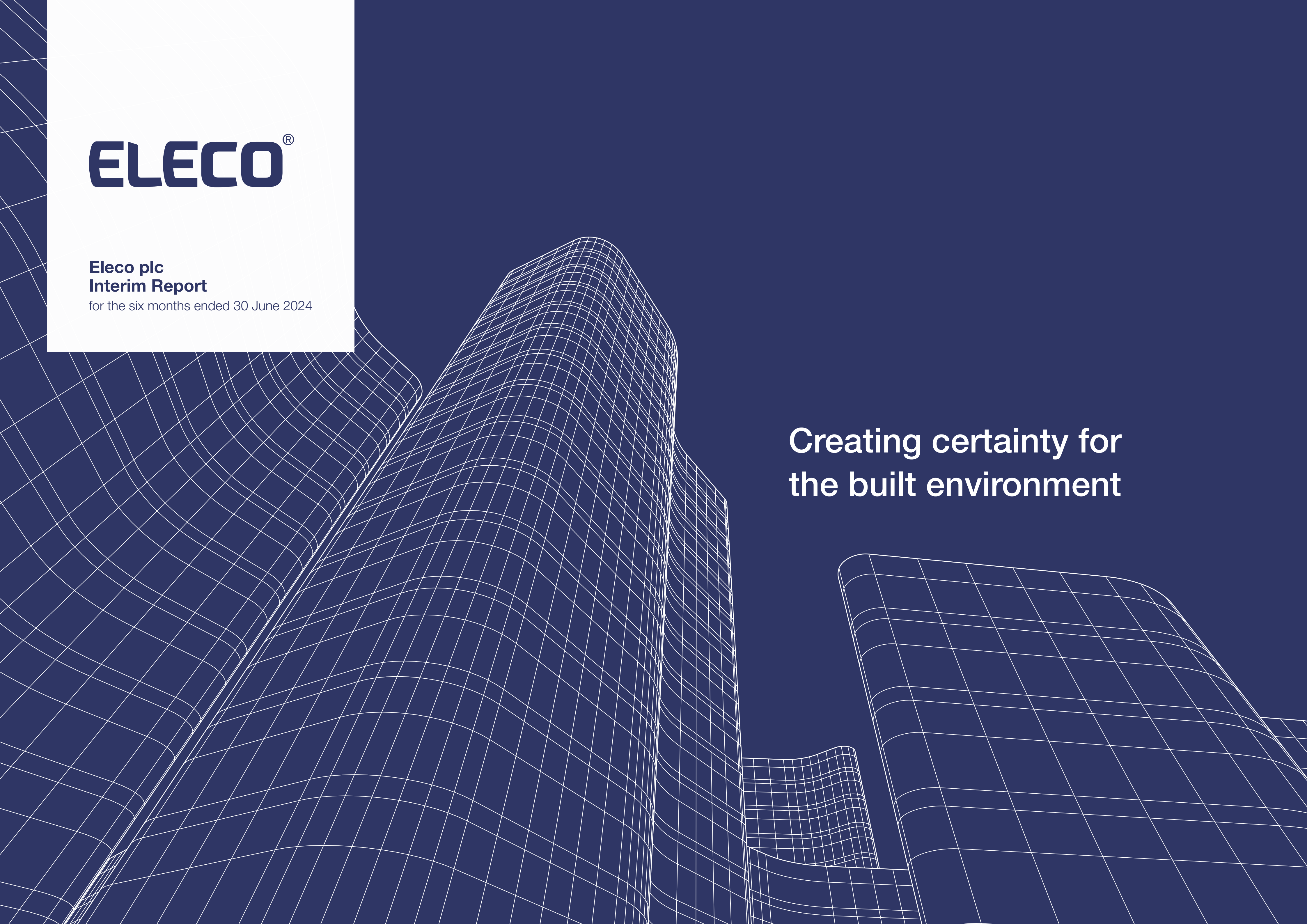
ELECO®

Eleco plc
Interim Report
for the six months ended 30 June 2024



Creating certainty for the built environment

World-class technology for the built environment

What we do

Eleco plc is a well-established and leading international software and services provider for the built environment, encompassing the building lifecycle from early planning and scheduling stages through to design and construction of all types, and to facilities management, operations and maintenance.

The Group's range of best-of-breed software capabilities covers both Contech (Construction Technology) for the building sector and Proptech (Property Technology) for the real estate sector.

How we operate

Headquartered and listed in London, the Group has international operations in the UK, Germany, Sweden, the Netherlands, Romania, the USA and Australia. Other markets are also serviced through a network of channel partners.

Customer-centric growth

Prioritised innovation

Resilient operations

In this report

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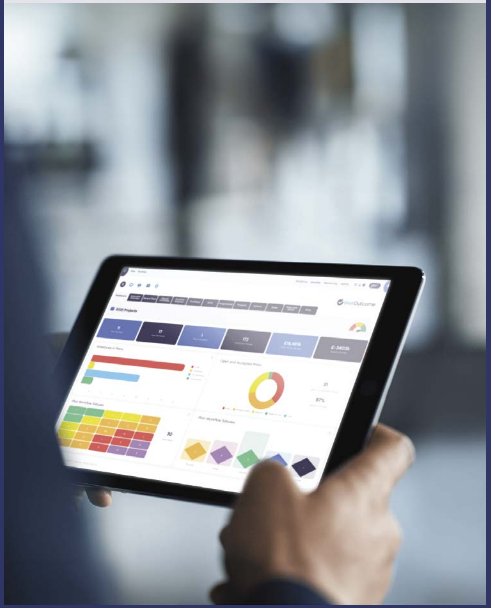

Highlights

Financial Highlights

Total revenue

£16.3m

H1 2024	£16.3m
H1 2023	£13.5m

Total Recurring Revenues (TRR)[1]

£12.0m

H1 2024	£12.0m
H1 2023	£9.7m

Gross margin

90.5%

H1 2024	90.5%
H1 2023	89.3%

Adjusted EBITDA[2]

£3.3m

H1 2024	£3.3m
H1 2023	£2.6m

Adjusted profit before taxation[3]

£2.2m

H1 2024	£2.2m
H1 2023	£1.8m

Adjusted basic earnings per share[4]

2.1p

H1 2024	2.1p
H1 2023	1.7p

Operational Highlights

M&A Strategy

- **Acquisition and integration of Vertical Digital** to enhance the Group's technical capabilities to a multinational audience in April 2024, providing agile and innovation software development, technical consulting and upskilling solutions

Technology

- **Asta Vision Live™** launched in May 2024 providing powerful multiple project collaboration capabilities for planners and schedulers
- **AstaGPT™, Generative AI support was developed in-house,** and launched in March 2024. Shortlisted for the Innovation of the Year at the Digital Construction Awards 2024

Growth

- **Record recurring revenue growth and record software year-on-year total revenue growth**
- **Net revenue retention and net new customers progression**
- **Great Place to Work® certification** achieved for all business units that qualify

1 TRR is defined as the recurring revenues from subscription licences, contract values of annual support and maintenance, and SaaS contracts.
2 Adjusted EBITDA is adjusted for acquisition-related expenses and share-based payments. See note 12.
3 Adjusted profit before taxation is adjusted for acquisition-related expenses, amortisation of acquired intangibles and share-based payments. See note 12.
4 Adjusted earnings per share represents profit after taxation as adjusted for acquisition-related expenses, amortisation of acquired intangibles and share-based payments divided by a weighted average number of shares. See notes 7 and 12.

Chairman's Statement

Mark Castle FRICS
Non-Executive Chairman

Introduction

I am delighted to report that Eleco has delivered an excellent set of interim results, significantly ahead of H1 2023.

Eleco is well positioned to benefit from the built environment's ongoing acceleration of technology adoption in fields including project delivery, cost estimation and facilities management. This is a global trend as companies seek to increase efficiency, strengthen risk management and in turn, improve productivity.

Strategic Progress

Alongside improvements in the underlying performance of the core business, the Group continues to expand its footprint inorganically.

Building on the divestment of the ARCON business and acquisition of BestOutcome in 2023, the Group acquired the Romanian-based Vertical Digital Group for £1.1m in April 2024. This added agile and enhanced R&D capabilities for Eleco's innovation roadmaps as well as technical consultancy for customers. We continue to identify and actively pursue potential M&A opportunities in our chosen geographic and end-to-end customer offer.

Performance

H1 2024 builds on the improved business performance in 2023. As planned, we delivered enhanced revenue and profitability.

Recurring revenues represented 74 per cent of total revenues in the period (H1 2023: 72 per cent). ARR (Annual Recurring Revenue) was up 31 per cent to £25.8m (H1 2023: £19.7m). TRR (Total Recurring Revenue) increased by 24 per cent to £12.0m (H1 2023: £9.7m). Total revenue increased by 21 per cent to £16.3m (H1 2023: £13.5m) or 12 per cent, excluding revenue contribution from acquisitions.

Showing improved operational leverage, Adjusted EBITDA increased by 27 per cent to £3.3m (H1 2023: £2.6m), with Adjusted profit before taxation up 22 per cent to £2.2m (H1 2023: £1.8m). Adjusted EPS was 2.1 pence (H1 2023: 1.7 pence).

The Company also continues to enjoy strong cash generation, despite the Vertical Digital acquisition and an increased final dividend payment to our loyal shareholders in the period. Cash as at 30 June 2024 was £12.0m (at 30 June 2023: £9.4m; at 31 December 2023: £10.9m).

Environmental, Social and Governance (ESG)

I am pleased to report that we continue to make strides to both minimise our own internal carbon footprint but also find ways to support our customers in their journey to meet Net Zero. The ESG Implementation Team is progressing internal measures and initiatives following on from our materiality assessment.

While we expanded our Great Place to Work® certifications this year, we are also undertaking further assessments of our employee offer and internal training and progression. Likewise, we have updated some additional Group policies and work is underway to further enhance our risk-based governance framework.

Employees

We continue to invest in senior leadership roles at both Group and subsidiary company levels to support the next stage of Eleco's journey and its scaling up ambitions.

Our employees, fostered by our Eleco-specific corporate culture, remain central to our success and achievements. On behalf of the Board, my many thanks go to them for their continued efforts, dedication and support.

Chairman's Statement continued

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Our prospects are dynamic and exciting, and we are well positioned to further deliver on our strategic plans via both inorganic and organic growth. We are a high recurring revenue software business that is central to our customers' success and delivers a level of predictable performance on behalf of our shareholders.

Dividend

Eleco has a progressive and sustainable dividend policy. In line with the continued success of the Group and its growth in profitability, the Board is again increasing the interim dividend to 0.30 pence per share (H1 2024: 0.25 pence per share), a 20 per cent uplift. This interim dividend is payable on 4 October 2024 to shareholders on the Register on 20 September 2024, and the ex-dividend date will be 19 September 2024.

Current trading and outlook

We have delivered significant improvements in operational and financial business performance during H1 2024.

Our prospects are dynamic and exciting, and we are well positioned to further deliver on our strategic plans via both inorganic and organic growth. We are a high recurring revenue software business that is central to our customers' success and delivers a level of predictable performance on behalf of our shareholders.

Looking forward, we remain confident of continued international growth and the Group continues to trade in line with market expectations for the full year 2024.

Mark Castle

Non-Executive Chairman

9 September 2024

CEO's Statement

Jonathan Hunter
Chief Executive Officer

Introduction

I am proud to report strong momentum in Eleco's trading performance for the first six months of the 2024 financial year, moving significantly ahead of the first six months of 2023.

The impetus on organic growth has made Eleco a more resilient business with greater revenue visibility and is expected to help the Group reach new heights as positive momentum develops. As well as organic growth, we also continue to focus on acquisitions, with our most recent, the Vertical Digital group of companies in Romania ('Vertical Digital'), completed in mid-April 2024.

Trading

The Group increased its revenue by 21 per cent to £16.3m (H1 2023: £13.5m). Excluding the effects of the BestOutcome acquisition, which took place after the comparative period, we have delivered double digit growth with revenue increasing by 12 per cent, which is significantly higher than recent historic growth levels.

Annualised Recurring Revenue (recurring revenue in the month of June 2024 multiplied by twelve) increased by a record 31 per cent to £25.8m (H1 2023: £19.7m) and the Total Recurring Revenue (recurring revenue across the six month period) increased a record 24 per cent to £12.0m (H1 2023: £9.7m). Average ARR per customer and per licence improved in the period, as did the average number of licences per customer.

Revenue growth was greater than growth in overheads (even including the cost bases of acquisitions), such that margins improved and profits grew at a higher rate than revenues.

Adjusted EBITDA increased by 27 per cent to £3.3m (H1 2023: £2.6m); with Adjusted operating profit ahead by 29 per cent at £2.2m (H1 2024: £1.7m); Adjusted profit before taxation up 22 per cent to £2.2m (H1 2023: £1.8m) and Adjusted profit after taxation improving by 21 per cent to £1.7m (H1 2023: £1.4m). Adjusted Earnings Per Share (EPS) at the period end was 2.1 pence (H1 2023: 1.7 pence), a 24 per cent rise.

Unadjusted measures of profitability showed similar improvements: EBITDA increased by 30 per cent to £3.0m (H1 2023: £2.3m); operating profit improved by 36 per cent to £1.5m (H1 2023: £1.1m); profit before taxation was ahead by 23 per cent to £1.6m (H1 2023: £1.3m); and profit after taxation up 30 per cent to £1.3m (H1 2023: £1.0m). Basic EPS showed a 25 per cent increase at 1.5 pence per share (H1 2023: 1.2 pence per share).

The business continues to be cash generative, with the cash position of £12.0m at 30 June 2024 (at 30 June 2023: £9.4m; at 31 December 2023: £10.9m). This was despite the payment of £1.1m for the Vertical Digital acquisition in April 2024 and increased dividend payments totaling £0.5m (H1 2023: final dividend payment of £0.4m).

Strategy

Eleco's purpose and mission is to solve the challenges of the built environment through digital transformation by providing world-class software to our customers who trust us as an established, proven and agile partner.

The Group is delivering this through a well-governed, profitable, scalable and resilient operating business, which we refer to as the Growth Platform. The Growth Platform underpins our three strategic pillars which are as follows:

1. **Go-to-Market**
2. **Technology and Innovation**
3. **Mergers and Acquisitions (M&A)**

CEO's Statement continued

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The built environment market is buoyant and therefore attractive to Eleco, due to the increasing adoption of technology to solve the challenges faced by construction and property management companies. As Eleco expands its presence in its core geographical markets, it continues to strengthen its reputation as a trusted provider of best-of-breed solutions.

Go-to-Market

The Group continues to develop its Go-To-Market sales and marketing capabilities, building on sales enablement and scaling initiatives undertaken in 2023. Net revenue retention in the first six months was over 108 per cent compared with 104 per cent for the 2023 year, with the total number of new customers by value more than double that of existing customers lost by value.

The US Go-To-Market activity continues to demonstrate growth, with the first six months of 2024 being ahead of last six months of 2023. In February 2024, we hosted our USA Innovation Summit, where prestigious customers including Mortenson Construction and PennDOT (Pennsylvania Department of Transportation) shared their positive experiences of using our solutions. Whilst competition in the US remains strong, Eleco's technology is proving to deliver advanced capabilities and continuing to gain recognition.

Technology and Innovation

Asta Vision Live™, was released in the period, a powerful collaboration feature which allows multiple project planners and stakeholders to work simultaneously on a project in an encrypted, SaaS cloud-based environment. Customer response to date has been very positive.

The use of AI provides better analysis and saves our customers' time; it is not at a stage of replacing skilled human intervention completely in our complex industry. Our customers have benefited from using AstaGPT™ Generative AI to find instant tailored support from the wealth of our knowledge bank of documentation. AstaGPT™ queries have overtaken those of our support desk and are helping new customers familiarise themselves with Asta for the first time. It was also pleasing to see AstaGPT™ shortlisted for the Innovation of the Year at the Digital Construction Awards 2024.

Mergers and Acquisitions

The Group's acquisition strategy involves a considered approach to enhance the scale and value of Eleco and expand its capabilities and profitability. Acquisition opportunities seek to complement and/or extend the Group's technological solutions, potentially also widening the customer base and geographical footprint.

Integration of the April-acquired Vertical Digital business is progressing well. This has bolstered our ability to meet our internal technical resourcing demands, utilising its proven track record in agile and innovative software development and consulting across many European and multinational end-customers.

Our Markets

The construction and real-estate sector is often criticised for being slow to adopt technology, but it is also a sector that is being challenged to deliver increasingly complex projects in a safe and sustainable way whilst remaining ever mindful of the competitive landscape.

Eleco operates across markets with several macroeconomic and macro societal drivers including population growth, digitalisation, regulation and land space. There is also continual pressure on margins in an industry which is cost intensive, complex, multi-disciplined and multi-party, as well as pressure to raise environmental standards and meet regulatory and compliance requirements.

Eleco has excellent opportunities for organic growth across the core geographies in which it operates, by expanding technology adoption with its existing customer base and by attracting new customers who are on their digital transformation journey.

With data becoming a common thread across all customer departments and in particular referred to as the Golden Thread in property information, there are opportunities to offer more capabilities across organisations and fulfil joined-up thinking for our customers, as well as providing bespoke services based on the Group's software being at the centre of these numerous construction workstreams.

CEO's Statement continued

Total revenue

£16.3m

H1 2024	£16.3m
H1 2023	£13.5m

Total Recurring Revenues (TRR)

£12.0m

H1 2024	£12.0m
H1 2023	£9.7m

Gross margin

90.5%

H1 2024	90.5%
H1 2023	89.3%

Summary and Outlook

The built environment market is buoyant and continues to present a significant opportunity for Eleco, due to the increasing adoption of technology to solve the challenges faced by construction and property management companies. As Eleco expands its presence in its core geographical markets, it continues to strengthen its reputation as a trusted provider of best-of-breed solutions.

The Executive team is committed to the delivery of growth through the successful execution of its clearly defined strategy aimed at increasing recurring revenues as well as seeking value-enhancing acquisition opportunities that meet its strategic M&A criteria.

The excellent result in the first half of 2024 is due principally to the outstanding effort, initiative and creativity of our employees across the Group and I would like to thank them for their tremendous contribution. Our loyal customer base, customer centric culture and ongoing investment in people and technology underpin our drive for growth and we are confident that Eleco will maintain momentum and continue to take advantage of emerging industry opportunities. We continue to trade in line with expectations.

Jonathan Hunter

Chief Executive Officer

9 September 2024

Condensed Consolidated Income Statement
For the financial period ended 30 June 2024

	Six months to 30 June		
	2024 (unaudited) £'000	2023 (unaudited) £'000	Year ended 31 December 2023 £'000
Profit for the period	**1,275**	1,019	2,655
Other comprehensive income/(expense):			
Items that will be reclassified subsequently to profit or loss:			
Translation differences on foreign operations	**(293)**	(376)	(124)
Other comprehensive expense net of tax	**(293)**	(376)	(124)
Total comprehensive income for the period	**982**	643	2,531
Attributable to:			
Equity holders of the parent	**982**	643	2,531

Condensed Consolidated Statement of Comprehensive Income
For the financial period ended 30 June 2024

		Six months to 30 June		
Continuing operations	Note	**2024 (unaudited) £'000**	2023 (unaudited) £'000	Year ended 31 December 2023 £'000
Revenue	3, 4	**16,252**	13,486	28,006
Cost of sales		**(1,550)**	(1,440)	(2,855)
Gross profit		**14,702**	12,046	25,151
Depreciation and amortisation of intangible assets		**(1,449)**	(1,128)	(2,404)
Acquisition-related expenses and stamp duties		**(225)**	(262)	(279)
Share-based payments		**(103)**	(148)	(190)
Other selling and administrative expenses		**(11,378)**	(9,438)	(19,075)
Selling and administrative expenses		**(13,155)**	(10,976)	(21,948)
Operating profit	5	**1,547**	1,070	3,203
Gain on business disposal	14	**–**	150	152
Finance expense	6	**(30)**	(25)	(65)
Finance income	6	**116**	60	127
Profit before taxation		**1,633**	1,255	3,417
Taxation		**(358)**	(236)	(762)
Profit after taxation for the financial period		**1,275**	1,019	2,655
Attributable to:				
Equity holders of the parent		**1,275**	1,019	2,655
Earnings per share (pence per share)				
Basic earnings per share	7	**1.5p**	1.2p	3.2p
Diluted earnings per share	7	**1.5p**	1.2p	3.2p

Condensed Consolidated Statement of Changes in Equity
For the financial period ended 30 June 2024

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Share options reserve £'000	Employee share ownership trust £'000	Retained earnings £'000	Total £'000
At 1 January 2024	**832**	**2,418**	**1,002**	**(509)**	**621**	**(358)**	**23,353**	**27,359**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(453)**	**(453)**
Share-based payments	**–**	**–**	**–**	**–**	**103**	**–**	**–**	**103**
Deferred tax on intrinsic value of vested options	**–**	**–**	**–**	**–**	**71**	**–**	**–**	**71**
Elimination of exercised share-based payments	**–**	**–**	**–**	**–**	**(10)**	**–**	**10**	**–**
Issue of share capital	**1**	**26**	**–**	**–**	**–**	**–**	**–**	**27**
Transactions with owners	**1**	**26**	**–**	**–**	**164**	**–**	**(443)**	**(252)**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**1,275**	**1,275**
Other comprehensive (expense):								
Exchange differences on translation of net investments in foreign operations	**–**	**–**	**–**	**(293)**	**–**	**–**	**–**	**(293)**
Total comprehensive(expense)/income for the period	**–**	**–**	**–**	**(293)**	**–**	**–**	**1,275**	**982**
At 30 June 2024 (unaudited)	**833**	**2,444**	**1,002**	**(802)**	**785**	**(358)**	**24,185**	**28,089**

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Share options reserve £'000	Employee share ownership trust £'000	Retained earnings £'000	Total £'000
At 1 January 2023	832	2,406	1,002	(385)	553	(358)	21,792	25,842
Dividends	–	–	–	–	–	–	(889)	(889)
Share-based payments	–	–	–	–	148	–	–	148
Elimination of exercised share-based payments	–	–	–	–	(6)	–	6	–
Issue of share capital	–	12	–	–	–	–	–	12
Transactions with owners	–	12	–	–	142	–	(883)	(729)
Profit for the period	–	–	–	–	–	–	1,019	1,019
Other comprehensive (expense):								
Exchange differences on translation of net investments in foreign operations	–	–	–	(376)	–	–	–	(376)
Total comprehensive (expense)/income for the period	–	–	–	(376)	–	–	1,019	643
At 30 June 2023 (unaudited)	832	2,418	1,002	(761)	695	(358)	21,928	25,756

Condensed Consolidated Statement of Changes in Equity continued
For the financial period ended 30 June 2024

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Share options reserve £'000	Employee share ownership trust £'000	Retained earnings £'000	Total £'000
At 1 January 2023	832	2,406	1,002	(385)	553	(358)	21,792	25,842
Dividends	–	–	–	–	–	–	(1,094)	(1,094)
Share-based payments	–	–	–	–	190	–	–	190
Deferred tax on intrinsic value of vested options	–	–	–	–	(122)	–	–	(122)
Issue of share capital	–	12	–	–	–	–	–	12
Transactions with owners	–	12	–	–	68	–	(1,094)	(1,014)
Profit for the period	–	–	–	–	–	–	2,655	2,655
Other comprehensive (expense):								
Exchange differences on translation of net investments in foreign operations	–	–	–	(124)	–	–	–	(124)
Total comprehensive (expense)/income for the period	–	–	–	(124)	–	–	2,655	2,531
At 31 December 2023	832	2,418	1,002	(509)	621	(358)	23,353	27,359

Condensed Consolidated Balance Sheet
At 30 June 2024

	Note	30 June 2024 (unaudited) £'000	30 June 2023 (unaudited) £'000	31 December 2023 £'000
Non-current assets				
Goodwill		**18,987**	18,834	18,544
Other intangible assets		**10,024**	8,188	9,000
Property, plant and equipment		**775**	947	766
Right-of-Use assets		**1,012**	982	1,274
Deferred tax assets		**342**	85	111
Total non-current assets		**31,140**	29,036	29,695
Current assets				
Inventories		**136**	89	113
Trade and other receivables		**4,847**	4,512	5,033
Current tax assets		**675**	288	232
Cash and cash equivalents		**12,002**	9,410	10,903
Total current assets		**17,660**	14,299	16,281
Total assets		**48,800**	43,335	45,976
Current liabilities				
Lease liabilities		**(583)**	(467)	(542)
Trade and other payables		**(2,031)**	(1,788)	(1,904)
Current tax liabilities		**(33)**	(109)	(253)
Accruals and deferred income	10	**(14,776)**	(12,025)	(12,574)
Total current liabilities		**(17,423)**	(14,389)	(15,273)
Non-current liabilities				
Lease liabilities		**(762)**	(1,002)	(918)
Deferred tax liabilities		**(2,500)**	(2,162)	(2,400)
Provisions		**(26)**	(26)	(26)
Total non-current liabilities		**(3,288)**	(3,190)	(3,344)
Total liabilities		**(20,711)**	(17,579)	(18,617)
Net assets		**28,089**	25,756	27,359

	Note	30 June 2024 (unaudited) £'000	30 June 2023 (unaudited) £'000	31 December 2023 £'000
Equity				
Share capital		**833**	832	832
Share premium		**2,444**	2,418	2,418
Merger reserve		**1,002**	1,002	1,002
Translation reserve		**(802)**	(761)	(509)
Share options reserve		**785**	695	621
Employee share ownership trust		**(358)**	(358)	(358)
Retained earnings		**24,185**	21,928	23,353
Equity attributable to shareholders of the parent		**28,089**	25,756	27,359

Condensed Consolidated Statement of Cash Flows
For the financial period ended 30 June 2024

	Note	Six months to 30 June 2024 (unaudited) £'000	Six months to 30 June 2023 (unaudited) £'000	Year ended 31 December 2023 £'000
Cash flows from operating activities				
Profit after taxation for the financial period		**1,275**	1,019	2,655
Income tax expense		**358**	236	762
Amortisation of intangible assets		**1,126**	844	1,774
Depreciation charge		**323**	284	630
Profit on sale of property, plant and equipment		**–**	(15)	(13)
Finance expense		**31**	25	65
Finance income		**(117)**	(60)	(127)
Share-based payments expense		**103**	148	190
Gain on business disposal	14	**–**	(150)	(152)
Cash generated from operations before working capital movements		**3,099**	2,331	5,784
Decrease/(increase) in trade and other receivables		**186**	(428)	(780)
Increase in inventories and work in progress		**(26)**	(45)	(70)
Increase in trade and other payables, accruals and deferred income		**2,570**	700	1,461
Cash generated from operations		**5,829**	2,820	6,395
Net taxation paid		**(1,053)**	(131)	(501)
Net cash inflow from operating activities		**4,776**	2,689	5,894

	Note	Six months to 30 June 2024 (unaudited) £'000	Six months to 30 June 2023 (unaudited) £'000	Year ended 31 December 2023 £'000
Investing activities				
Investment in development expenditure		**(1,450)**	(996)	(2,256)
Investment in other intangible assets		**(111)**	–	(127)
Purchase of property, plant and equipment		**(11)**	(35)	(133)
Acquisition of subsidiary undertakings net of cash acquired	15	**(1,280)**	(3,827)	(3,838)
Net proceeds on disposal of subsidiary undertakings		**–**	511	510
Proceeds from sale of property, plant and equipment		**–**	21	37
Net cash outflow from investing activities		**(2,852)**	(4,326)	(5,807)
Financing activities				
Finance expense		**(31)**	(24)	(65)
Finance income		**117**	97	127
Repayments of principal of lease liabilities		**(309)**	(270)	(595)
Equity dividends paid	8	**(453)**	(889)	(1,094)
Issue of share capital		**26**	12	12
Net cash outflow from financing activities		**(650)**	(1,074)	(1,615)
Net increase/(decrease) in cash and cash equivalents		**1,274**	(2,711)	(1,528)
Cash and cash equivalents at beginning of period		**10,903**	12,538	12,538
Exchange losses on cash and cash equivalents		**(175)**	(417)	(107)
Cash and cash equivalents at end of period		**12,002**	9,410	10,903

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 Dawson House, 5 Jewry Street, London, EC3N 2EX.

The Company is listed on AIM, a market operated by the London Stock Exchange plc.

The condensed consolidated interim financial information does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The Group's consolidated financial statements for the year ended 31 December 2023 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 2024 have been prepared in accordance with the accounting policies which will be applied in the twelve months financial statements to 31 December 2024. These accounting policies will be drawn up in accordance with applicable law and UK-adopted International Accounting Standards (UK-IAS) that will be effective at 31 December 2024.

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 2023.The comparative figures for the year ended 31 December 2023 are not the Company's statutory accounts for that period but have been extracted from these accounts.

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

Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2023.

Risks and uncertainties

A summary of the Group's principal risks and uncertainties was set out on pages 27 to 29 of the 2023 Annual Report and Accounts. The Board considers these risks and uncertainties are still relevant to the current financial year and the impact of changes is reviewed in the Non-Executive Chairman's and Chief Executive's statements contained in this report, where appropriate to do so.

The Interim Report was approved by the Directors on 9 September 2024.

3. Revenue

Revenue disclosed in the income statement is analysed as follows:

	Six months to 30 June		Year to 31 December
	2024 £'000	2023 £'000	2023 £'000
Perpetual licence revenue	**724**	1,028	1,532
Recurring maintenance, support, SaaS and subscription revenue	**11,995**	9,692	20,732
Services income	**3,533**	2,766	5,742
	16,252	13,486	28,006

Revenue is recognised for each category as follows:

- Perpetual licences – recognised at the point of transfer (delivery) of the licence to a customer.
- Recurring revenue – maintenance, support, SaaS 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 makers have been identified as the Executive Directors. The Group revenue is derived entirely from the sale of perpetual software licences, software maintenance and support and related services. Consequently, the Executive Directors review the management information on the basis of this one unified segment of software.

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		
	2024 £'000	2023 £'000	Year to 31 December 2023 £'000
UK	**7,634**	5,676	13,034
Scandinavia	**2,893**	3,035	5,880
Germany	**1,874**	1,767	3,950
USA	**752**	570	1,184
Rest of Europe	**2,637**	2,123	3,364
Rest of World	**462**	315	594
	16,252	13,486	28,006

Revenue by product group

	Six months to 30 June		
	2024 £'000	2023 £'000	Year to 31 December 2023 £'000
Revenue from software and related services:			
Building Lifecycle	**11,832**	9,328	19,824
CAD and Visualisation	**3,643**	3,499	6,775
Other – third party software	**777**	659	1,407
	16,252	13,486	28,006

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

	Six months to 30 June		
	2024 £'000	2023 £'000	Year to 31 December 2023 £'000
Direct	**15,640**	12,958	26,991
Reseller	**612**	528	1,015
	16,252	13,486	28,006

Notes to the Condensed Consolidated Interim Financial Information
continued

9. Cash and borrowings

The net cash position of the Group as at 30 June 2024 is set out below:

	At 30 June		At 31 December
	2024 £'000	2023 £'000	2023 £'000
Cash and cash equivalents	**12,002**	9,410	10,903
Bank loans	**–**	–	–
Lease liabilities	**(1,345)**	(1,469)	(1,460)
	10,657	7,941	9,443

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 30 June 2024, 30 June 2023 and 31 December 2023).

10. Accruals and deferred income

	At 30 June		At 31 December
	2024 £'000	2023 £'000	2023 £'000
Accruals	**3,128**	2,425	2,793
Deferred income	**11,648**	9,600	9,781
	14,776	12,025	12,574

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

11. Related party disclosures

Transactions between Group undertakings, which are related parties, have been eliminated on consolidation.

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

12. 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
	2024 £'000	2023 £'000	2023 £'000
Operating profit	**1,547**	1,070	3,203
Gain on business disposal	**–**	150	152
Amortisation of intangible assets	**1,126**	844	1,774
Depreciation charge	**323**	284	630
EBITDA	**2,996**	2,348	5,759
EBITDA	**2,996**	2,348	5,759
Gain on business disposal	**–**	(150)	(152)
Acquisition-related expenses and stamp duties	**225**	262	279
Share-based payments	**103**	148	190
Adjusted EBITDA	**3,324**	2,608	6,076
Operating profit	**1,547**	1,070	3,203
Acquisition-related expenses and stamp duties	**225**	262	279
Amortisation of acquired intangible assets	**277**	250	474
Share-based payments	**103**	148	190
Adjusted operating profit	**2,152**	1,730	4,146

Notes to the Condensed Consolidated Interim Financial Information
continued

12. Additional performance measures continued

	Six months to 30 June 2024 £'000	Six months to 30 June 2023 £'000	Year ended 31 December 2023 £'000
Profit before taxation	**1,633**	1,255	3,417
Gain on business disposal	**–**	(150)	(152)
Acquisition-related expenses and stamp duties	**225**	262	279
Amortisation of acquired intangible assets	**277**	250	474
Share-based payments	**103**	148	190
Adjusted profit before taxation	**2,238**	1,765	4,208
Tax charge	**(358)**	(236)	(762)
Gain on business disposal	**–**	48	48
Acquisition-related expenses and stamp duties	**(56)**	(62)	(66)
Amortisation of acquired intangible assets	**(69)**	(59)	(111)
Share-based payments	**(26)**	(35)	(45)
Adjusted taxation charge	**(509)**	(344)	(936)
Profit after taxation	**1,275**	1,019	2,655
Gain on business disposal	**–**	(104)	(104)
Acquisition-related expenses and stamp duties	**169**	200	213
Amortisation of acquired intangible assets	**208**	191	363
Share-based payments	**77**	113	145
Adjusted profit after taxation	**1,729**	1,421	3,272
Adjusted profit after taxation	**1,729**	1,421	3,272
Weighted average number of shares	**82.4**	82.3	82.3
Adjusted earnings per share (pence)	**2.1**	1.7	4.0

	Six months to 30 June 2024 £'000	Six months to 30 June 2023 £'000	Year ended 31 December 2023 £'000
Cash generated from operations	**5,829**	2,820	6,395
Purchase of intangible assets	**(1,561)**	(996)	(2,383)
Purchase of property, plant and equipment	**(11)**	(35)	(133)
Acquisition-related expenses and stamp duties	**225**	262	279
Adjusted operating cash flow	**4,482**	2,051	4,158
Adjusted operating cash flow	**4,482**	2,051	4,158
Net interest received	**86**	73	62
Tax paid	**(1,053)**	(131)	(501)
Proceeds from disposal of property, plant and equipment	**–**	21	37
Free cash flow	**3,515**	2,014	3,756

13. 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 2023	
	2024	2023	**2024**	2023	Income Statement	Balance sheet
Swedish Krona to Sterling	**13.34**	13.00	**13.40**	13.71	13.18	12.84
Euro to Sterling	**1.17**	1.14	**1.18**	1.16	1.15	1.15
US Dollar to Sterling	**1.27**	1.24	**1.26**	1.27	1.24	1.27

Notes to the Condensed Consolidated Interim Financial Information
continued

14. Disposal of subsidiary

In the prior half year period, the Group announced on 20 February 2023 the sale of its wholly owned subsidiary Eleco Software GmbH, the German ARCON architectural CAD business ("ARCON") to FirstInVision GesmbH, an Austrian architectural software business, for a total consideration of €600,000, effective 1 January 2023. Following deduction of net assets, costs relating to the disposal and recycling of reserves, a pre-tax gain on disposal of £150,000 was recognised in the comparative half year period.

15. Acquisition of Vertical Digital group of companies

On 16 April 2024, the Group, through its wholly owned subsidiary Elecosoft Limited, acquired 100 per cent of the share capital of the Vertical Digital group of companies, consisting of Vertical Digital SRL and Sons of Coding SRL (the 'Acquisition') for a consideration of €1.3m (£1.1m). The Acquisition's completion date was 16 April 2024. The Group funded the Acquisition exclusively by utilisation of its existing internal cash resources for this initial consideration. Cash and cash equivalents within the Acquisition entities at the acquisition date totaled £0.1m and the Acquisition had no debt.

Vertical Digital has a proven track record, in providing agile and innovative software development, technical consulting and upskilling solutions across many European and multinational end-customers including Lufthansa Technik, PwC, VW Financial Services, Deloitte and Zoopla.

The Acquisition adds critical capabilities to Eleco, including the ability to service and scale its customers by connecting systems and providing technical consulting which will support their digital transformation journeys, thus increasing the Group's product breadth and focus on customer centricity.

The Acquisition also provides for elastic augmentation of our internal research and development capacity which will further improve product time to value.

The transaction terms provide for a cumulative potential deferred and contingent outflow ('Earn Out') of up to €250,000 maximum for financial years ending 31 December 2024 and 31 December 2025, based on the local senior management (the former owners) attaining specific performance targets set by Eleco plc in those years. These specific performance targets are linked to achievement of revenue over those two financial years, subject to minimum gross margin and net margin thresholds.

For the above explanatory reasons, including the ability to repurpose the acquisition towards our internal research and development roadmap, combined with the anticipated profitability of the Acquisition in other Group markets, synergies arising, plus the ability to hire the assembled workforce of the Acquisition (including the founders and management team), the Group understandably paid a premium over the acquisition net assets, giving rise, aside from the value of customer relationships, to goodwill. All intangible assets, in accordance with IFRS3 Business Combinations, were recognised at their provisional fair values on acquisition date, with the residual excess over net assets being recognised as customer relationships and goodwill.

Intangibles arising from the acquisition consist of customer relationships and have been independently valued by professional advisors.

The following table summarises the consideration and provisional fair values of assets acquired and liabilities assumed at the date of the Acquisition (they will be subject to possible revision in the annual report and accounts for the year ended 31 December 2024):

	£'000
Intangible fixed assets:	
Customer Relationships	469
Property, plant and equipment	49
Trade receivables and prepayments	196
Cash and cash equivalents	55
Trade and other payables	(91)
Corporation tax	(11)
Net assets acquired	**667**
Goodwill	443
Acquisition cost	**1,110**

There are no non-controlling interests in relation to the Acquisition. Receivables at the acquisition date are expected to be collected in accordance with the gross contractual amounts.

Fair values in the above table have only been determined provisionally and may be subject to change in the light of any subsequent new information becoming available in time. The review of the fair value of assets and liabilities acquired will be completed within twelve months of the acquisition date.

The acquisition cost was satisfied by:

	£'000
Cash	1,110
Share consideration	–
Total consideration	**1,110**

Notes to the Condensed Consolidated Interim Financial Information
continued

15. Acquisition of Vertical Digital group of companies continued

The net cash outflow arising on acquisition was:

	£'000
Cash consideration paid	1,110
Acquisition-related costs	225
Cash and cash equivalents within the Vertical Digital business on acquisition	(55)
Total net cash outflow on acquisition	**1,280**

Other costs relating to the acquisition have not been included in the consideration cost. Directly attributable acquisition costs include external legal and accounting costs incurred in compiling the acquisition legal contracts and the performance of due diligence activity and the fair value exercise, together with stamp duty, total £0.2m. These costs have been charged in selling and administrative expenses in the consolidated income statement.

The Vertical Digital group of companies, in common with other Group companies, has a 31 December calendar year end. In the year to 31 December 2023, before Eleco plc Group control, Vertical Digital delivered revenue of €1.2m (c.£1.0m) and a net profit before taxation of €0.3m (c.£0.2m) based on unaudited figures and Vertical Digital's accounting policies.

Had the acquisition taken place from the start of the Group's financial year (from 1 January 2024) and based on figures and accounting policies prior to Eleco plc Group control, management estimate that Acquisition would have contributed revenue of £0.6m and profit before taxation of £0.1m to the Group results in this first half year. For the first two and a half months since the Acquisition date, the Vertical Digital group of companies contributed £0.3m of revenue and net profit before taxation of £nil.

The above figures are provisional and the Group will work through the fair value exercise under IFRS 3 and provisional disclosures will be reported in the Group's annual report and accounts for the year ended 31 December 2024. With regard to the BestOutcome acquisition announced on 27 June 2023, in the prior period, the accounting for this as a business combination is complete, and previously provisional amounts under IFRS 3 have been established and are detailed in note 28 of the annual report for the year ended 31 December 2023.

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Eleco plc
Interim Report
for the six months ended 30 June 2024

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