



Eleco plc
Interim report
for the six months ended 30 June 2022

Creating certainty for
the **built environment**

Introduction

Eleco plc is an AIM-listed (AIM:ELCO) specialist international provider of software and related services to the built environment through its operating brands Elecosoft and Veeuze from centres of excellence in the UK, Sweden, Germany and the Netherlands. The Company's software solutions are trusted by international customers and used throughout the building lifecycle from early planning and design stages to construction, interior fit out, asset management and facilities management to support project management, estimation, visualisation, Building Information Modelling (BIM) and property management.

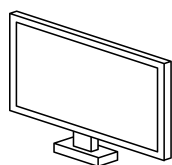
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Highlights

six months to 30 June 2022

	Six months to 30 June		
	2022 £'000	2021 £'000	Change
Financial			
Revenue	13,435	13,831	-3%
Of which: Recurring revenue	8,204	7,543	+9%
Adjusted EBITDA*	2,809	3,649	-23%
Profit before tax	1,733	2,260	-23%
Basic earnings per share (pence per share)	1.6	2.2	-27%
Adjusted earnings per share** (pence per share)	1.9	2.6	-27%
Free cash flow***	2,087	2,855	-27%

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

** Adjusted earnings per share represents adjusted profit after tax, divided by a weighted average number of shares.

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

Operational

- Successfully commenced phase two of the Group's SaaS strategy, to offer subscription licences to existing customers, thereby supporting customer success initiatives.
- Development of a new Permit to Work module for Eleco's scalable maintenance and facilities software, ShireSystem, for release in H2 2022. This will be a key component in assisting customers with managing safety and compliance procedures.
- Development of the Last Planner web solution which will allow on-site and final stage planning for customers. We plan to release to market in 2023.
- A leading UK construction and regeneration group, Morgan Sindall, reported how they have been using Powerproject to drive productivity and manage modular building techniques.
- Project management specialists Treo chose Eleco's leading project management tool, Powerproject, to manage scheduling in their South African mining and mineral processing projects.
- Furthered ESG initiatives by becoming carbon neutral.
- Certified as a Great Place to Work® and implemented wellbeing and personal development programmes for employees.
- Winner of the Megabuyte Quoted 25 Award for Best Performing Software Company in Industrials.

Chairman's Statement

“Eleco remains focused on growing our recurring revenue.”

I am pleased to report that during the first half of 2022, Eleco has once again achieved a robust performance. During a period of significant macroeconomic and geopolitical upheaval and increased pressure on overheads and talent, the business has continued to deliver on its growth strategy.

Our strategy to focus on delivering best-of-breed products to core customer segments within a selection of geographies and transitioning our business to SaaS has generated recurring revenue growth of 9 per cent to £8.2m compared with the previous year (H1 2021: £7.5m). This means that recurring revenue now accounts for approximately 61 per cent of total revenue, up from 55 per cent. Eleco was also strongly cash generative, providing us with the resilience to navigate the inflationary pressures affecting businesses around the world.

We have continued to invest in product development in line with our customer-centric approach, having launched new versions of our core building lifecycle products. We also released our Artificial Intelligence (AI) wall tool in our visualisation business, and it is already being well received by our paint manufacturing customers.

Delivering on our strategy for organic growth

Overall recurring revenue at constant currency increased by 11 per cent, demonstrating the positive progress we are making in the delivery of our strategy.

We previously stated that our total reported revenue growth will temporarily soften during our SaaS transition and the financial performance during the period is in line with our expectations. In moving to a SaaS model, we are giving choice for our customers and enhanced Customer Lifetime Value as well as underpinning visibility of income for our shareholders.

We have continued to strengthen our business, achieving new customer growth in the UK, growth in the US and strong demand in the Swedish market, where we secured our largest deal of the year so far. Existing customers continue to expand their software usage and we are seeing more demand for hosted solutions.

In line with our previously announced strategy to focus on our core customer segments and businesses, we are holding our German ARCON architectural CAD business, for sale. This will help to start streamlining the business and the Board believes that the customers, staff and product life can thrive within a business with a common customer base and product type.

Due to geopolitical factors and inflationary pressures, which have severely impacted the timing of operational programmes for our customers, there has been a slowdown in demand for services and sales of new licences across Eleco's portfolio, especially in Germany where the economy has been hit more severely by repercussions of the invasion of Ukraine. However, the Group is successfully absorbing these pressures thanks to our strong cash balance, with profits remaining in line with expectations.

Overall, we have continued to increase our customer numbers and monthly recurring revenue, making progress in our goal to become a world-class customer-centric organisation.

Board Update and Environmental, Social and Governance (ESG)

The first half of this year saw us strengthen our ESG disclosures. We formed an ESG Committee, chaired by Mark Castle, and set Key Performance Indicators that we are measuring against in 2022. A key element of this is to consume renewable energy across our business, building on the 25 per cent of our energy which currently comes from renewable energy suppliers. We are pleased to announce that Eleco is now carbon neutral, having offset our 2021 carbon emissions and we will continue to focus on sustainability and reducing our impact on the environment. Additionally we are also very focused on how we as a software player can help our customer base reduce their carbon footprint and the impact the built environment has on sustainability.

Attraction and retention of talent continues to be a core focus in a tight market, and we have continued to invest in our people throughout the period, recognising that a strong, engaging culture is key to this. We are delighted to have received the Great Place to Work® certification for our UK and Swedish regions, which is an acknowledgement of the commitment we have made to our people initiatives.

This is a great foundation to build upon as we continue to embrace our vision of becoming an employer people want to work with and for. The wellbeing of our people is a key pillar of our overall strategy and we have invested in an Employee Assistance Programme and Employee Hub, as well as encouraging our employees to spend time volunteering for a charitable cause.

Work continues on our policy framework, with updates to our Whistleblowing Policy as well as the introduction of an Anti-Slavery and Human Trafficking Policy during the first quarter. Matters of governance remain a key focus for the Board as we build on the changes made to its composition in the prior year, ensuring that Eleco is stewarded by a diverse mix of views and experience.

Our Group Leadership Team was further strengthened through the appointment of a Chief Technology Officer and I am delighted that in October we will welcome Neil Pritchard onto the Board as Chief Financial Officer.

Dividend

Dividends paid in the six months to 30 June 2022 were 0.40 pence per ordinary share (2021: 0.40 pence).

Having regard to the trading performance and cash generation in the period, the Board has decided to declare a dividend of 0.20 pence (2021: 0.20 pence), which would be covered 8 times by unaudited earnings for the period of 1.6 pence per share.

The interim dividend will be paid on 7 October 2022 to shareholders on the register at the close of business on 23 September 2022 and the ex-dividend date will be 22 September 2022.

Outlook

Eleco is operating in a very exciting market and is well positioned to meet the growing demands of the built environment thanks to our planning and productivity-driving software.

Over the next six months, we remain focused on growing our recurring revenues. We are migrating all hosting to a single cloud provider, driving connectivity across the Group and allowing us to scale more effectively.

Our people are important to the success of Eleco, and we will build on the positive momentum we have already seen with our people initiatives. We will continue to upskill, build career pathways and provide a working environment that motivates, retains and attracts new talent in what is a competitive environment.

Our strategy continues to focus on both organic recurring revenues and profit growth, as well as exploring M&A opportunities that will support our strategy.

Eleco delivered a positive performance in the first half of 2022, with growth in subscription revenues. Importantly we remain well capitalised and I would like to thank our talented team and valued customers for their support. We are confident of meeting market expectations for the full year to 31 December 2022.

Serena Lang

Chairman

12 September 2022

Condensed Consolidated Income Statement

for the financial period ended 30 June 2022

		Six months to 30 June	Year ended	
		2022	2021	31 December
	Notes	(unaudited)	(unaudited)	2021
		£'000	£'000	£'000
Revenue	3, 4	13,435	13,831	27,344
Cost of sales		(1,607)	(1,318)	(2,754)
Gross profit		11,828	12,513	24,590
Amortisation and impairment of intangible assets		(744)	(846)	(2,361)
Former Directors' payments		–	(69)	(69)
Other selling and administrative expenses		(9,290)	(9,232)	(18,061)
Selling and administrative expenses		(10,034)	(10,147)	(20,491)
Operating profit	4, 5	1,794	2,366	4,099
Finance cost	6	(61)	(106)	(173)
Profit before tax		1,733	2,260	3,926
Tax		(394)	(463)	(1,195)
Profit for the financial period		1,339	1,797	2,731
<i>Attributable to:</i>				
Equity holders of the parent		1,339	1,797	2,731
Earnings per share (pence per share)				
Basic earnings per share	7	1.6p	2.2p	3.3p
Diluted earnings per share	7	1.6p	2.2p	3.3p

Condensed Consolidated Statement of Comprehensive Income

for the financial period ended 30 June 2022

	Six months to 30 June	Year ended	
	2022	2021	31 December
	(unaudited)	(unaudited)	2021
	£'000	£'000	£'000
Profit for the period	1,339	1,797	2,731
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss:			
Translation differences on foreign operations	(115)	(107)	(258)
Other comprehensive (loss) net of tax	(115)	(107)	(258)
Total comprehensive income for the period	1,224	1,690	2,473
<i>Attributable to:</i>			
Equity holders of the parent	1,224	1,690	2,473

Condensed Consolidated Statement of Changes in Equity

for the financial period ended 30 June 2022

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2022	832	2,406	1,002	(279)	(5)	19,890	23,846
Dividends	-	-	-	-	-	(329)	(329)
Share-based payments	-	-	-	-	69	-	69
Elimination of exercised share-based payments	-	-	-	-	(69)	69	-
Transactions with owners	-	-	-	-	-	(260)	(260)
Profit for the period	-	-	-	-	-	1,339	1,339
Other comprehensive income:							
Exchange differences on translation of net investments in foreign operations	-	-	-	(115)	-	-	(115)
Total comprehensive income for the period	-	-	-	(115)	-	1,339	1,224
At 30 June 2022 (unaudited)	832	2,406	1,002	(394)	(5)	20,969	24,810
	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2021	825	2,182	1,002	(8)	(2)	17,525	21,524
Dividends	-	-	-	-	-	(329)	(329)
Share-based payments	-	-	-	-	40	-	40
Elimination of exercised share-based payments	-	-	-	-	(66)	66	-
Issue of share capital	6	218	-	-	-	-	224
Transactions with owners	6	218	-	-	(26)	(263)	(65)
Profit for the period	-	-	-	-	-	1,797	1,797
Other comprehensive income:							
Exchange differences on translation of net investments in foreign operations	-	-	-	(107)	-	(1)	(108)
Total comprehensive income for the period	-	-	-	(107)	-	1,796	1,689
At 30 June 2021 (unaudited)	831	2,400	1,002	(115)	(28)	19,058	23,148

Condensed Consolidated Statement of Changes in Equity

continued

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2021	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
Other comprehensive income:							
Exchange differences on translation of net investments in foreign operations	–	–	–	(270)	–	12	(258)
Comprehensive income for the period	–	(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

Condensed Consolidated Balance Sheet

at 30 June 2022

		30 June		31 December
	Notes	2022 (unaudited) £'000	2021 (unaudited) £'000	2021 £'000
Non-current assets				
Goodwill		15,247	15,729	15,593
Other intangible assets	9	6,713	7,140	6,554
Property, plant and equipment		728	595	717
Right-of-Use assets		1,436	1,867	1,728
Deferred tax assets		85	85	65
Total non-current assets		24,209	25,416	24,657
Current assets				
Inventories		26	8	16
Trade and other receivables		3,746	3,491	4,277
Current tax assets		305	100	216
Assets of disposal group held for sale	10	842	–	–
Cash and cash equivalents		10,926	12,163	10,055
Total current assets		15,845	15,762	14,564
Total assets		40,054	41,178	39,221
Current liabilities				
Borrowings	11	–	(1,645)	(45)
Lease liabilities		(402)	(484)	(471)
Trade and other payables		(1,748)	(1,446)	(1,793)
Provisions		–	(125)	(10)
Current tax liabilities		–	(123)	–
Liabilities of disposal group held for sale	12	(184)	–	–
Accruals and deferred income	13	(9,831)	(9,116)	(9,689)
Total current liabilities		(12,165)	(12,939)	(12,008)
Non-current liabilities				
Borrowings	11	–	(2,048)	(56)
Lease liabilities		(1,216)	(1,595)	(1,464)
Deferred tax liabilities		(1,837)	(1,407)	(1,806)
Non-current provisions		(26)	(41)	(41)
Total non-current liabilities		(3,079)	(5,091)	(3,367)
Total liabilities		(15,244)	(18,030)	(15,375)
Net assets		24,810	23,148	23,846
Equity				
Share capital		832	831	832
Share premium account		2,406	2,400	2,406
Merger reserve		1,002	1,002	1,002
Translation reserve		(394)	(115)	(279)
Other reserve		(5)	(28)	(5)
Retained earnings		20,969	19,058	19,890
Equity attributable to shareholders of the parent		24,810	23,148	23,846

Condensed Consolidated Statement of Cash Flows

for the financial period ended 30 June 2022

	Six months to 30 June		Year ended
	2022	2021	31 December
	(unaudited)	(unaudited)	2021
Notes	£'000	£'000	£'000
Cash flows from operating activities			
Profit before tax	1,733	2,260	3,926
Net finance costs	61	106	173
Depreciation charge	271	368	722
Amortisation charge	744	846	2,361
(Profit)/Loss on sale of property, plant and equipment	(6)	3	(7)
Share-based payment charge	69	40	81
Decrease in provisions	(25)	–	(115)
Cash generated in operations before working capital movements	2,847	3,623	7,141
Decrease/(Increase) in trade and other receivables	498	421	(366)
(Increase)/Decrease in inventories and work in progress	(10)	14	7
Increase in trade and other payables and accruals and deferred income	206	21	942
Cash generated in operations	3,541	4,079	7,724
Interest received/(paid)	38	(57)	(124)
Net income tax paid	(470)	(360)	(903)
Net cash inflow from operating activities	3,109	3,662	6,697
Investing activities			
Purchase of intangible assets	(902)	(795)	(1,727)
Purchase of property, plant and equipment	(134)	(60)	(279)
Proceeds from sale of property, plant, equipment and intangible assets	15	48	60
Net cash outflow from investing activities	(1,021)	(807)	(1,946)
Financing activities			
Repayment of bank loans	(101)	(823)	(4,447)
Repayments of leasing liabilities	(265)	(355)	(650)
Issue of share capital	–	224	260
Equity dividends paid	(329)	(329)	(493)
Net cash (outflow) from financing activities	(695)	(1,283)	(5,330)
Net increase/(decrease) in cash and cash equivalents	1,393	1,572	(579)
Cash and cash equivalents at beginning of period	10,055	10,668	10,668
Effects of changes in foreign exchange rates	(110)	(77)	(34)
Cash and cash equivalents at end of period	11,338	12,163	10,055
Cash and cash equivalents comprise:			
Cash and short-term deposits	10,926	12,163	10,055
Cash held for sale	10 412	–	–
	11,338	12,163	10,055

Notes to the Condensed Consolidated Interim Financial Information

1. General information

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is 6 Bevis Marks, London, EC3A 7BA.

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

The condensed consolidated interim financial information does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The Group's consolidated financial statements for the year ended 31 December 2021 have been filed at Companies House. The audit report was not qualified and did not contain a reference to any matter to which the auditor drew attention by way of emphasis and did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006.

2. Basis of preparation

The condensed consolidated interim financial statements for the six months to 30 June 2022 have been prepared in accordance with the accounting policies which will be applied in the twelve months financial statements to 31 December 2022. These accounting policies will be drawn up in accordance with Applicable law and UK-adopted International Accounting Standards (UK-IAS) that are effective at 31 December 2022.

The condensed consolidated interim financial statements are unaudited. They do not include all the information and disclosures required in the annual financial statements or for full compliance with UK-IAS, and therefore should be read in conjunction with the Group's published financial statements for the year ended 31 December 2021. The comparative figures for the year ended 31 December 2021 are not the Company's statutory accounts for that period but have been extracted from these accounts.

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

The impending sale of a subsidiary company operating a niche product which is no longer core to Eleco's strategy meets the criteria for classification in accordance with IFRS 5. The assets of the company have been presented as a disposal group held for sale and the associated liabilities have been presented separately on the face of the statement of financial position.

Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

Risks and uncertainties

A summary of the Group's principal risks and uncertainties was set out on pages 16 to 19 of the 2021 Annual Report and Accounts. The Board considers these risks and uncertainties are still relevant to the current financial year and the impact of changes in the UK economy is reviewed in the Chairman's statement contained in this report.

The Interim Report was approved by the Directors on 12 September 2022.

3. Revenue

Revenue disclosed in the income statement is analysed as follows:

	Six months to 30 June	Year to 31 December	
	2022 £'000	2021 £'000	2021 £'000
Licence sales	2,247	3,253	5,913
Recurring revenue	8,204	7,543	15,424
Services income	2,984	3,035	6,007
	13,435	13,831	27,344

Revenue is recognised for each category as follows:

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

Notes to the Condensed Consolidated Interim Financial Information

continued

4. Segmental information

Operating segments

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

The chief operating decision maker has been identified as the Executive Directors. The Group revenue is derived entirely from the sale of software licences, software maintenance and support and related services. Consequently, the Executive Directors review the three revenue streams, but as the costs are not recorded in the same way, the information is presented as one segment and as such the information is presented in line with management information.

	Six months to 30 June		Year ended 31 December
	2022 £'000	2021 £'000	2021 £'000
Revenue	13,435	13,831	27,344
Adjusted EBITDA	2,809	3,649	7,251
Amortisation and impairment of purchased intangible assets	(494)	(551)	(1,786)
Depreciation	(271)	(368)	(722)
Adjusted operating profit	2,044	2,730	4,743
Amortisation of acquired intangible assets	(250)	(295)	(575)
Former Directors' payments	–	(69)	(69)
Operating profit	1,794	2,366	4,099
Net finance cost	(61)	(106)	(173)
Segment profit before tax	1,733	2,260	3,926
Tax	(394)	(463)	(1,195)
Segment profit after tax	1,339	1,797	2,731
Operating profit	1,794	2,366	4,099
Amortisation of intangible assets	744	846	2,361
Depreciation charge	271	368	722
Former Directors' payments	–	69	69
Adjusted EBITDA	2,809	3,649	7,251

Notes to the Condensed Consolidated Interim Financial Information

continued

4. Segmental information continued

Geographical, product and sales channel information

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

	Six months to 30 June		Year ended
	2022 £'000	2021 £'000	31 December 2021 £'000
UK	5,276	5,236	10,446
Scandinavia	3,354	3,311	6,550
Germany	2,180	2,457	4,911
USA	594	488	1,030
Rest of Europe	1,742	2,082	3,916
Rest of World	289	257	491
	13,435	13,831	27,344

Revenue by product group represents revenue from external customers.

	Six months to 30 June		Year ended
	2022 £'000	2021 £'000	31 December 2021 £'000
Revenue from software & related services:			
Building Lifecycle	8,883	8,871	17,650
CAD & Visualisation	3,638	4,119	7,997
Other – third party software	914	841	1,697
	13,435	13,831	27,344

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

	Six months to 30 June		Year ended
	2022 £'000	2021 £'000	31 December 2021 £'000
Direct	12,749	13,117	26,068
Reseller	686	714	1,276
	13,435	13,831	27,344

Notes to the Condensed Consolidated Interim Financial Information

continued

5. Operating profit

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

	Six months to 30 June		Year ended 31 December
	2022 £'000	2021 £'000	2021 £'000
Software product development expense	887	838	1,660
Depreciation of property, plant and equipment	98	112	213
Depreciation of Right-of-Use assets	173	256	509
Amortisation of acquired intangible assets	250	295	575
Amortisation of other intangible assets	494	551	1,150
Impairment of other intangible assets	–	–	636
Share based payments	69	40	81
Employer furlough scheme repayments	–	135	135
(Profit)/Loss on disposal of property, plant and equipment	(6)	3	(7)
Foreign exchange losses	10	29	127
Former Directors' payments	–	69	69

6. Net finance cost

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

	Six months to 30 June		Year ended 31 December
	2022 £'000	2021 £'000	2021 £'000
Finance costs:			
Bank overdraft and loan interest	(1)	(73)	(110)
Interest expense for leasing arrangements	(60)	(33)	(63)
Total net finance cost	(61)	(106)	(173)

7. Earnings per share

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

	Six months to 30 June						Year to 31 December 2021		
	2022			2021					
	Profit attributable to shareholders (£'000)	Weighted average number of shares (millions)	EPS (p)	Profit attributable to shareholders (£'000)	Weighted average number of shares (millions)	EPS (p)	Profit attributable to shareholders (£'000)	Weighted average number of shares (millions)	EPS (p)
Basic earnings per share	1,339	82.2	1.6	1,797	82.0	2.2	2,731	82.0	3.3
Diluted earnings per share	1,339	82.7	1.6	1,797	82.8	2.2	2,731	82.9	3.3
Adjusted earnings per share	1,541	82.2	1.9	2,092	82.0	2.6	3,253	82.0	4.0

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 15.

Notes to the Condensed Consolidated Interim Financial Information

continued

8. Dividends

Dividends paid in the six months to 30 June 2022 were 0.40 pence per ordinary share (2021: 0.40 pence per ordinary share).

Cash dividends of £329,000 (2021: £329,000) were paid in the six months to 30 June 2022 as follows:

	Six months to 30 June				Year to 31 December	
	2022 per share	2022 £'000	2021 per share	2021 £'000	2021 per share	2021 £'000
Ordinary Shares						
Declared and paid during the year						
Interim – current year	–	–	0.20	164	0.20	164
Final – previous year	0.40	329	0.40	329	0.40	329
	0.40	329	0.60	493	0.60	493

The Directors have recommended an interim dividend of 0.20 pence per ordinary share (2021: 0.20 pence per ordinary share).

9. Other intangible assets

Other intangible assets comprise capitalised development costs, acquired customer relationships and purchased intangible assets. Additions in the six months to 30 June 2022 represent purchased intangible assets of £164,000 (2021 half year: £5,000) and internal development costs capitalised of £738,000 (2021 half year: £790,000). Internal development relates to software development projects that meet the accounting policy criteria for capitalisation.

10. Assets of disposal group held for sale

In line with our previously announced strategy to focus on our core customer segments and businesses, we are holding our German ARCON architectural CAD business, for sale. IFRS 5 disclosure treatment is adopted here.

The table below reflects assets held for sale measured at the lower of carrying amount and fair value less costs to sell in the statement of financial position.

	At 30 June	At 31 December	
	2022 (unaudited) £'000	2021 (unaudited) £'000	2021 £'000
Assets Held for Sale			
Goodwill	336	–	–
Other intangible assets	1	–	–
Property, plant and equipment	9	–	–
Right-of-Use assets	74	–	–
Trade and other receivables	10	–	–
Cash and cash equivalents	412	–	–
Total Assets Held for sale	842	–	–

Notes to the Condensed Consolidated Interim Financial Information

continued

11. Cash and borrowings

The net cash position of the Group as at 30 June 2022 is set out below:

	At 30 June		At
	2022	2021	31 December
	£'000	£'000	2021
			£'000
Cash and cash equivalents	11,338	12,163	10,055
Bank loans	–	(3,693)	(101)
Lease liabilities	(1,693)	(2,079)	(1,935)
	9,645	6,391	8,019

Maturity profile of borrowings

In one year or less	–	(1,645)	(45)
Between one and two years	–	(1,645)	(56)
Between two and five years	–	(403)	–
	–	(3,693)	(101)

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 percent over base rate (undrawn at 30 June 2022, 31 December 2021 and 30 June 2021).

12. Liabilities of disposal group held for sale

Liabilities classified as held for sale on the face of the Statement of Financial Position are as follows:

	Six months to 30 June		Year ended
	2022	2021	31 December
	(unaudited)	(unaudited)	2021
	£'000	£'000	£'000
Lease liabilities	(76)	–	–
Trade and other payables	(53)	–	–
Accruals and deferred income	(55)	–	–
Total Liabilities Held for Sale	(184)	–	–

13. Accruals and deferred income

	At 30 June		At
	2022	2021	31 December
	£'000	£'000	2021
			£'000
Accruals	2,570	2,255	2,603
Deferred income	7,261	6,861	7,086
	9,831	9,116	9,689

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

Notes to the Condensed Consolidated Interim Financial Information

continued

14. Related party disclosures

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

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

15. Additional performance measures

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

	Six months to 30 June	Year ended 31 December	
	2022 £'000	2021 £'000	2021 £'000
Operating profit	1,794	2,366	4,099
Former Directors' payments	–	69	69
Amortisation of acquired intangible assets	250	295	575
Adjusted operating profit	2,044	2,730	4,743
Profit before tax	1,733	2,260	3,926
Former Directors' payments	–	69	69
Amortisation of acquired intangible assets	250	295	575
Adjusted profit before tax	1,983	2,624	4,570
Tax charge	(394)	(463)	(1,195)
Former Directors' payments	–	(13)	(13)
Amortisation of acquired intangible assets	(48)	(56)	(109)
Adjusted tax charge	(442)	(532)	(1,317)
Profit after tax	1,339	1,797	2,731
Former Directors' payments	–	56	56
Amortisation of acquired intangible assets	202	239	466
Adjusted profit after tax	1,541	2,092	3,253
Cash generated in operations	3,541	4,079	7,724
Purchase of intangible assets	(902)	(795)	(1,727)
Purchase of property, plant and equipment	(134)	(60)	(279)
Former Directors' payments	–	69	69
Adjusted operating cash flow	2,505	3,293	5,787

Notes to the Condensed Consolidated Interim Financial Information

continued

15. Additional performance measures continued

	Six months to 30 June		Year ended 31 December
	2022 £'000	2021 £'000	2021 £'000
Adjusted operating cash flow	2,505	3,293	5,787
Net interest received/(paid)	38	(57)	(124)
Tax paid	(470)	(360)	(903)
Proceeds from disposal of PPE	15	48	60
Former Directors' payments	–	(69)	(69)
Free cashflow	2,088	2,855	4,751

16. Exchange rates

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

	Income statement Six months to 30 June		Balance sheet As at 30 June		Year to 31 December 2021	
	2022	2021	2022	2021	Income Statement	Balance sheet
Swedish Krona to Sterling	12.41	11.68	12.45	11.82	11.80	12.23
Euro to Sterling	1.19	1.15	1.16	1.17	1.16	1.19
US Dollar to Sterling	1.30	1.39	1.22	1.38	1.37	1.35

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