the positive underlying performance, Eleco took the decision last year to pay back furlough funds that qualified for repayment. This amounted to £0.1m in 2021 (2020: £nil).

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 decreased by 7 per cent due to the impairment of an internally developed product. £0.6m (2020: £nil).

	2021 £'000	2020 £'000
Operating profit	**4,099**	4,151
Former Directors' payments	**69**	328
Amortisation of acquired intangible assets	**575**	590
Adjusted operating profit	**4,743**	5,069

Total software product research and development costs increased to £3.3m for the year (2020: £3.2m) of which £1.7m (2020: £1.6m) was capitalised. We are committed to investing in product development and our total software development cost represents 12 per cent of revenue (2020: 13 per cent).

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 an impairment of £0.6m (2020: £nil) was required for one of the products.

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 (2020: £0.3m). In the second half of 2021, the Company repaid the main UK bank debt outstanding of £2.8m as referred to above.

Profit before tax was £3.9m (2020: £3.9m). The Group tax charge in the year was £1.2m (2020: £0.7m) and represented 30 per cent of profit before tax (2020: 18.7 per cent). The deferred tax charge has increased in 2021 due to the substantively enacted deferred tax rate increase from 19 per cent to 25 per cent with effect from 1 April 2023.

Financial Review continued

The net profit attributable to Ordinary Shareholders has consequently reduced to £2.7m (2020: £3.2m).

After adjusting for the post-tax effect of amortisation of acquired intangible assets, impairment expenses and former Directors' payments adjusted net profit attributable to Ordinary Shareholders decreased by 17 per cent to £3.3m (2020: £3.9m).

	2021 £'000	2020 £'000
Net profit after tax	2,731	3,163
Former Directors' payments	56	266
Amortisation of acquired intangible assets	466	478
Adjusted net profit after tax	**3,253**	3,907

£7.7m (2020: £8.1m) cash was generated from operations, this is 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 have contributed a net cash inflow of £0.5m (2020: £1.4m).

Capital expenditure on intangible assets, principally comprising the capitalisation of software product development costs, was £1.6m (2020: £1.6m).

Capital expenditure on property, plant and equipment was £0.3m (2020: £0.1m).

After deducting capital expenditure and acquisition related expenses, adjusted operating cash flow, as set out below, was £5.8m (2020: £6.8m), meaning that 121 per cent of adjusted operating profit (2020: 133 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 2021.

	2021 £'000	2020 £'000
Cash generated in operations	7,724	8,138
Purchase of intangible assets	(1,727)	(1,603)
Purchase of property, plant and equipment	(279)	(99)
Acquisition expenses	–	–
Former Directors' payments	69	328
Adjusted operating cash flow	**5,787**	6,764

Adjusted free cash flow (before dividends, acquisition related expenses and former Directors' payments) decreased by 18 per cent in the year to £4.8m (2020: £5.8m).

	2021 £'000	2020 £'000
Adjusted operating cash flow	5,787	6,764
Net interest paid	(124)	(206)
Tax paid	(903)	(785)
Proceeds from disposals of property, plant and equipment	60	71
Adjusted free cash flow	4,820	5,844
Acquisition expenses	–	–
Former Directors' payment	(69)	(328)
Free cash flow	**4,751**	5,516

Funding and Liquidity

The Group ended the year with a net bank cash of £10.0m (2020: net bank cash of £6.2m).

The Group's net cash position comprises cash at hand of £10.1m (2020: £10.7m), offset in part by gross borrowings of £0.1m (2020: £4.5m).

Gross borrowings comprises a loan balance against the ActiveOnline property acquired of £0.1m (2020: £0.2m).

The Group's lease liabilities for Property, Motor Vehicles and Other Plant and Equipment amounted to £1.9m (2020: £2.4m).

Earnings Per Share

Basic earnings per share was 3.3 pence (2020: 3.9 pence). The reduction can be explained by the increase in UK Corporation tax rates planned for 1 April 2023 increasing the deferred tax liability.

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, was 4.0 pence (2020: 4.8 pence).

Dividends

The Board has recommended the payment of a final dividend in respect of the year ended 31 December 2021 of 0.40 pence per share (2020 final dividend: 0.40 pence).

Jonathan Hunter
Chief Executive Officer
30 March 2022

Board of Directors

Jonathan Hunter BBus BMm
Chief Executive Officer

Skills and Experience

Appointed to the Board in June 2016 and with bachelor's degrees in Business Management and Multimedia from Griffith University, Australia, 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 CEO in September 2020, which was made permanent in February 2021, follows three years as COO with the Group. As well as continuing to attend relevant professional training and coaching, Jonathan has been involved in a number of growth company roundtables and forums throughout the year as a member of Criticaleye.

Committee Membership

E

Serena Lang MBA
Chairman

Skills and Experience

Serena was appointed to the Board as a Non-Executive Director in 2014 and became Non-Executive Deputy Chairman in May 2017. In September 2020, she was appointed Executive Chairman and after a period of twelve months is now Non-Executive Chairman. Serena is also an executive member of Carecent, York's homeless breakfast charity and a Governor at St Peters School in York. 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

R N E

Dr. Annette Nabavi MA (Oxon), Doc. de 3ieme cycle (Dijon)
Senior Independent Non-Executive Director

Skills and Experience

Dr. Nabavi has held several Non-Executive Director roles, including a seven-year tenure at AIM-listed Maintel Holdings Plc, a cloud and managed services company, where she also chaired the Remuneration Committee. She has substantial experience in this area through her involvement with the Quoted Companies Alliance (QCA), where she supported the update to the Remuneration Committee Guide. In 2018, she was shortlisted for The Sunday Times' Non-Executive Director Awards as AIM Director of the Year.

Her other Non-Executive roles include RemCom Chair and Senior Independent Director at Gemserv Ltd, a professional services company providing policy advisory and digital transformation services to the energy and health care sectors and EFI Limited, a high growth fintech company.

Dr. Nabavi is also Finance Director for Women in Telecoms and Technology, a Not-for-Profit organisation, and serves as a judge for the prestigious World Communications Awards. She holds an MA from Oxford University and a Doctorate from the University of Dijon.

Committee Membership

A R N E

Key to Committee Membership

- A Audit Committee
- R Remuneration Committee
- N Nomination Committee
- E ESG Committee
- Committee Chair

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 E

Mark Castle FRICS
Non-Executive Director

Skills and Experience
Mark Castle is currently a Non-Executive Director of Mace Group, a global construction, property investment, consultancy, and facilities management business, which he joined in 2005. Working as Chief Operating Officer until last year, Mark oversaw Mace Group's construction growth from start-up to becoming a £1.6bn revenue company within the group which operates in over 80 countries with 6,500 employees.

Prior to working at Mace Group, Mark was Managing Director UK of New York based Structure Tone, a $3bn revenue construction company, and before this was Managing Director London of Wates Group, a £1.4bn revenue construction business headquartered in London. Mark was also Chairman of Build UK - the leading representative organisation for the UK Construction Industry from 2017-2019. He is a Fellow of the Royal Institute of Chartered Surveyors. On joining the Board, Mark Castle will become Chair of the newly created ESG Committee.

Committee Membership
A R N E

Corporate Governance Report

Chairman's Introduction to Governance

In 2021, Eleco heightened our focus on corporate governance and purpose, refreshing the Board to ensure the skills required to create long-term growth were available moving forward, appointing an external Company Secretary company for independent oversight and adopting a Board evaluation tool allowing us to check in with each Board meeting as well as our annual evaluation.

People and Culture

Our people are our most important asset, and in the year, we conducted a survey across employees as part of the review of our purpose and culture. Trust, customer centricity, flexibility, innovation and teamwork are Eleco's brand values, held by the Board and translated into a culture and behaviours that are becoming part of our DNA. It is essential that we are able to attract and retain the right talent in the competitive environment we are working in.

Board and Leadership Changes

At the beginning of the year, as Chairman, I undertook a full skills audit of the Board against the refreshed strategy. As a result of this, we appointed three new independent Non-Executive Directors.

We brought in Paul Boughton, who was appointed in March, adding more technology PLC experience to the business as well as additional M&A experience.

This was followed by two further INED appointments in the summer, with Dr. Annette Nabavi and Mark Castle joining the Board in August and September, respectively. Dr. Nabavi brings additional expertise to advise with our shift from a perpetual to subscription licence model while Mark Castle is an experienced business leader, bringing the voice of the customer to the Board with his wealth of experience in the property, construction, consultancy and built environment sectors.

Kevin Craig and David Dannhauser stepped down from their NED positions on Board at the end of August.

Paul Boughton took over as Chair of the Audit Committee and Annette Nabavi took over as Chair of the Remuneration Committee and took on the role of Senior Independent Director.

On the executive side, Robert Tearle took over as CFO from Ben Moralee in March and Anders Karlsson stepped down from the Board in August. We also appointed Elemental CoSec Limited in May to provide independence and help support our drive for governance best practice. As commented on in the Chairman's statement, Robert has since resigned and we have appointed an experienced Interim CFO, Rose Clark, while the Board reflects on the learnings from this experience and carries out a formal search process for the permanent CFO to take this business forward.

ESG Committee

I am delighted to confirm that we also set up an ESG Committee at the end of the year, chaired by Mark Castle. The ESG Committee will assist the Board in fulfilling its oversight responsibilities with regard to environmental, health and safety, corporate social responsibility, sustainability, customer satisfaction, employee wellbeing and retention, corporate governance, diversity, equity and inclusion. The ESG Committee's first meeting was held in early 2022 and I look forward to the value it will bring in the coming year.

Composition of the Board

The Board now comprises the Chairman, three independent Non-Executive Directors (including the Senior Independent Director) and one Executive Director, being the CEO (the CFO having stepped down on 7 February 2022). As referred to above, a recruitment process for a permanent CFO is ongoing.

Governance and the Board

The Company's shares trade on AIM. The Company follows the Quoted Companies Alliance Corporate Governance Code for 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 QCA Code may be found by visiting: www.eleco.com/governance.

Operation of the Board

The Chairman, along with the Senior Independent Director, the Executive Director and the Company Secretary, ensures 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; and
- Be accountable to all stakeholders.

Key aspects of these processes are:

- The Board met 16 times during the year. These meetings were mostly held via Microsoft Teams this year due to Covid-19 restrictions which meant that it was not possible to convene in person. The attendance of individual directors at board meetings in 2021 is set out in the table below and committee meetings in the committee reports on pages 34 to 47.

	Board Meetings	
	Possible	Attended
Executive		
S Lang (Chairman) *	16	16
J Hunter	15	14
A Karlsson	10	10
B Moralee	5	4
R Tearle	11	11
Non-Executive		
P Boughton	11	10
M Castle	3	3
K Craig	10	9
D Dannhauser	10	7
A Nabavi	6	6

* S Lang moved from Executive to Non-Executive Chairman on 25 September 2021

- 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 maintains regular electronic communications and makes further decisions by way of written resolutions to address largely procedural issues between the scheduled board meetings. An example of this would be the grant of clearance to deal for PDMRs.
- To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed by the Company Secretary and made available via a board 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 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.

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 Audit Committee Report comments further on this subject.

Corporate Governance Report continued

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 16 to 19.

The Board Evaluation Process

The performance of Executive Directors is reviewed on an annual basis by the Remuneration Committee, headed by Annette Nabavi. The review looks at the individual and the Group's performance as well as any feedback from the other board members, including the 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.

A full board skills review was undertaken by the Chairman at the point of the strategy formulation as referred to above, and the Board has been fully refreshed.

Succession Planning

During this past year, the Board has been refreshed and updated following a process of identifying the preferred skills and capabilities needed to deliver the growth strategy. Also during 2021 and into 2022, a diverse Executive Leadership Team has been formed to provide a pool of skilled talent for executive succession opportunities. During 2021, the members of the Executive team received leadership training and were given personal development opportunities. The Company considers succession planning as very important and continues to monitor the succession requirements of both Executive and Non-Executive Directors of the Board, in light of the Company's overall needs.

Policy on Appointment and Reappointment

In accordance with corporate governance best practice, all Directors will retire and submit themselves for re-election every year at the AGM. New Directors are subject to election at the first AGM of the Company following their appointment.

Senior Independent Director

Annette Nabavi is the Senior Independent Director, whose key responsibilities are:

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

Non-Executive Directors

Each of the Non-Executive Directors (not including the Chairman) 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 and against the QCA Code. 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 28 to 29. No Non-Executive Director (other than the Chairman) has been an employee of the Company within the past seven years.

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 July 2021 we appointed a professional Company Secretary firm to advise and facilitate the Chairman and the Board and to act as a go-between for the Company's professional advisors and the Board. The Company Secretary's further duties include:

- assisting the Board in the Company implementing good governance procedures;
- assisting Executives in ensuring that the Group complies with legal, statutory, and regulatory requirements;
- assisting the 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 119.

Serena Lang
Chairman
30 March 2022

Audit Committee Report

Committee Composition and Meeting Attendance

Director	Possible	Attended
D Dannhauser (Chair until August 2021)	**3**	**3**
P Boughton (Chair from September 2021)	**1**	**1**
K Craig (resigned August 2021)	**3**	**3**
M Castle (from September 2021)	**0**	**0**
A Nabavi (from August 2021)	**1**	**1**

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 Group'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 Group'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 30 September 2021.

The members of the Committee comprise the independent Non-Executive Directors, and the Committee is chaired by Paul Boughton. Paul Boughton is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW) and possesses the necessary depth of financial expertise to fulfil the role. The Committee met four times during the year to consider the 2020 audit plan, the audit findings report for that year-end, the financial statements for the year ended 31 December 2020 and the interim report for the six months ended 30 June 2021.

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

External Auditor

Following their appointment in 2020, RSM UK Audit LLP ("**RSM**") was reappointed as the Company's external auditor and has been engaged to undertake the audit of the Group's financial year ended 31 December 2021. The auditor appointment is subject to ongoing monitoring and the Committee revisited their review of RSM's effectiveness following the completion of the audit for the Group's financial year ended 31 December 2020. The Committee considered several factors when determining the effectiveness of the external auditor, including: the overall quality and scope of the audit; the audit partner and team; communication and engagement with the Audit Committee, both formal and informal, and how issues were reported, followed up and resolved; the independence of RSM and whether an appropriate level of challenge and scepticism existed in their work.

The Committee also sought the views of key members of the finance team and senior management on the audit process and the quality and experience of the audit partner. Their feedback confirmed that RSM had performed well during 2021 and had provided an appropriate level of challenge to management.

RSM has indicated its willingness to continue in office and a resolution will be proposed at the AGM 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 77.

The Company used separate advisors for taxation.

Significant issues considered by the Committee

A brief summary of the significant issues considered in relation to the annual report and accounts is set out below:

1. The timing and methodology of revenue recognition, particularly since Eleco's transition to a SaaS business model was initiated during 2021;
2. The balance sheet value of intangible assets, including capitalised research and development costs and goodwill arising from acquisitions;
3. The Company's financial reporting and the effectiveness of the internal control processes across the Group. In respect of this, the external auditor has highlighted a number of control environment weaknesses stemming from the lack of one central group reporting system and oversight. As is the case with many groups that are formed from acquisitions over time, Eleco's businesses operate on a variety of accounting and business systems across the Group. Work commenced in 2021 to replace these disparate systems with one common group-wide system with the aim of improving oversight, control environment, transparency and efficiency. The system has been selected and the basic configuration work has been done. The work was paused in Q4 in order to allow for a number of the operational businesses to be merged (as referred to elsewhere in this report). Progress is being assessed by our new Interim CFO and new CTO who joined the business early in 2022. The Board is fully aware of the weaknesses highlighted and expect the new system and related control environment changes to be fully operational in the current financial year.

All of these matters were dealt with by enquiry with Eleco's financial and accounting staff, including the CFO, Interim CFO, and by discussion with the Company's Auditor, RSM.

Internal Audit

The Committee considered, once again, 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, 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 16 to 19 of the Report and Accounts.

Paul Boughton FCA BSc
Audit Committee Chair
30 March 2022

Nomination Committee Report

Committee Composition and Meeting Attendance

Director	Possible	Attended
S Lang (Chair)	1	1
K Craig (resigned August 2021)	1	1
D Dannhauser (resigned August 2021)	1	1
A Nabavi (from August 2021)	0	0
M Castle (from September 2021)	0	0
P Boughton (from September 2021)	0	0

Dear Shareholder

On behalf of the Board and Committee I am pleased to present the Nomination Committee Report for the year ended 31 December 2021.

The Committee formally met once during the year. The Committee also met informally through the year and recorded its decisions via written resolutions. All Committee members approved all written resolutions.

The Nomination Committee consists of the Non-Executive Directors and is chaired by the Chairman of the Board.

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

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.

The full terms of reference for the Nomination Committee were last updated on 30 September 2021 and may be found by visiting: www.eleco.com.

Key Activities During the Year

During the year, the Board has been refreshed to position the Company to push forward the transition to SaaS. Alongside this, the Committee reviewed the composition of each of the Board Committees and made its recommendations to the full Board. Paul Boughton was appointed Chair of the Audit Committee, Annette Nabavi was appointed Chair of the Remuneration Committee and Senior Independent Director, and Mark Castle was appointed Chair of the newly formed ESG Committee.

The 2021 Board evaluation was carried out internally, led by the Chair and facilitated by the Company Secretary. A full Board evaluation was performed twice in 2021 (May and December). To complement the bi-annual surveys, the Company is introducing for 2022 brief pulse surveys to follow each Board meeting. The Board will consider other ways of carrying out the Board evaluation in future, particularly with regard to using an external facilitator.

Following consultation with the Company's shareholders, the Board agreed that all directors should stand for re-election at the AGM. Resolutions relating to the re-election of each director are included in the AGM Notice that accompanies this report.

Director Induction and Training

On appointment to the Board, Directors are given a comprehensive induction tailored to provide each individual with the information necessary for them to perform their new role effectively. The programme this year was primarily virtual due to Covid-19 and consisted of meetings with senior management and receipt of key information relating to the Company's structure, strategy, headline risks and issues.

Directors are required to keep their skills up to date in accordance with their professional qualifications. Non-Executive Directors and Executive Directors are encouraged annually to undertake relevant training; courses may be suggested to them or they may identify courses themselves.

Recruitment Process

The Committee takes the view that it should appoint the best candidate for a role irrespective of gender, age, marital status, disability, sexual orientation, race and religion, ethnic or national origin – this is in respect of all roles within the Company, not just the Board. It is committed to equal opportunities and promoting from within the organisation, with the current CEO working for the Company before being appointed to the Board.

Serena Lang
Nomination Committee Chair
30 March 2022

Remuneration Committee Report

Committee Composition and Meeting Attendance

Director	Possible	Attended
A Nabavi (Chair from September 2021)	1	1
P Boughton (from March 2021)	2	2
M Castle (from September 2021)	0	0
S Lang (from September 2021)	0	0
K Craig (resigned August 2021)	1	1
D Dannhauser (resigned August 2021)	1	1

Dear Shareholder

On behalf of the Board I have pleasure in presenting the Report of the Remuneration Committee for the year ended 31 December 2021.

The Committee comprises four Non-Executive Directors: Annette Nabavi (Chair), Paul Boughton, Mark Castle and Serena Lang. Annette Nabavi took over as Chair from Kevin Craig in September 2021 shortly after taking up her Non-Executive Director appointment. Paul Boughton and Mark Castle joined the Committee when they took up their Non-Executive Director appointments in March and September 2021 respectively. Serena Lang joined the Committee when she stepped back to a Non-Executive position in September. Kevin Craig and David Dannhauser left the Committee when they resigned in August 2021.

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

The Remuneration Committee determines and agrees with the Board the framework or broad policy for the remuneration of the Company's Chairman, Executive Directors and, as appropriate, other senior members of the executive management. No director is involved with decisions as to their own remuneration. The objective of the Committee is to ensure that senior executive remuneration is competitive, incentivises and rewards good performance, supports the Company's strategy and that it will help the Company continue to grow profitably, thereby creating value for shareholders. Due consideration is given to all relevant factors including company performance and individual performance; reference is also made to external benchmarks. The Committee meets formally at least twice a year and at such other times as the Committee Chair shall require or as the Board may request. The Committee met twice during 2021.

The full terms of reference for the Remuneration Committee were last updated on 30 September 2021 and may be found by visiting: www.eleco.com.

The primary roles and responsibilities of the Committee are:

- agree with the Board the framework or broad policy for the remuneration of the Company's Chairman, Executive Directors and, as appropriate, other senior members of the executive management;
- review the ongoing appropriateness and relevance of the Company's remuneration policy;
- determine the total individual remuneration package for each Executive Director and other senior directors including bonuses, incentive payments and share/option awards;
- determine the policy for and scope of any pension arrangements for each Executive Director and other senior executives;
- oversee any major changes in employee benefit structures across the Company or Group;
- review the performance and award of any options granted under the Company's 2014 option share plan; and
- agree the terms of reference of any remuneration consultants.

This report is split into two parts. The first provides the general principles that the Board has agreed should govern executive remuneration, the second details how we intend to apply these principles in 2022 and separately, the basis for the remuneration of Executive Directors in 2021.

As detailed elsewhere in this report, the Company has performed well during the year despite a number of significant changes. It has developed and shared with the market a detailed three-year strategy which will accelerate the move to a SaaS revenue model and this is beginning to bear fruit with an increase in recurring revenues in 2021. Stretching targets were set at the beginning of the year for the bonus plan and I am pleased to be able to confirm to shareholders that a significant number of these targets have been met or exceeded and this has guided the Committee's allocation of the bonus pool. No option awards were due to vest in 2021, although new grants were made to Jonathan Hunter, Anders Karlsson and Serena Lang in their capacity as Executive Directors. The Committee believes that the overall remuneration delivered in relation to 2021 represents a fair outcome with regard to the progress the Company has made and the performance delivered to shareholders and other stakeholders.

Part 1: Remuneration Policy for Executive Directors

As a software company, the Company operates in a particularly active and competitive sector and our Executive Remuneration Policy is designed to attract, incentivise and retain our key staff.

The total package is designed such that a significant proportion is linked to performance conditions related to the long-term success of the Company. However, when setting the levels of short-term and long-term variable remuneration and the balance of cash and share elements, consideration is given to achieving the right balance, so as not to encourage unnecessary risk-taking, or short-term actions which are not in the Company's long-term interests.

The key features of the Remuneration Policy are as follows:

Element of Remuneration	Purpose and link to Strategy	Policy and Approach
Base Salary	To recruit and reward executives of a suitable calibre to execute the Company's strategy by paying a competitive level of fixed remuneration.	Base salaries are reviewed annually by the Committee in January. Inflationary increases will be in line with the Company's overall budgetary increases. Other increases reflect changes in role and in responsibility. Benchmark comparisons are also made with other companies of a similar size and complexity.
Directors' Fees	To recognise the Executive's position on the Board.	A fee of £5,000 is currently paid to each Executive Director in recognition of their appointment. This fee is non-pensionable and is not included in any bonus calculation. However, going forward this fee will be absorbed into the Executive's base salary.
Benefits	To ensure the well-being of employees and complement the base salary.	Benefits typically include car allowance, medical insurance, and life assurance. Executive Directors are entitled to 25 days' leave per annum.
Pension	To provide assistance with post retirement financial planning.	Pension is payable at up to 9 per cent of base salary.

Remuneration Committee Report continued

Element of Remuneration	Purpose and link to Strategy	Policy and Approach
Annual Bonus	To incentivise the achievement of the Company's short-term operational and financial goals.	Objectives and KPIs are set annually for each Executive. Normally the KPIs are weighted so that 50 per cent refer to financial targets including revenue, EBITDA, FCF and recurring revenue growth whilst the remainder pick up KPIs which reference the Company's ESG targets and other individual targets. The maximum bonus that the CEO can receive is 100 per cent of base salary. The maximum bonus for the CFO is 70 per cent of base salary. The maximum will only be achieved if the KPIs are exceeded. A sliding scale is in place.
Long-term Incentives	To incentivise the delivery of the Company's long-term strategic objectives and provide alignment with shareholders through the use of share-based incentives.	The Company uses long-term incentives to underpin the Company's growth strategy. It has traditionally used market priced options coupled with KPIs, issued on an ad hoc basis to senior staff. However, in the last couple of years the Board has moved to a more regular pattern of option grants. The Board intends to use a mix of market-priced options and nominal cost options. The nominal cost options will have KPIs related to the Company's strategy and performance. All awards will be subject to appropriate vesting periods and require the option holder to be in employment or an office holder of the Company at the time of vesting.

Executive Directors' Service Agreements
The Committee reviews new Executive Directors' service contracts before appointment to ensure that they meet best practice.

The standard termination period for Executive service contracts is three months. Exceptionally, Robert Tearle's termination period was set at 6 months due to the competitive job market and to protect the Company from any instability which might have occurred following the previous CFO's departure. In addition, Anders Karlsson, who served as an Executive Director until June 2021, and who runs the Company's Swedish operation, has a termination period of six months for historic reasons. Anders Karlsson has now reverted to his role as Regional MD, Nordics. Serena Lang, who served as Executive Chairman for part of 2021, was on a twelve-month contract. This terminated in September 2021 when she finished the agreed term. She has since returned to her

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role as Non-Executive and has entered into a standard Non-Executive Director appointment contract with a three-month termination period.

Service contracts are available for inspection at the Company's registered office.

Part 2: How the Remuneration Policy will be applied in 2022

2022 salary review

The salary of Jonathan Hunter has been increased from £200,000 to £220,000 in line with the Company's remuneration policy. This increase was based on a benchmarking exercise against other AIM-listed companies of a similar size. Jonathan was recently appointed as CEO and transitioned from interim to permanent CEO in February 2021. This uplift now better reflects his performance and the value he brings as permanent CEO.

The salary of Robert Tearle was not increased.

Performance targets for the 2022 Annual Cash Bonus

The annual bonus will be based on a number of different KPIs. 50 per cent of the bonus will be paid against the achievement of financial KPIs including revenue, EBITDA, Free Cash Flow and Recurring Revenue growth. The remaining 50 per cent will be paid against other measures including the ESG Scorecard, product roadmap development and the US business plan. The bonus will be subject to a sliding scale and the payment of 100 per cent of bonus will require overachievement of all KPIs. Normally no bonus will be paid if the financial results fall substantially below consensus forecasts. However, the Committee reserves the right to exercise its discretion.

In line with market practice, going forward the Company will be adopting upper thresholds of 100 per cent and 70 per cent base salary for the CEO and CFO bonuses, respectively.

LTIP Awards to be granted in 2022

The Committee would like to grant additional options to Jonathan Hunter and other members of the Senior Leadership Team when the Company is in a position to do so.

Directors' Remuneration

	Basic salary	Bonus £'000	Fees £'000	Benefits £'000	LTIP £'000	Pension £'000	Year to 31 December 2021	Year to 31 December 2020
Executive	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
S Lang	208	150	0	4	53	0	415	160
J Hunter	200	150	5	5	48	18	426	265
A Karlsson	97	11	6	4	15	26	159	216
B Moralee*	103	13	1	1	6	6	130	166
R Tearle	98	–	4	4	0	8	114	–
Non-Executive								
S Lang	—	—	21	—	—	—	21	48
P Boughton	—	—	32	—	—	—	32	—
M Castle	—	—	13	—	—	—	13	—
K Craig	—	—	28	8	—	—	36	37
D Dannhauser	—	—	45	—	—	—	45	47
A Nabavi	—	—	18	—	—	—	18	—

* Included in the basic salary figure is a settlement amount of £69,000. Resigned 26 March 2021.

Remuneration Committee Report continued

Details of the LTIP options currently in issue are tabled below:

Options	Expiry date	Outstanding number of options	Criteria for vesting options
2021	23/02/2031	600,000	The Option shall vest on the Vesting Date if the Adjusted EPS for the year ended 31 December 2024 is at least 20 per cent greater than the Adjusted EPS on 31st December 2020.
2020	12/11/2030	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 the 31 May 2023. (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.
2020	31/05/2030	650,000	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 the 31 May 2023. (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 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.
2017	08/08/2027	500,000	The performance target for vesting for the year ended 31 December 2019 is an EPS of at least 2.97 pence.
		2,000,000	

Directors' Share Options

	Directors' options in issue at year end	2021 Issued during year	2021 Exercisable £	2021 Exercisable £	2020 Issued during year	2020 Exercisable £	2020 Exercisable £
J Hunter	600,000	250,000	1.004	251,000	250,000	0.743	185,750
S Lang	500,000	250,000	1.004	251,000	250,000	0.749	187,250
	1,100,000	500,000			500,000		—

There were no gains from exercise of options by Director's during the year.

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 of Association. In line with corporate governance best practice, the Company has elected for all Non-Executive Directors along with the Executive Directors to stand for re-election at each AGM. A Non-Executive Director can be reappointed for an additional term following the completion of their first term in office.

During 2021 three new Non-Executive Directors were appointed and Serena Lang resumed her role as a Non-Executive Director under a new Appointment Letter. Kevin Craig and David Dannhauser retired from the Board.

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 Directors and the Group are detailed below:

Director	2021 £	2020 £	Company	Position	Service
K Craig	4,500	14,400	Political Lobbying & Media Relations Limited	Former Director and Shareholder	Website Consultancy

Remuneration Committee Report continued

Gender Pay Gap

Eleco plc and its UK subsidiaries currently has 103 employees (2020: 95) in the UK.

The Company is not obliged to undertake a formal review of a potential gender pay gap. However, it carries out a review of gender and remuneration levels across the UK. The Board notes that the Company's highest paid (pro rata) employee in 2021 is female and that over 30 per cent (2020: 30 per cent) of UK employees are female.

Dr. Annette Nabavi MA (Oxon), Doc. de 3ieme cycle (Dijon)
Remuneration Committee Chair
30 March 2022

ESG Committee Report

In support and recognition of industry best practice, Eleco has formed an ESG Committee.

The members of the Committee comprise the Non-Executive Directors and the CEO. The Committee is chaired by Mark Castle, who possesses the broad experience and leadership to fulfil the role. The ESG Committee was formed in 2021 and the first meeting held in 2022.

Our ESG commitments will support our Purpose, Mission and Values and will be set around a balanced scorecard of metrics which will aim to capture improved year on year performance.

Eleco will engage with its stakeholders across the organisation as we embrace the wider ESG agenda and our ESG performance will play a part in Executive remuneration going forward.

Eleco will publish a comprehensive report on the activity and performance of Eleco against the scorecard measures within its 2022 Annual Report.

In defining our ESG strategy for 2022 and beyond we are reviewing how we can positively contribute to the global environmental challenges recognising our international footprint.

Within our social strategy we recognise the importance of working together with our colleagues, customers, and suppliers to promote fairness, equality, and inclusion.

As part of our Governance review and recognising best practice Eleco reviews our policies and procedures to ensure they remain current, appropriate, and compliant around latest legislation.

Terms of Reference

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

ESG Committee Report continued

Streamlined Energy Carbon Reporting

In line with the 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 twelve-month period from 1 January 2021 to 31 December 2021.

Eleco Energy Use and Associated Greenhouse Gas Emissions

	Jan-Dec 2021	Jan-Dec 2020	Percentage Change
Total Energy consumption	214,271 kWh	**286,860 kWh**	**-25%**
Emissions from combustion of gas (Scope 1)	17 tCO2e	20 tCO2e*	-15%
Emissions from combustion of fuel for the purposes of transport (Scope 1)	1 tCO2e	5 tCO2e	-80%
Emissions from purchased electricity (Scope 2)	21 tCO2e	25 tCO2e	-16%
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	7 tCO2e	7 tCO2e*	N/A
Total gross emissions	**46 tCO2e**	**57 tCO2e**	**-19%**
Emissions per £m turnover	**2 tCO2e per £m sales revenue**	**2 tCO2e per £m sales revenue**	**NA**
Total Gross Scope 1, Scope 2 [market based] & Scope 3 emissions (tCO2e) [optional]	**42 tCO2e**	**53 tCO2e**	**-20%**

*Figures recalculated for 2020 in line with the methodology used for 2021

Eleco plc Energy Use and Associated Greenhouse Gas Emissions: Company Breakdown

The regulator advises that a group SECR report should state how the data reported relates to the subsidiaries covered by the Group report. Below provides a breakdown by company based on the data provided.

	Electricity		Gas		Transport Fuels Company Cars		Mileage Claims		Total kWh	Total tco2e
	kWh	tco2e	kWh	tco2e	kWh	tco2e	kWh	tco2e		
Elecosoft UK Ltd	60,025	12.75	36,341	6.66	129	0.03	13,124	3.17	**109,619**	**22.61**
Shire Systems Ltd	17,292	3.67	36,812	6.74	680	0.17	12,319	2.98	**67,102**	**13.56**
Integrated Computing and Office Networking Limited	16,740	3.55	0	0	0	0	580	0.14	**17,320**	**3.69**
Eleco Software Ltd	266	0.06	336	0.06	0	0	0	0	**602**	**0.12**
Eleco plc	3,846	0.82	14,716	2.70	0	0	1,066	0.26	**19,627**	**3.77**

Quantification and Reporting Methodology:
The boundaries of this report are based on operational control. We report our emissions with reference to the latest Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (GHG Protocol). In accordance with the 2018 Regulations, the energy use and associated greenhouse gas emissions are for those within the UK only that come under the operational control boundary. Therefore, energy use and emissions are aligned with financial reporting for the UK subsidiaries and exclude the non-UK based subsidiaries that would not qualify under the 2018 Regulations in their own right.

The 2021 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 calculated according to the 'location-based grid average' method. This reflects the average emission of the grid where the energy consumption occurs. 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. Data sources include billing, invoices and the Group's internal systems. For some sites, 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 one site, gas data was unavailable for the full January-December period, and so data from the November-October twelve month period was used instead as it likely had similar consumption levels. 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. The value for the intensity ratio was 2 tCO2e per £m sales revenue.

Energy Efficiency Action:
In the period covered by the report, Eleco continued using a hybrid car as the only company car for business travel for Elecosoft UK Ltd's fleet. Smart meters were fitted at the Clifton Street London office.

Mark Castle
ESG Committee Chair
30 March 2022

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

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 continued work on ensuring that it complies with the Code. In this regard, please also see the Corporate Governance Report.

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 28
Corporate governance	Corporate Governance Report	Page 30
Directors' remuneration and interests	Remuneration Committee Report	Page 38
Independent auditor	Audit Committee Report	Page 34
Financial risk management	Review of Principal Risks	Page 16
Going concern	Notes to the Consolidated Financial Statements	Page 64
Group's treasury policies	Notes to the Consolidated Financial Statements	Pages 95 to 100
Research and development activities	Notes to the Consolidated Financial Statements	Page 67
Risk management	Review of Principal Risks	Page 16
Share capital	Notes to the Consolidated Financial Statements	Page 91
Strategic review	Our Software	Page 12

Results for the Year Ended 31 December 2021

The Group profit on ordinary activities before taxation was £3,926,000 (2020: £3,889,000). The detailed financial statements of the Group are set out on pages 58 to 102.

Business Review and Future Development

A review of the Group's operations during the year and its plans for the future are set out in the Chairman's Statement on pages 2 to 4 and the CEO Report on pages 5 to 9.

Dividends

The Directors have recommended a final dividend of 0.40 pence (2020: 0.40 pence). An interim dividend of 0.20 pence was paid on 22 October 2021 (2020: No Interim Dividend).

Share Price

The middle market price of the Company's Ordinary Shares on 31 December 2021 was 92.0 pence and the range during the period under review was 77 pence to 146 pence.

Directors

The current composition of the Board of Directors is shown on pages 28 to 29. Directors who held office during the year were:

- S Lang
- J Hunter
- P Boughton (appointed 23 March 2021)
- A Nabavi (appointed 12 August 2021)
- M Castle (appointed 20 September 2021)
- B Moralee (resigned 26 March 2021)
- A Karlsson (resigned 31 August 2021)
- D Dannhauser (resigned 31 August 2021)
- K Craig (resigned 31 August 2021)
- R Tearle (appointed 29 March 2021, resigned 4 February 2022)

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 on 31 December 2021 were as follows:

	2021	2020
J Hunter	28,361	16,514
S Lang	77,234	–

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	11,882,584	14.29
J H B Ketteley	9,359,957	11.26
J D Lee	5,462,064	6.57
Discretionary Unit Fund Managers*	4,520,781	5.44
IBIM2 Limited	4,120,563	4.96
Tikvah Management	3,905,614	4.70
Janus Henderson Investors**	3,153,443	3.79
P R & Mrs M J Ketteley	3,136,440	3.77
Schroder Investment Capital	2,492,325	3.00

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

Political Donations

The Group did not make any political donations in 2021 (2020: £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 67.

Diversity and Inclusion

The Group 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 to gain feedback.

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.

Directors' Report continued

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.

Our impact on and engagement with our stakeholders is set out in our s.172 Statement on pages 20 to 24.

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 and are required by the AIM Rules of the London Stock Exchange to prepare the Group financial statements in accordance with UK adopted International Accounting Standards 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 UK adopted International Accounting Standards 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;
- for the Group financial statements, state whether they have been prepared in accordance with UK adopted International Accounting Standards within 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; and
- 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

Jonathan Hunter
Chief Executive Officer
30 March 2022

Eleco plc
6 Bevis Marks
London
EC3A 7BA

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 2021 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 UK-adopted International Accounting Standards. 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 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- 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 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.

Summary of our audit approach

Key audit matters	**Group** • Goodwill and other intangible impairment **Parent Company** • None
Materiality	**Group** • Overall materiality: £198,000 (2020: £194,000) • Performance materiality: £148,000 (2020: £145,000) **Parent Company** • Overall materiality: £50,000 (2020: £194,000) • Performance materiality: £37,500 (2020: £145,000)
Scope	Our audit procedures covered 100% of revenue, 100% of total assets and 100% of profit before tax.

Independent Auditor's Report continued

to the members of Eleco plc

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.

Goodwill and other intangibles impairment

Key audit matter description	*Refer to Accounting Policies – Significant accounting judgement and estimates – Impairment of Goodwill, Note 9 – Goodwill, Accounting Policies – Capitalisation of development costs and carrying value and Note 10 – Other Intangible assets* As at 31 December 2021, the Group had Goodwill totalling £15,593k (2020: £15,762k) arising from past acquisitions. Management is required by IAS 36 to test cash generating units ("CGUs") to which goodwill is allocated for impairment on an annual basis. Management has prepared discounted cash flow ("DCF") models to estimate the value in use of each of the Group's CGUs and compare these to the carrying value of the goodwill and other assets allocated to the relevant CGU. The use of DCF models requires management to make estimates involving judgements, including forecasts of revenue, profitability, and the application of appropriate discount rates. Management have prepared their DCF models using a pre-tax discount rate based on weighted average costs of capital ("WACC") ranging from 14.1% to 16.9% (2020: 11.6% to 13.9%). Furthermore, the group had £6,740k (2020: £7,195k) of other intangible assets of which £4,059k (2020: £4,187k) relates to capitalised software product development costs. Management has carried out impairment testing of individual product software / solutions and recognised an impairment loss of £636k (2020: £nil) against one product during the period after comparing its carrying value before impairment and its recoverable amount, being, its value in use, at the year-end date. Given the material nature of the balances, the significant management judgements and estimations involved, and the potential impact on the financial statements, we have determined Goodwill and other intangible asset impairment to be a key audit matter. Furthermore, a significant allocation of audit resources has been used in these areas, including engagement of an auditor expert.

How the matter was addressed in the audit	Our audit approach included: • Obtaining and understanding management's initial assessment of indicators of impairment on individual products. • Auditing management's annual impairment reviews by comparing the value in use to the carrying value of individual products and the value in use of the relevant CGUs to the carrying value of the goodwill and attributable operating assets. • Agreeing the mathematical accuracy and integrity of the calculations. • Consulting with an 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 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 including comparisons of prior year forecasts to actual results. • Considering any evidence of management bias in assumptions used in the annual impairment review. • Challenging management on the assumptions used in their model(s). • Reviewing disclosures in the financial statements.

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:

	Group	Parent company
Overall materiality	£198,000 (2020: £194,000)	£50,000 (2020: £194,000)
Basis for determining overall materiality	5% of profit before tax	5% of net assets (restricted for purposes of providing a Group opinion).
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	£148,000 (2020: £145,000)	£37,500 (2020: £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 £9,920 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £2,500 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

Independent Auditor's Report continued

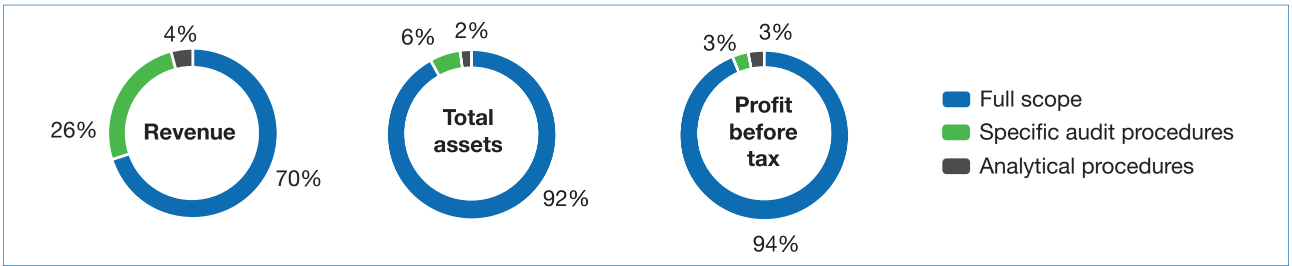
to the members of Eleco plc

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 on Eleco Plc and its non-dormant UK (other than Integrated Computing & Office Networking Limited ("ICON")) and non-dormant Swedish subsidiaries. Specified procedures were performed on the German subsidiaries and analytical review procedures were carried out on the ICON, US and Dutch subsidiaries for the purposes of the Group audit.

Specific audit procedures were performed on components which are not financially significant by size but include significant risks and 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.

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.

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:

- Obtaining, reviewing and evaluating management's 18-month cash flow forecasts to June 2023, including challenging the assumptions made by management.
- Checking the arithmetic accuracy of the forecasts that form the basis of the directors' going concern assessment.
- Corroborating the cash balance that is used as the starting point for the forecasts by confirming to bank confirmations and obtaining an updating cash position subsequent to the balance sheet date.
- Agreeing the Group's main external debt as fully repaid pre-year end to confirmations and repayments to the bank statement.
- Auditing the disclosures in the financial statements in respect of going concern.

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.

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.

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.

Independent Auditor's Report continued

to the members of Eleco plc

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 50, 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:
UK-adopted IAS, 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 external tax advisors Inspection of correspondence with local tax authorities 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	Obtaining an understanding of the processes and controls around revenue recognition. Transactions posted to nominal ledger codes outside of the normal revenue cycle were identified using a data analytic tool and investigated. **Cut-off testing.** Testing of deferred income to ensure revenues related to the next accounting period have been appropriate deferred.
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. 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.

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

30 March 2022

Consolidated Income Statement

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Continuing operations			
Revenue	1, 2	**27,344**	25,232
Cost of sales		**(2,754)**	(2,529)
Gross profit		**24,590**	22,703
Amortisation and impairment of intangible assets	2, 3, 10	**(2,361)**	(1,658)
Former Directors' payments	3	**(69)**	(328)
Other administrative expenses		**(18,061)**	(16,566)
Administrative expenses	3	**(20,491)**	(18,552)
Operating profit	2, 3	**4,099**	4,151
Finance cost	5	**(173)**	(262)
Profit before tax		**3,926**	3,889
Tax	6	**(1,195)**	(726)
Profit for the financial period		**2,731**	3,163
Attributable to:			
Equity holders of the parent		**2,731**	3,163
Earnings per share – (pence per share)			
Basic	8	**3.3p**	3.9p
Diluted	8	**3.3p**	3.9p

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2021

	2021 £'000	2020 £'000
Profit for the period	**2,731**	3,163
Other comprehensive income:		
Items that will be reclassified subsequently to profit or loss:		
Translation differences on foreign operations	**(258)**	193
Other comprehensive (loss)/income net of tax	**(258)**	193
Total comprehensive income for the period	**2,473**	3,356
Attributable to:		
Equity holders of the parent	**2,473**	3,356

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	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
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
Other comprehensive income:							
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
Dividends	–	–	–	–	–	(493)	(493)
Share-based payments	–	–	–	–	81	–	81
Elimination of exercised share-based payments	–	–	–	–	(83)	83	–
Issue of share capital	7	253	–	–	–	–	260
Transactions with owners	7	253	–	–	(2)	(410)	(152)
Profit for the period	–	–	–	–	–	2,731	2,731
Exchange differences on translation of net investments in foreign operations	–	–	–	(270)	–	12	(258)
Other – reserve reclassifications	–	(29)	–	(1)	(1)	32	1
Total comprehensive income for the period	–	(29)	–	(271)	(1)	2,775	2,474
At 31 December 2021	**832**	**2,406**	**1,002**	**(279)**	**(5)**	**19,890**	**23,846**

Consolidated Balance Sheet

At 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Goodwill	9	15,593	15,762
Other intangible assets	10	6,554	7,195
Property, plant and equipment	11	717	651
Right-of-Use assets	22	1,728	2,208
Deferred tax assets	19	65	85
Total non-current assets		24,657	25,901
Current assets			
Inventories	13	16	23
Trade and other receivables	14	4,277	3,911
Current tax assets		216	90
Cash and cash equivalents		10,055	10,668
Total current assets		14,564	14,692
Total assets		39,221	40,593
Current liabilities			
Borrowings	16	(45)	(1,647)
Lease liabilities	16, 22	(471)	(582)
Trade and other payables	15	(1,793)	(1,660)
Provisions	17	(10)	(125)
Current tax liabilities		–	–
Accruals and deferred income	18	(9,689)	(8,880)
Total current liabilities		(12,008)	(12,894)
Non-current liabilities			
Borrowings	16	(56)	(2,867)
Lease liabilities	16, 22	(1,464)	(1,850)
Deferred tax liabilities	19	(1,806)	(1,417)
Non-current provisions	17	(41)	(41)
Total non-current liabilities		(3,367)	(6,175)
Total liabilities		(15,375)	(19,069)
Net assets		23,846	21,524
Equity			
Share capital	20	832	825
Share premium account		2,406	2,182
Merger reserve		1,002	1,002
Translation reserve		(279)	(8)
Other reserve		(5)	(2)
Retained earnings		19,890	17,525
Equity attributable to shareholders of the parent		23,846	21,524

The financial statements of Eleco plc, registered number 00354915, on pages 58 to 102 were approved by the Board of Directors on 30 March 2022 and signed on its behalf by:

Jonathan Hunter
Chief Executive Officer

Consolidated Statement of Cash Flows

for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit before tax		**3,926**	3,889
Net finance costs		**173**	262
Depreciation charge		**722**	866
Amortisation and impairment charge		**2,361**	1,658
Profit on sale of property, plant and equipment		**(7)**	(16)
Share-based payments charge		**81**	131
Cash generated in operations before working capital movements		**7,256**	6,790
Decrease in provisions		**(115)**	(17)
(Increase)/decrease in trade and other receivables		**(366)**	428
Decrease in inventories and work in progress		**7**	23
Increase in trade and other payables and accruals and deferred income		**942**	914
Cash generated in operations		**7,724**	8,138
Interest paid		**(124)**	(206)
Net income tax paid		**(903)**	(785)
Net cash inflow from operating activities		**6,697**	7,147
Investing activities			
Additions of intangible assets		**(1,727)**	(1,603)
Purchase of property, plant and equipment		**(279)**	(99)
Proceeds from sale of property, plant, equipment and intangible assets		**60**	71
Net cash outflow from investing activities		**(1,946)**	(1,631)
Financing activities			
Repayment of bank loans	16	**(4,447)**	(1,647)
Repayments of principal of lease liabilities	22	**(650)**	(761)
Equity dividends paid		**(493)**	–
Issue of share capital		**260**	–
Net cash (outflow) from financing activities		**(5,330)**	(2,408)
Net (decrease)/increase in cash and cash equivalents		**(579)**	3,108
Cash and cash equivalents at beginning of period		**10,668**	7,236
Effects of changes in foreign exchange rates		**(34)**	324
Cash and cash equivalents at end of period		**10,055**	10,668
Cash and cash equivalents comprise:			
Cash and short-term deposits		**10,055**	10,668
		10,055	10,668

Significant Accounting Policies

Eleco plc is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The Company is limited by shares and the registered number is 00354915. The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group"). The consolidated and parent company financial statements were authorised for issuance on 30 March 2022.

The address of the registered office is given on page 119. The nature of the Group's operations and its principal activities are set out in the Chairman's Statement on pages 2 to 4, CEO Report on pages 5 to 9 and Directors' Report on pages 48 to 50.

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 UK-adopted international accounting standards and the Companies Act 2006.

There were no new accounting standards effective for the year ended 31 December 2021.

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 – Estimate

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 an estimate of the expected future cash flows from the cash-generating unit to which goodwill has been allocated 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.

Significant Accounting Policies continued

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.

C. Going concern

The Group has continued to monitor the consequences of Covid-19 and Brexit and the wider macro economic environment in 2021. The Group continues to monitor and mitigate the risks and has taken this into account in assessing the going concern position.

The Board is taking reasonable measures to consider likely factors to affect the ability of the Group to continue as a Going Concern. 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.

The Group continues to demonstrate strong cash generation from operations closely reflecting its EBITDA performance. Our positive operating cash flow during the period has allowed the Company to repay the entirety of its loan facility of £4,400,000 and to grow its net cash position to £9,954,000 (2020: £6,154,000). The remaining bank debt of £0.1m in our German subsidiary was repaid in February 2022 leaving the Group debt free. The Group has both cash and undrawn credit facilities available and headroom comprising £1.0m bank overdraft facility (2020: £5.4m bank loan and overdraft facility) to support its business operations.

The Group regularly updates its budget and forecasts to take account of trading performance and the change in market conditions and the continuing trend towards subscription pricing, which continue to demonstrate the Group's ability to generate sufficient liquidity. The Group is continuing to build on its recurring revenue and the current liabilities includes a substantial and increasing deferred income balance.

Notwithstanding the Group has net current assets of £2,556,000 at 31 December 2021 (2020: £1,798,000) these amounts are after deferred income of £7,086,000 (2020: £6,393,000) relating to annual maintenance contracts which are non-refundable. These annual 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. 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'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 (2020: 56 per cent) of the Group's revenue is from recurring revenue contracts.

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.

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.

Significant Accounting Policies continued

E. Revenue recognition continued

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.
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	Benefits associated with consulting services are considered to have passed to the customer upon consulting hours being worked. Revenue is therefore recognised in line with delivery of consulting.
Training	Benefits associated with training services 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 Income in respect of contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these as Deferred Income 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.

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.

Significant Accounting Policies continued

J. Intangible assets continued

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.

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:

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 assessed for impairment when such indicators exist 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.

Lease liabilities

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.

Significant Accounting Policies continued

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.

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 only basic financial assets measured at amortised cost which are held for collecting contractual associated cash flows. These are initially recognised at fair value and subsequently 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.

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.

Significant Accounting Policies continued

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.

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 impact of adoption of these standards is not expected to give rise to a material impact to the Group.

1. Revenue

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

	2021 £'000	2020 £'000
Licence sales	5,913	5,442
Recurring maintenance, support and subscription revenue	15,424	14,186
Services income	6,007	5,604
Total revenue	**27,344**	25,232

Revenue recorded in the year includes £6.4m (2020: £5.9m) 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 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.

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:

	2021 £'000	2020 £'000
UK	10,446	9,470
Scandinavia	6,550	6,080
Germany	4,911	4,858
USA	1,030	890
Rest of Europe	3,916	3,538
Rest of World	491	396
	27,344	25,232

Notes to the Consolidated Financial Statements

1. Revenue continued

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

Revenue by product group is as follows:

	2021 £'000	2020 £'000
Software for:		
Building Lifecycle	17,650	15,897
CAD and Visualisation	7,997	7,771
Other – third party software	1,697	1,564
	27,344	25,232

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:

	2021 £'000	2020 £'000
Direct	26,068	24,000
Reseller	1,276	1,232
	27,344	25,232

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.

	2021 Software £'000	2020 Software £'000
Revenue	**27,344**	25,232
Adjusted EBITDA	**7,251**	7,003
Amortisation and impairment of purchased intangible assets	**(1,786)**	(1,068)
Depreciation	**(722)**	(866)
Adjusted operating profit	**4,743**	5,069
Amortisation of acquired intangible assets	**(575)**	(590)
Former Directors' payments	**(69)**	(328)
Operating profit	**4,099**	4,151
Net finance cost	**(173)**	(262)
Segment profit before tax	**3,926**	3,889
Tax	**(1,195)**	(726)
Segment profit after tax	**2,731**	3,163
Operating profit	**4,099**	4,151
Amortisation and impairment of intangible assets	**2,361**	1,658
Depreciation charge	**722**	866
EBITDA	**7,182**	6,675
Former Directors' payments	**69**	328
Adjusted EBITDA	**7,251**	7,003

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 2021 are explained in the Financial Review on pages 25 to 27 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

	2021 Software £'000	2020 Software £'000
Group assets and liabilities		
Segment assets	**39,221**	40,593
Total Group assets	**39,221**	40,593
Segment liabilities	**15,375**	19,069
Total Group liabilities	**15,375**	19,069

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:

	2021 £'000	2020 £'000
UK	**14,780**	14,967
Scandinavia	**6,759**	7,737
Germany	**3,072**	3,146
USA	**2**	3
Rest of Europe	**44**	48
Rest of World	**–**	–
	24,657	25,901

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 (2020: 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:

	2021 £'000	2020 £'000
Software product development expense	1,660	1,590
Depreciation of property, plant and equipment	213	220
Depreciation of right-of-use assets	509	646
Amortisation of acquired intangible assets	575	590
Amortisation of other intangible assets	1,150	1,068
Impairment of other intangible assets	636	–
Share-based payments	81	131
Employer furlough scheme repayments/(credits)	135	(150)
Profit on disposal of property, plant and equipment	(7)	(16)
Foreign exchange losses/(gains)	127	(34)
Fees payable to the Company's auditor for:		
The audit of the parent company and consolidated financial statements	83	70
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries	104	94
Other services	8	7
Operating lease rentals:		
Plant, equipment and vehicles	13	30
Properties	68	13
Former Directors' payments	69	328

4. Employee information

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

	2021 Number	2020 Number
Sales & marketing	57	56
Client services	76	78
Software development	69	68
Management and administration	43	44
	245	246

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

	2021 £'000	2020 £'000
Wages and salaries	11,145	11,350
Social security	1,985	2,002
Pension costs	648	547
Share-based payments	81	131
	13,859	14,030
Less: Development staff costs capitalised	(1,578)	(1,602)
	12,281	12,428

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 J.

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

	2021 £'000	2020 £'000
Short-term employee benefits	**994**	974
Post-employment benefits	**58**	52
Former Directors' benefits	**69**	304
Executive Directors	**1,121**	1,330
Share based payment charge	**123**	112
Employers NI	**134**	191
Total remuneration to key management personnel	**1,378**	1,633
Fees – Non-Executive Directors	**165**	132

	2021	2020
Number of Directors exercised options	**–**	–
Number of options issued to the Directors ('000)	**700**	1,050
Gain made in exercise of options (£000)	**–**	–

The emoluments and share based payments of the highest paid Director totalled £426,000 (2020: £525,000).

The remuneration of the Non-Executive Directors is determined by the Board. The Non-Executive Directors are engaged through service contracts and each is appointed for an initial term of three years, which may thereafter be renewed. The Company has chosen for all directors to stand for annual re-election at each year's AGM. The Non-Executive Directors do not participate in any of the Group's share-based incentive or pension schemes. Share options currently held by Serena Lang were granted to her during her tenure as Executive Chairman. Further details of Directors emoluments are shown on page 41 of the Remuneration Committee Report.

5. Finance cost

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

	2021 £'000	2020 £'000
Finance costs:		
Bank overdraft and loan interest	**(110)**	(191)
Interest expense for leasing arrangements	**(63)**	(71)
Total finance cost	**(173)**	(262)

6. Taxation

(a) Tax on profit on ordinary activities

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

	2021 £'000	2020 £'000
Current tax:		
UK corporation tax on profits of the year	433	371
Tax adjustments in respect of previous years	–	(25)
	433	346
Foreign tax	329	362
Total current tax	762	708
Deferred tax:		
Origination and reversal of temporary differences	8	(19)
Change in tax rates	370	–
Tax adjustments in respect of previous years	55	37
Total deferred tax	433	18
Tax charge in the income statement	1,195	726

Income tax for the UK has been calculated at the weighted average rate of UK corporation tax of 19 per cent (2020: 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 Finance Bill 2021, substantively enacted the rate from 1 April 2023 to 25 per cent, rather than the previously enacted reduction to 19 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 (2020: 19 per cent) for the period under review. The reconciliation is explained below:

	2021 £'000	2020 £'000
Profit on continuing operations before tax	3,926	3,889
Tax calculated at the average standard rate of UK corporation tax of 19% (2020: 19%) applied to profits before tax	746	739
Effects of:		
Expenses not deductible for tax purposes	125	67
Research & development tax relief	(71)	(48)
Prior year adjustments	11	(25)
Tax rate differences in foreign jurisdictions	394	(15)
Other differences	(10)	8
Continuing operations tax charge for the year	1,195	726

(c) Unrecognised tax losses

The Group has tax losses of £1,623,000 (2020: £1,623,000) arising in the UK. The potential deferred tax asset not recognised in respect of losses in UK subsidiaries is £405,000 (2020: £314,000). 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

Dividends paid in the year were 0.40 pence per ordinary share (2020: nil pence per ordinary share).

Cash dividends of £493,000 (2020: £nil) were paid during the year:

Ordinary Shares	2021 pence per share	2020 pence per share	2021 £'000	2020 £'000
Declared and paid during the year				
Interim – current year	0.20	–	164	–
Final – previous year	0.40	–	329	–
	0.60	–	493	–

The Directors have recommended a final dividend of 0.40 pence (2020: 0.40 pence). The dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements.

8. Basic and diluted earnings per share

	2021			2020		
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	2,731	82.0	3.3	3,163	81.4	3.9
Diluted earnings per share	2,731	82.9	3.3	3,163	82.0	3.9
Adjusted basic earnings per share	3,253	82.0	4.0	3,907	81.4	4.8

In determining the diluted earnings per share the dilutive impact of share options on weighted average number of shares was included.

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

	2021 £'000	2020 £'000
Cost:		
As at 1 January	**15,762**	15,598
Exchange differences	**(169)**	164
As at 31 December	**15,593**	15,762
Impairment:		
At 1 January and 31 December	**–**	–
Net book value	**15,593**	15,762

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:

	2021 £'000	2020 £'000
Elecosoft UK*	**8,703**	4,804
Asta Development Germany	**227**	242
Elecosoft Sweden	**4,438**	4,493
Elecosoft Netherlands	**20**	21
Eleco Software Germany	**336**	336
ESIGN Software Germany	**–**	370
Elecosoft ICON	**–**	1,225
Elecosoft Shire System	**–**	2,674
Active Online Germany	**–**	1,597
Veeuze Germany**	**1,869**	–
	15,593	15,762

* Elecosoft UK is represented as a combined CGU following the transfer to it of trade and assets of Elecosoft ICON and Elecosoft Shire System from 1 January 2022.

** Veeuze Germany is shown as a combined CGU following the merger of Active Online Germany and ESIGN Software Germany from 1 January 2022.

As the value in use calculations use forecasts and Budgets of the combined businesses then the goodwill values above have been derived on that basis.

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 4 to 10 per cent (2020: 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:

	2021		2020	
CGU	Pre-tax discount rate	Nominal long-term growth rate	Pre-tax discount rate	Nominal long-term growth rate
Elecosoft UK	14.6%	0.30%	12.0%	0.01%
Asta Development Germany	16.9%	0.40%	13.9%	0.60%
Elecosoft Sweden	15.0%	0.50%	12.3%	0.40%
Elecosoft Netherlands	14.1%	0.40%	11.6%	0.50%
Eleco Software Germany	16.9%	0.40%	13.9%	0.60%
Veeuze Germany	16.9%	0.40%	13.9%	0.60%

These budgets and strategic plans cover a five-year period. The growth rates used to extrapolate the cash flows beyond this period ranges between 0.30 per cent and 0.50 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 2020	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
Additions	–	149	149
Additions – internal development	–	1,578	1,578
Disposals	–	(48)	(48)
Transfers	–	(27)	(27)
Exchange differences	(2)	2	–
At 31 December 2021	**7,147**	**10,348**	**17,495**
Accumulated amortisation and impairment:			
At 1 January 2020	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
Amortisation charge for the year	324	1,401	1,725
Impairment charge for the year	–	636	636
Disposals	–	(48)	(48)
Transfers	–	(27)	(27)
Exchange differences	1	6	7
At 31 December 2021	**4,466**	**6,475**	**10,941**
Net book value:			
At 31 December 2020	3,008	4,187	7,195
At 31 December 2021	**2,681**	**3,873**	**6,554**

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.

10. Other intangible assets continued

Additions in the year represent purchased intangible assets of £149,000 (2020: £1,000) and internal development costs capitalised of £1,578,000 (2020: £1,602,000). 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 25 to 27.

Amortisation charges are shown separately on the Consolidated Income Statement.

An impairment review of internally generated intangibles is carried out when there is indication of impairment. Some impairment indicators are shown below but are not limited to:

- Fall in revenue and product profitability
- Decline in marketability of a product
- Obsolescence of a product.

The recoverable amount for each asset was determined using a value in use calculation based upon management forecasts for the performance of the development project.

An impairment charge of £636,000 (2020: £nil) was recorded in the year in respect of an internally developed software product following a review of their recoverable amount which was £nil at the Balance Sheet date. This included in amortisation and impairment of intangible assets within the Consolidated Income Statement.

The value in use calculations were based on:

- Budget cashflows for the 2022 financial year
- Extrapolated cash flow forecasts over the 5 year period of assessment
- Less estimated annual capital expenditure required to maintain the development project
- A post-tax discount rate of 11.8 per cent applied to the cash flow projections.

Notes to the Consolidated Financial Statements continued

11. Property, plant and equipment

	Leasehold buildings £'000	Plant, equipment and vehicles £'000	Total £'000
Cost:			
At 1 January 2020	560	1,057	1,617
Additions	36	63	99
Disposals	(17)	(205)	(222)
Transfers	–	–	–
Exchange differences	20	39	59
At 31 December 2020	599	954	1,553
Additions	10	268	278
Disposals	–	(1)	(1)
Transfers	–	–	–
Exchange differences	(22)	(21)	(43)
At 31 December 2021	**587**	**1,200**	**1,787**
Accumulated depreciation and impairment:			
At 1 January 2020	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
Depreciation charge for the year	40	173	213
Disposals	–	(1)	(1)
Transfers	–	–	–
Exchange differences	(22)	(22)	(44)
At 31 December 2021	**205**	**865**	**1,070**
Net book value:			
At 31 December 2020	412	239	651
At 31 December 2021	**382**	**335**	**717**

Included in plant, equipment and vehicles is £122,000 (2020: £nil) in respect of assets under construction.

12. Capital commitments

Capital expenditure commitments of £nil (2020: £nil) have been placed with suppliers at 31 December 2021.

13. Inventories

	2021 £'000	2020 £'000
Finished goods	16	23
	16	23

At 31 December 2021 the Group's inventory provisions were £nil (2020: £nil).

14. Trade and other receivables

	2021 £'000	2020 £'000
Gross trade receivables	3,730	3,455
Provision for credit losses	(102)	(66)
Net trade receivables	3,628	3,389
Other receivables	99	82
Prepayments and accrued income	550	440
	4,277	3,911

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 in line with historic payment patterns for Eleco's customer base where a significant number are repeat purchasers and pass the Elecos credit check process. The average credit period taken on the sales of goods and services is 41 days (2020: 42 days). No interest is charged on past due trade receivables (2020: £nil).

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

	2021 £'000	2020 £'000
Sterling	1,524	1,596
Euro	1,134	1,028
Swedish Krona	1,364	1,123
US Dollar	205	112
Other	50	52
	4,277	3,911

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

	2021 £'000	2020 £'000
At 1 January	(66)	(73)
Written off as uncollectable	33	24
Recovered during the period	–	–
Provided against during the period	(75)	(12)
Exchange	6	(5)
At 31 December	(102)	(66)

Notes to the Consolidated Financial Statements continued

15. Trade and other payables

	2021 £'000	2020 £'000
Trade payables	**637**	558
Other taxation and social security	**730**	708
Other liabilities	**426**	394
	1,793	1,660

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 36 days (2020: 36 days). The Directors consider that the carrying amount of trade payables approximates to their fair value.

16. Borrowings

	2021 £'000	2020 £'000
Current liabilities:		
Bank loans	**45**	1,647
Lease liabilities	**471**	582
	516	2,229
Non-current liabilities:		
Bank loans	**56**	2,867
Lease liabilities	**1,464**	1,850
	1,520	4,717
Total loans and borrowings	**2,036**	6,946
Cash and cash equivalents	**(10,055)**	(10,668)
Net (cash)/borrowings	**(8,019)**	(3,722)

The UK banking facilities are with Barclays Bank plc and the Group facilities comprise a £1.0m overdraft facility, carrying an interest rate of 2.75 per cent over base rate (undrawn at 2021 and 2020).

The UK term loan facility with Barclays Bank plc was paid off during the year.

16. Borrowings continued

Included in bank loans is an outstanding loan of £101,000 (2020: £154,000) in a German subsidiary company. The loan is secured against the freehold property in the Germany subsidiary company. This loan was paid off in full in February 2022.

The bank loans and overdrafts are repayable as follows:

	2021 £'000	2020 £'000
In one year or less	45	1,647
Between one and two years	56	1,647
Between two and five years	–	1,220
	101	4,514

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

	2021 £'000	2020 £'000
At 1 January 2021	166	183
Charge/(credit) to the income statement	(98)	30
Utilised in the year	(17)	(47)
At 31 December 2021	51	166
Current liabilities	10	125
Non-current liabilities	41	41
	51	166

Provisions principally relate to reorganisation costs following the disposal of the former ElecoBuild businesses and the expected ongoing cost of the professional indemnity run off insurance premiums relating to the former ElecoBuild businesses.

Notes to the Consolidated Financial Statements continued

18. Accruals and Deferred Income

	2021 £'000	2020 £'000
Accruals	**2,603**	2,487
Deferred income	**7,086**	6,393
	9,689	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.

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 2020	38	79	1	118	(1,167)	(4)	(236)	(1,407)
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)
Credit/(charge) to the income statement	–	(20)	–	(20)	(354)	(2)	(56)	(412)
Exchange differences	–	–	–	–	–	–	23	23
At 31 December 2021	**(1)**	**65**	**1**	**65**	**(1,499)**	**(5)**	**(302)**	**(1,806)**

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 £405,000 (2020: £314,000) 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.

20. Called up share capital

	No. of shares	2021 Nominal Value £'000	No. of shares	2020 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	**82,464,650**	**825**	82,239,650	822
Issue of Ordinary Shares	**690,000**	**7**	225,000	3
At end of year	**83,154,650**	**832**	82,464,650	825

The increase in called up and fully paid share capital in the year was in respect of the exercise of share options and the related issuance of 690,000 shares of nominal value 1 pence at a premium of £253,000.

21. Share-based payments

The Company operates one share scheme and options outstanding at 31 December 2021 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)
9 August 2017	500,000	1 May 2020	8 August 2027	5.6
18 May 2020	650,000	31 May 2023	31 May 2030	8.4
12 November 2020	250,000	31 May 2023	12 November 2030	8.9
23 February 2021	600,000	1 March 2024	23 February 2031	9.2
	2,000,000			8.0

Share awards were made under the Company's Long Term Incentive Plan ("LTIP") during the year amounting to 700,000 shares at an exercise price of 100.4 pence per share.

700,000 options were granted during 2021 (2020: 1,050,000). During the year 100,000 options relating to 2021 issue had been forfeited and 150,000 options relating to 2020 issue were forfeited.

The options awarded during 2020 amounted 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.

Half of the options award of 800,000 shares 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 the 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

Notes to the Consolidated Financial Statements continued

21. Share-based payments continued

(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.

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.

Half of the options award of 250,000 shares 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 the 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) 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, 50 per cent 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 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.

21. Share-based payments continued

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

	2021		2020	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of the year	**2,240,000**	**56.6**	1,415,000	42.0
Granted during the year	**700,000**	**100.4**	1,050,000	74.4
Exercised during the year	**(690,000)**	**35.7**	(225,000)	48.0
Forfeited during the year	**(250,000)**	**74.3**	–	–
Outstanding at the end of the year	**2,000,000**	**76.9**	2,240,000	56.6
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 2021 was £81,000 (2020: £131,000).

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

	2021	2020
Share price at grant date	**97.5p**	72.5p
Exercise price per share	**100.4p**	74.3p
Per cent expected to vest (at date of grant)	**98%**	98%
Expected life (years)	**5.0**	5.0
Dividend yield	**0.53%**	0.39%
Share price volatility	**36%**	36%
Fair value per option	**38.0p**	27.6p

Notes to the Consolidated Financial Statements continued

22. Right-of-Use assets

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 £655,000 (2020: £769,000) and additional depreciation costs of £509,000 (2020: £646,000) and finance costs payable of £63,000 (2020: £71,000). 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

	2021 £'000	2020 £'000
Properties	**1,400**	1,747
Motor vehicles	**328**	435
Other plant and equipment	**–**	26
	1,728	2,208

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 2020	1,511	513	24	2,048
Additions and measurements	534	134	39	707
Disposals	–	(56)	–	(56)
Exchange difference	116	38	1	155
Depreciation charge for the year	(414)	(194)	(38)	(646)
At 31 December 2020	1,747	435	26	2,208
Additions and measurements	116	120	–	236
Disposals	–	(84)	–	(84)
Exchange difference	(91)	(31)	(1)	(123)
Depreciation charge for the year	(373)	(111)	(25)	(509)
At 31 December 2021	**1,399**	**329**	**–**	**1,728**

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 2020	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 difference	135	40	(2)	173
At 31 December 2020	1,965	444	23	2,432
Additions	116	120	–	236
Interest charge	52	11	–	63
Interest income on lease liabilities	–	(5)	–	(5)
Lease payments	(423)	(201)	(26)	(650)
Exchange difference	(108)	(32)	(1)	(141)
At 31 December 2021	**1,602**	**337**	**(4)**	**1,935**

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:

	2021 £'000	2020 £'000
Financial assets at amortised cost:		
Cash and cash equivalents	**10,055**	10,668
Trade and other receivables	**3,727**	3,472
Loans and receivables	**13,782**	14,140
Financial liabilities at amortised cost:		
Trade and other payables	**1,063**	952
Bank loans and overdrafts	**100**	4,514
Accruals	**2,603**	2,487
Non-current liabilities	**–**	–
Financial liabilities held at amortised cost	**3,766**	7,953

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

Notes to the Consolidated Financial Statements continued

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		Net financial (assets)/ liabilities
	Floating rate £'000	Total £'000	Floating rate £'000	Total £'000	£'000
Sterling	1,715	1,715	4,183	4,183	2,468
Euro	756	756	3,664	3,664	2,908
Swedish Krona	1,228	1,228	4,770	4,770	3,542
US Dollar	5	5	1,056	1,056	1,051
South African Rand	6	6	44	44	38
Other	–	–	67	67	67
At 31 December 2021	**3,710**	**3,710**	**13,784**	**13,784**	**10,074**
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

There are no fixed interest rate financial assets.

The Group finances its operations through a mixture of retained profits and a bank overdraft. The interest rate on 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	–	486	–	837	36	1,359
Euro	–	–	–	–	–	–
Swedish Krona	–	279	–	76	31	386
At 31 December 2021	**–**	**765**	**–**	**913**	**67**	**1,745**
Sterling	–	380	–	719	9	1,108
Euro	–	–	–	–	–	–
Swedish Krona	–	233	–	65	48	346
At 31 December 2020	–	613	–	784	57	1,454

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 £173,000 (2020: £262,000). 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 18 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 £371,000 lower (2020: £310,000) if Sterling strengthened by 10 per cent and £409,000 higher (2020: £341,000) if Sterling weakened by 10 per cent.

	Net financial (assets)/liabilities:			Profit/(loss)		Equity	
Effect of change in Sterling +/-10%	2021 £'000	Rate +10% £'000	Rate -10% £'000	Rate +10% £'000	Rate -10% £'000	Rate +10% £'000	Rate -10% £'000
Denominated in Sterling	**(2,468)**	**–**	**–**	**–**	**–**	**–**	**–**
Not denominated in Sterling	**(7,606)**	**691**	**(761)**	**(132)**	**145**	**(373)**	**411**
Total net financial liabilities	**(10,074)**	**691**	**(761)**	**(132)**	**145**	**(373)**	**411**

	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

Notes to the Consolidated Financial Statements continued

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 • 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.

	2021	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	**(173)**	**(46)**	**(46)**	**(46)**	**46**	**46**	**46**

	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

(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	1,793	1,793	–	–	–	–
Bank loans and overdraft	101	–	–	45	45	11
Lease liabilities	1,935	22	23	426	75	1,389
At 31 December 2021	**3,829**	**1,815**	**23**	**471**	**120**	**1,400**
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

The amounts for bank loans, overdraft and lease liabilities are inclusive of interest payable in the period. The Group's overdraft facilities with Barclays Bank plc are explained on note 16.

At 31 December, the Group had available to it the following committed borrowing facilities expiring in the periods shown. As at 31 December 2021 the loan facilities were fully paid and overdraft facilities were not utilised.

	2021 £'000	2020 £'000
Expiring in one year or less	**45**	1,647
Expiring between one and two years	**56**	1,647
Expiring between two and five years	**–**	1,220
	101	4,514

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:

	2021 £'000	2020 £'000
UK	1,170	1,280
Germany	580	494
Scandinavia	1,079	1,111
USA	284	133
Rest of Europe	464	315
Rest of World	153	122
	3,730	3,455

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.

(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 were tested quarterly through the year ended 31 December 2021.

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 2021, the continuing operations adjusted EBITDA for the year was £7,251,000 (2020: £7,003,000) and the net bank cash position was £9,954,000 before lease liabilities (2020: net bank cash position £6,154,000).

Notes to the Consolidated Financial Statements continued

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 2021	**2,867**	**1,647**	**2,432**	**6,946**
Cash flows:				
– Repayment	(2,800)	(1,647)	(650)	(5,097)
– Additions	–	–	228	228
Non-cash:				
– Acquisition	–	–	–	–
– Fair value	–	–	–	–
– Reclassification	(11)	45	(75)	(41)
At 31 December 2021	**56**	**45**	**1,935**	**2,036**

	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)
– Additions	–	–	741	741
Non-cash:				
– Acquisition	–	–	–	–
– Fair value	–	–	–	–
– Reclassification	24	2	203	229
At 31 December 2020	2,867	1,647	2,432	6,946

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 2021 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 key management personnel are the Directors who are listed on page 49 of the Directors Report.

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

An amount of £58,697 (2020: £71,667) 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: £3,750) for a contribution to the office costs at Burnham-on-Crouch. There was £6,197 outstanding at 31 December 2021 (2020: £nil). JHB Ketteley was a former Director of the Company and is a Director of JHB Ketteley & Co Limited.

25. Related party transactions continued

The Company vacated their office at 66 Clifton Street, London, EC2A 4HB during the year. The final settlement on dilapidations was £33,250 and settled in March 2022.

An amount of £4,500 (2020: £14,400) was paid to Political Lobbying & Media Relations Ltd (PLMR) in respect of training costs, the costs for 2020 related to website development costs. There were no amounts outstanding at 31 December 2021 (2020: £nil). K Craig was a former Director of the Company and is a Director of PLMR.

26. Additional performance measures

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Operating profit	4,099	4,151
Acquisition related expenses	-	–
Former Directors' payments	69	328
Amortisation of acquired intangible assets	575	590
Adjusted operating profit	4,743	5,069
Profit before tax	3,926	3,889
Acquisition related expenses	–	–
Former Directors' payments	69	328
Amortisation of acquired intangible assets	575	590
Adjusted profit before tax	4,570	4,807
Tax charge	(1,195)	(726)
Acquisition related expenses	–	–
Former Directors' payments	(13)	(62)
Amortisation of acquired intangible assets	(109)	(112)
Adjusted tax charge	(1,317)	(900)
Profit after tax	2,731	3,163
Acquisition related expenses	–	–
Former Directors' payments	56	266
Amortisation of acquired intangible assets	466	478
Adjusted profit after tax	3,253	3,907
Cash generated in operations	7,724	8,138
Purchase of intangible assets	(1,727)	(1,603)
Purchase of property, plant and equipment	(279)	(99)
Acquisition related expenses	–	–
Former Directors' payments	69	328
Adjusted operating cash flow	5,787	6,764
Adjusted operating cash flow	5,787	6,764
Net interest paid	(124)	(206)
Tax paid	(903)	(785)
Proceeds from disposal of PPE	60	71
Acquisition related expenses	-	–
Former Directors' payments	(69)	(328)
Free cashflow	4,751	5,516

Notes to the Consolidated Financial Statements continued

27. Post-balance sheet events

With effect from 1 January 2022 the trade and assets of Integrated Computing and Office Networking Limited and Shire Systems Limited were transferred to Elecosoft UK Limited.

With effect from 1 January 2022 ESIGN GmbH and ActiveOnline GmbH were merged under one German trading company Veeuze GmbH.

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	
	2021	2020	**2021**	2020
Swedish Krona to Sterling	**11.80**	11.84	**12.23**	11.22
Euro to Sterling	**1.16**	1.13	**1.19**	1.12
US Dollar to Sterling	**1.37**	1.30	**1.35**	1.37

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 £nil (2020: £150,000) during the year ended 31 December 2021.

Given the underlying performance of Eleco for the year, 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.

Company Statement of Changes in Equity

for the year ended 31 December 2021

	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2020	**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**
Dividends	–	–	–	–	(493)	(493)
Share-based payments	–	–	–	57	–	57
Elimination of exercised share-based payments	–	–	–	(83)	83	–
Issue of share capital	7	253	–	–	–	260
Transactions with owners	7	253	-	(26)	(410)	(176)
Profit for the period	–	–	–	–	609	609
Exchange differences on translation of net investments in foreign operations	–	–	–	80	–	80
Other – reserve classifications	–	(29)	–	(28)	27	(30)
Total comprehensive income for the period	–	(29)	-	52	636	659
At 31 December 2021	**832**	**2,406**	**1,002**	**83**	**7,511**	**11,834**

Company Balance Sheet

At 31 December 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	3	**88**	30
Tangible assets	4	**127**	20
Investments	5	**6,546**	6,546
Debtor due after more than one year	6	**18,085**	20,218
		24,846	26,814
Current assets			
Debtors	7	**3,572**	1,773
Cash at bank and in hand		**1,769**	1,696
		5,341	3,469
Creditors: amounts falling due within one year	8	**(18,302)**	(16,006)
Provisions for liabilities	10	**(51)**	(166)
Net current liabilities		**(13,012)**	(12,703)
Total assets less current liabilities		**11,834**	14,111
Creditors: amounts falling due after more than one year	9	**–**	(2,760)
Net assets		**11,834**	11,351
Capital and reserves			
Called up share capital	11	**832**	825
Share premium account		**2,406**	2,182
Merger reserve		**1,002**	1,002
Other reserve	13	**83**	57
Profit and loss account		**7,511**	7,285
Shareholders' equity		**11,834**	11,351

The parent company's profit for the year was £609,000 (2020: £1,043,000) and total comprehensive income attributable to the equity shareholders was £659,000 (2020: £969,000).

The financial statements of Eleco plc, registered number 00354915, on pages 58 to 102 were approved by the Board of Directors on 30 March 2022 and signed on its behalf by:

Jonathan Hunter
Chief Executive Officer

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.

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.

Assets in the course of construction are carried at cost, less any identified impairment loss. Cost includes professional fees and other directly attributable costs that are necessary to bring the assets to it's operating condition. Depreciation commences when the assets are ready for their intended use.

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.

Statement of Company Accounting Policies continued

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.
Assets under construction	–	not depreciated until available for use

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.

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 £609,000 (2020: £1,043,000).

2. Employee information

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

	2021 Number	2020 Number
Marketing	1	2
Software development	1	-
Management and administration	10	11
	12	13

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

	2021 £'000	2020 £'000
Wages and salaries	1,663	1,400
Social security	141	145
Pension costs	37	36
Share-based payments	57	116
	1,898	1,697

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:

	2021 £'000	2020 £'000
Short-term employee benefits	876	792
Post-employment benefits	32	32
Former Directors' payments	69	304
Executive Directors	977	1,128
Fees – Non-Executive Directors	165	132
	1,142	1,260

	2021	2020
Number of Directors exercised options	–	–
Number of options issued to the Directors ('000)	700	1,050
Gain made in exercise of options (£000)	–	–

The emoluments and share based payments of the highest paid Director totalled £426,000 (2020: £525,000).

The remuneration of the Non-Executive Directors is determined by the Board. The Non-Executive Directors are engaged through service contracts and each is appointed for an initial term of three years, which may thereafter be renewed. The Company has chosen for all directors to stand for annual re-election at each year's AGM. The Non-Executive Directors do not participate in any of the Group's share-based incentive or pension schemes. Share options currently held by Serena Lang were granted to her during her tenure as Executive Chairman.

3. Intangible fixed assets

	Intellectual property £'000
Cost:	
At 1 January 2020	1,301
Additions	–
Disposals	–
At 31 December 2020	1,301
Additions	77
Disposals	–
At 31 December 2021	**1,378**
Accumulated amortisation and impairment:	
At 1 January 2020	1,245
Amortisation charge for the year	26
Disposals	–
At 31 December 2020	1,271
Amortisation charge for the year	19
Disposals	–
At 31 December 2021	**1,290**
Net book value at 31 December 2020	30
Net book value at 31 December 2021	**88**

Notes to the Company Financial Statements continued

4. Tangible fixed assets

	Plant, equipment and vehicles £'000	Total £'000
Cost:		
At 1 January 2020	169	169
Additions	–	–
Disposal	–	–
At 31 December 2020	169	169
Additions	123	123
Disposal	–	–
At 31 December 2021	**292**	**292**
Accumulated depreciation:		
At 1 January 2020	128	128
Depreciation charge for the year	21	21
Disposal	–	–
At 31 December 2020	149	149
Depreciation charge for the year	16	16
Disposal	–	–
At 31 December 2021	**165**	**165**
Net book value at 31 December 2020	20	20
Net book value at 31 December 2021	**127**	**127**

Included in plant, equipment and vehicles is £122,000 (2020: £nil) in respect of assets under construction.

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 2020	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
Disposals	–	–	–
Reclassification	–	–	–
At 31 December 2021	**21,858**	**728**	**22,586**
Accumulated provision:			
At 1 January 2020	20,705	–	20,705
Disposals	(4,665)	–	(4,665)
At 31 December 2020	16,040	–	16,040
Disposals	–	–	–
At 31 December 2021	**16,040**	**–**	**16,040**
Net book value at 31 December 2020	5,818	728	6,546
Net book value at 31 December 2021	**5,818**	**728**	**6,546**

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.

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 118.

Notes to the Company Financial Statements continued

5. Investments in subsidiaries continued

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
ActiveOnline 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

* These two German entities merged after the year end under the name of Veeuze GmbH

The registered office of all the UK subsidiary undertakings is Parkway House, Haddenham Business Park, Pegasus Way, Haddenham, Bucks, England, HP17 8LJ.

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 ActiveOnline GmbH.

6. Debtor due after more than one year

	2021 £'000	2020 £'000
Amounts due from subsidiary undertakings	18,085	20,218
	18,085	20,218

Amounts due from subsidiary undertakings comprise the holding company Elecosoft Limited and the loan is interest bearing.

7. Debtors

	2021 £'000	2020 £'000
Trade debtors	**14**	14
Other debtors	**27**	18
Prepayments and accrued income	**172**	97
Deferred tax	**10**	9
Amounts due from subsidiary undertakings	**3,349**	1,635
	3,572	1,773

Amounts due from subsidiary undertakings comprise of interest-bearing loans and intercompany current accounts which do not carry any interest receivable.

8. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Bank loans	**–**	1,600
Trade creditors	**290**	146
Other creditors	**82**	114
Accruals and deferred income	**786**	341
Other taxation and social security	**(12)**	(21)
Current tax	**146**	129
Amounts due to subsidiary undertakings	**17,010**	13,697
	18,302	16,006

Amounts due to subsidiary undertakings comprise of interest-bearing loans of £16,568,000 (2020: £12,975,000) and intercompany current accounts of £442,000 (2020: £722,000) which do not carry any interest receivable. The interest rate applied to the interest-bearing loans was in the range of 1.6 per cent to 3.0 per cent.

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 in note 16 to the Consolidated Financial Statements.

	2021 £'000	2020 £'000
Bank loans	–	2,760
	–	2,760

Bank loans and overdrafts are repayable as follows:

	2021 £'000	2020 £'000
In one year or less	–	1,600
Between one and two years	–	1,600
Between two and five years	–	1,160
	–	4,360

The UK term loan facility with Barclays Bank plc was paid off during the year.

10. Provisions for liabilities

	2021 £'000	2020 £'000
At 1 January 2021	166	179
Charge to the profit and loss account	(98)	30
Utilised in the year	(17)	(43)
At 31 December 2021	**51**	166

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

11. Called up share capital

	2021 No. of shares	2021 Nominal value £'000	2020 No. of shares	2020 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	82,464,650	825	82,239,650	822
Issue of Ordinary Shares	690,000	7	225,000	3
At end of year	**83,154,650**	**832**	82,464,650	825

The increase in called up and fully paid share capital in the year was in respect of the exercise of share options and the related issuance of 690,000 shares of nominal value 1 pence at a premium of £253,000.

12. Share-based payments

The Company operates one share scheme and options outstanding at 31 December 2021 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)
9 August 2017	500,000	1 May 2020	8 August 2027	5.6
18 May 2020	650,000	31 May 2023	31 May 2030	8.4
12 November 2020	250,000	31 May 2023	12 November 2030	8.9
23 February 2021	600,000	1 March 2024	23 February 2031	9.2
	2,000,000			8.0

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

	2021 Number	2021 Weighted average exercise price Pence	2020 Number	2020 Weighted average exercise price Pence
Outstanding at the beginning of the year	**2,240,000**	**56.6**	1,415,000	42.0
Granted during the year	**700,000**	**100.4**	1,050,000	74.4
Exercised during the year	**(690,000)**	**35.7**	(225,000)	48.0
Forfeited during the year	**(250,000)**	**74.3**	–	–
Outstanding at the end of the year	**2,000,000**	**76.9**	2,240,000	56.6
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 2021 was £57,000 (2020: £116,000).

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 ActiveOnline GmbH in November 2018.

The Employee Share Ownership Trust held 907,849 shares at 31 December 2021 (2020: 907,849 shares) with a market value of £835,000 (2020: £731,000) 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 2021 £'000	Other 2021 £'000	Property 2020 £'000	Other 2020 £'000
Leases expiring:				
Within one year	–	–	70	–
Between two and five years	–	–	–	–
	–	–	70	–

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 to 44.

The Directors of the Company had no transactions with the Company during the year, other than a result of service agreements. The key management personnel are the Directors who are listed on page 49 of the Directors Report.

An amount of £58,697 (2020: £71,667) 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: £3,750) for a contribution to the office costs at Burnham-on-Crouch. There was £6,197 outstanding at 31 December 2021 (2020: £nil). JHB Ketteley was a former Director of the Company and is a Director of JHB Ketteley & Co Limited.

The Company vacated their office at 66 Clifton Street, London, EC2A 4HB during the year. The final settlement on dilapidations was £33,250 and settled in March 2022.

An amount of £4,500 (2020: £14,400) was paid to Political Lobbying & Media Relations Ltd (PLMR) in respect of training costs, the costs for 2020 related to website development costs. There were no amounts outstanding at 31 December 2021 (2020: £nil). K Craig was a former Director of the Company and is a Director of PLMR.

16. Post-balance sheet events

With effect from 1 January 2022 the trade and assets of Integrated Computing and Office Networking Limited and Shire Systems Limited were transferred to Elecosoft UK Limited.

With effect from 1 January 2022 ESIGN GmbH and Active Online GmbH were merged under one German trading company Veeuze GmbH.

Five-Year Summary

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Revenue					
Software	**27,344**	25,232	25,398	22,220	19,996
Discontinued operations	**–**	–	–	–	–
EBITDA*	**7,182**	6,675	6,159	4,006	3,643
Adjusted EBITDA	**7,251**	7,003	6,302	5,257	3,643
Amortisation and impairment of purchased intangible assets	**(1,786)**	(1,068)	(855)	(529)	(623)
Depreciation	**(722)**	(866)	(902)	(778)	(247)
Adjusted operating profit	**4,743**	5,069	4,545	3,950	2,773
Amortisation of acquired intangible assets	**(575)**	(590)	(590)	(595)	(412)
Exceptionals	**(69)**	(328)	(143)	(689)	–
Operating profit	**4,099**	4,151	3,812	2,666	2,361
Finance expense	**(173)**	(262)	(339)	(272)	(107)
Profit before taxation	**3,926**	3,889	3,473	2,394	2,254
Taxation	**(1,195)**	(726)	(772)	(598)	(357)
Profit after taxation	**2,731**	3,163	2,701	1,796	1,897
Basic earnings per share (continuing operations)	**3.3p**	3.9p	3.3p	2.4p	2.5p
Shareholders equity	**23,846**	21,524	17,924	15,479	11,486
Dividend per share	**0.40p**	0.40p	0.30p	0.68p	0.60p

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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