



ELECO[®]

Eleco plc
Annual Report and
Accounts 2022

Creating certainty for
the built environment

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Introduction

At a Glance

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, the 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 delivery, estimation, visualisation, Building Information Modelling (BIM) and property management.



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Highlights

	2022 £'000	2021 £'000
Financial Highlights		
Total Revenue	26,566	27,344
Total Revenue: at constant currency rates	27,009	27,344
Total Recurring Revenue (TRR)	16,927	15,424
Annualised Recurring Revenues (ARR)*	18,237	15,955
Gross margin	88.4%	89.9%
EBITDA**	5,200	7,182
Profit before taxation	2,944	3,926
Profit after taxation	2,395	2,731
Basic earnings per share (pence per share)	2.9	3.3
Free cash flow***	3,791	4,751
Net cash	12,538	10,055
Total dividend**** (pence per share)	1.28	0.60

* ARR is defined as normalised annualised recurring revenues and includes revenues from subscription licences, contract values of annual support and maintenance, and SaaS contracts. Normalisation is calculated using the recurring revenue in the final month of the year multiplied by twelve.

** EBITDA is defined as Earnings before Interest, Taxation, Depreciation, Amortisation and Impairment of Intangible Assets and former Directors' payments in 2021.

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

**** Consists of a special dividend of 0.58 pence per share, a proposed dividend of 0.50 pence per share and interim dividend of 0.20 pence per share (2021: proposed dividend of 0.40 pence per share and interim dividend of 0.20 pence per share).

Operational Highlights

- Successfully commenced phase two of the Group's Software as a Service (SaaS) transition strategy, to offer subscription licences to existing customers, thereby supporting customer success initiatives and enhancing our recurring revenue profile further.
- Development of a new Permit to Work module for Eleco's scalable maintenance and facilities software, ShireSystem, released in H2 2022. This will be a key component in assisting customers with managing safety and compliance procedures.
- A focus on ESG initiatives by establishing an ESG committee, setting targets and measuring performance as well as offsetting our measured carbon emissions.
- Winner of the Megabuyte Quoted25 Award for Best Performing Software Company in Industrials in 2022.
- Certified as a Great Place to Work® and implemented wellbeing and personal development programmes for employees.
- Winner of Project Management Software of the Year at the UK Construction Computing Awards for the ninth successive year.
- A reinitiation of mergers and acquisitions (M&A) activity as part of our ongoing growth strategy, together with the disposal of non-core German ARCON architectural business, enhancing our focus on our main building lifecycle solutions.

Chairman's Statement



I am delighted to report that 2022 has been another year of solid progress for Eleco. Despite significant macro-economic and geo-political upheaval, high inflation and a tight labour market, the business has delivered a robust performance and made considerable headway towards meeting its strategic goals.

Thanks to management's execution of our strategy the Company's transformation has been successfully implemented and we are now extremely well-positioned to accelerate our growth organically as well as having a solid platform from which to successfully undertake strategic acquisitions.

We are also uniquely placed to benefit from industry trends. The construction and built environment industries are seeking digitalisation; better productivity of labour and materials costs; reduced carbon footprint; minimised waste; more flexible modular solutions; and 4D Building Information Modelling solutions (4D BIM) to add time and scheduling elements to their models. Eleco offers all these solutions and so we are seeing an increasing number of significant opportunities within our markets.

In line with our customer-centric approach, Eleco has continued to invest in product development, having

launched new versions of our core building lifecycle products during the year. Our offerings are increasingly focused on improving processes for our clients by introducing new, more efficient workflows while digitalising the least efficient of their manual processes.

Strategic Success

Eleco is now a customer-centric rather than product-centric business with all developments based on our clients' needs. Across the Group we have been focused on both delivering best of breed products to core customer segments while also transitioning our business to SaaS and maintaining high customer retention rates. To that end, we have introduced an R&D matrix structure built around customer segments, enabling us to produce innovative solutions that are of the highest value to our customer base.

Our transition to a SaaS-based, recurring revenue business is progressing to plan. We grew Annualised Recurring Revenues (ARR) by 14 per cent to £18.2m at 31 December 2022 from £16.0m at 31 December 2021. Total Recurring Revenue (TRR) increased 10 per cent to £16.9m (2021: £15.4m), such that recurring revenues now account for 64 per cent of total revenues, up from 56 per cent in 2021.

Our strategic move to a SaaS licensing model inevitably meant a temporary decline in revenue, something we highlighted at the outset of this process. Nonetheless, revenue for 2022 (£26.6m, or £27.0m on a constant currency basis) is only marginally down on 2021 (£27.3m). We are satisfied with the trajectory of our SaaS transition which we expect to result in significant revenue growth and improved shareholder returns over the years to come. Our move to SaaS licensing will benefit us and our customers and will result in higher Customer Lifetime Value (CLV). We expect revenues will increase from the end of Q2 of this year, which marks the midway point of our transition, and that revenue will continue to increase for 2023 as a whole.

As well as our strategic realignment to a customer-centric business, we have continued to grow our customer base, achieving new customer growth in the UK, growth in the USA and strong demand in Sweden. 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 sold our German ARCON architectural CAD business, following the year end, for a total consideration of €600,000. This further streamlines our business toward a common customer base and product type and will be beneficial to all our stakeholders. It will enable our team to be more focused, provide improved service levels to our customers, and ultimately generate greater value for shareholders.

Unfortunately, geo-political factors and inflationary pressures have impacted the timing for our customers of their operational programmes. This has resulted in 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 the repercussions of the war in Ukraine. However, the Group is successfully absorbing these pressures thanks to effective cost control and 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 much larger, world-class, customer-centric organisation.

Awards

Powerproject won the Project Management Software of the Year Award at 2022's Construction Computing Awards for the ninth year in a row, reflecting the high regard in which our software is held by the industry.

In March 2022, we also won the Megabyte Quoted25 Award for best performing software company in the industrials peer group, highlighting the strength of our overall financial performance.

We were also placed in the Top 50 ConTech Partners list whose criteria include innovation, adoption and customer satisfaction.

Environmental, Social and Governance (ESG)

We formed an ESG Committee early in the year, chaired by Non-Executive Director, Mark Castle, with a mandate to focus on the key elements of Environmental, Social and Governance and identify the core areas of Eleco's Sustainability Plan. During the past year, the ESG Committee set Key Performance Indicators ('KPI') in line with Eleco's Sustainability Plan, which we used to measure our performance against in 2022, and looked at our Net Zero Strategy.

Environmentally, we made the move to more renewable energy sources across the whole business and while only a short-term solution, we offset our 2021 carbon emissions during the year. We will continue to focus on our impact on the environment and driving our Net Zero plan. We are also reviewing how we can positively contribute to global environmental challenges by helping our customer base reduce their carbon footprint and improve sustainability through the use of our solutions.

Within our social strategy we recognise the importance of working together with our colleagues, customers and suppliers to promote fairness, equality and inclusion. People are at the heart of Eleco. Attraction and retention of talent and the wellness of our people were key themes throughout 2022 in what was a tight labour market.

We maintained investment in our people throughout the year, introducing numerous initiatives including an Employee Assistance Programme, Employee Hub and encouraging colleagues to volunteer for charitable causes. In addition, two-thirds of our employees received a cost-of-living allowance, and we provided pay awards across the whole Group. As the result of many of our commitments to our colleagues, we were delighted to receive Great Place to Work® certification in the UK, Sweden and Germany.

Chairman's Statement continued

We were delighted to welcome Neil Pritchard, who was appointed to the Board as Chief Financial Officer in October 2022, further strengthening our leadership and corporate governance. The Group Leadership Team was also bolstered by the appointment of Luben Kirov as Chief Technology Officer earlier in the year.

Dividend

Thanks to our strong cash position, we are able to both retain earnings for corporate development initiatives and maintain a progressive dividend policy. Cash generation was very strong during the year, with an increase in free cash flow ahead of market expectations, resulting in a 25 per cent increase in cash to £12.5m (including cash held within the held for sale business at the year end) at 31 December 2022 (31 December 2021: £10.1m). The Board has therefore decided to recommend a final cash dividend of 0.50 pence per share (2021: 0.40 pence per share). This is in addition to an interim cash dividend of 0.20 pence per share (2021: 0.20 pence per share). Furthermore, we will propose a special dividend of 0.58 pence per share to reward our shareholders' loyalty as we go through the SaaS transition, representing the cash proceeds from the disposal of the non-core ARCON business. The total dividends for the year will therefore be 1.28 pence per share (2021: 0.60 pence per share).

The full year and special dividend will follow approval by shareholders at the AGM. The record date is the close of business on 19 May 2023 and the ex-dividend date will be 18 May 2023.

Outlook

Eleco is building a single customer platform, the Elecoverse, that will enable our customers to access and utilise all our solutions. It will also provide customer success tools, training options through the Elecovercity, as well as provide us with analytics that will help us to further enhance our offerings to our customers. We are enhancing our solutions to further our competitive advantage in our areas of focus. We will continue moving ahead in our transition to SaaS which will increase organic recurring revenues and profits. Sales enablement programmes are being implemented to further enhance future organic growth.

The construction and built environment markets are currently affected by a multitude of macro-economic headwinds. Eleco's software plays a crucial role in helping companies mitigate the impact of these issues, driving productivity, and enabling them to better plan their resources. The industry is experiencing a move

toward digitalisation, as well as more efficient and sustainable building methodologies and techniques. Eleco's solutions are widely recognised for improving decision-making and planning throughout the building lifecycle and we currently have an excellent opportunity to leverage our market position, strengthen our platform and drive organic growth.

Over the coming year we will also build on the progress we have made in achieving Great Place to Work® status, providing an ever-improving work environment that helps us motivate and retain our great people while attracting new talent in a competitive labour market.

The Company has a number of strategic acquisition prospects that could further enhance its positioning and continues to actively review the market for technology opportunities and threats.

Eleco has delivered a positive performance throughout 2022 despite the macro-economic background, delivering growth in subscription revenues in line with our core strategic goal. I would like to thank our talented team for their superb efforts in achieving this outcome and our loyal and valued customers for their support. We are confident of continued robust progress through 2023 and in meeting market expectations for the year ahead.

Serena Lang

Serena Lang (May 4, 2023 23:38 GMT+1)

Serena Lang

Chairman

27 March 2023

CEO Report



I am delighted with the Group's performance and progress with delivering its growth strategy against a backdrop of difficult economic conditions for the wider market. I am pleased to be reporting financial results in line with market expectations. Eleco is now better positioned within its markets and we continue to make meaningful progress towards our strategic goals.

Eleco solves the challenges of the built environment by supporting the digital transformation of companies who construct and maintain buildings and structures. Our vision is to create certainty for the built environment by being the trusted technology partner to all stakeholders, which is especially important in the current economic climate.

Eleco's core customers are in the UK, Germany, Sweden, the Netherlands and the USA. However, its solutions reach all areas of the globe including the rest of Europe, Australia and New Zealand.

The built environment is an exciting sector for technology companies due to rising demands to meet environmental targets and population growth, which are driving companies in an industry that is recognised as a slow adopter of technology to think differently about data, process, and collaboration. A company

with the pedigree of Eleco however, with its technical talent and experience, is more than capable of meeting the growing demands of the industry.

Our Markets

Following a previous year in which construction projects were significantly disrupted due to the global pandemic, the trend continued into the beginning of FY22 with related material price increases and the energy and cost-of-living crisis which followed the Russian invasion of Ukraine. The uncertainty caused disruptions in projects, particularly in Germany.

During the pandemic, many businesses rapidly increased their technology investments in order to operate remotely and assist employees to work from home. We found that many of the old and perhaps inefficient processes had been digitalised but not modernised to work in a digital environment and this led to a decline in some areas of construction workflows. This is where Eleco's many years of industry experience proved vital in supporting our customers to transform their processes and become truly modernised. Furthermore, new technology entrants have found it challenging to break into the built environment as our customers have become more tech-savvy, again underpinning Eleco's strategic

CEO Report continued

move to focus on customer centricity and customer success.

Review of Operations

The Board has been greatly encouraged by the pace of our transition to SaaS during the year. Many such transitions suffer more severe revenue reductions, however, it was the objective of Eleco colleagues to work hard to deliver equivalent year-on-year revenues.

The strong uptake of subscription licensing has resulted in significant growth in Annualised Recurring Revenues (ARR) of 14 per cent, from £16.0m at 31 December 2021 to £18.2m at 31 December 2022. This level of growth has not been seen in prior years and signifies positive progress. We are on track to see the total reported revenues further increase by the end of 2023.

As stated when we first embarked upon this transformational journey, we expected a reduction in revenues during the first 18 months of the process as customers moved from perpetual licences to subscription payments, with total revenues increasing after that time. The midpoint of our journey to SaaS will occur in H1 2023, and we are confident of delivering solid revenue growth in the second half of the current financial year.

Following the strategic focus for Eleco to become a SaaS company, we will have greater predictability of our revenues, more sustainable growth, lower costs and improved scalability. Our customers are also benefiting from a reduction in upfront costs, while having flexible, scalable products that can run anywhere on any device with simple maintenance and automatic upgrades. Ultimately, our move to SaaS will make Eleco a stronger and more resilient business while increasing Customer Lifetime Value.

In keeping with our strategic focus on prioritising our core customers, growth areas and increasing recurring revenue we disposed of our non-profitable German ARCON architectural CAD business in February 2023 for a total consideration of €600,000. This further streamlines the Group toward a common customer base and product type which benefits our employees and customers.

We also reorganised the management teams in our German Building Lifecycle and Veeuze companies, which we expect to drive long-term growth in the region.

Our ambition is to be identified as the preferred international technology partner in the built environment. We are therefore proud to be recognised in the Top 50 ConTech Partners list. Launched by Build in Digital, the list shows the ConTech firms that have become an integral part of their clients' supply chain, helping them operate on time, on budget, and with a minimal carbon footprint.

2022 was the ninth consecutive year in which we received the Project Management Software of the Year Award at the UK Construction Computing Awards, and in March 2022, we also won the Megabyte Quoted25 Award for best performing software company in the industrials peer group, highlighting the strength of our overall financial performance.

Our US channel partner programme was enhanced which resulted in the introduction and first order of Powerproject Vision, our cloud collaboration solution, to Saunders Construction, an ENR Top 400 general contractor. This has sparked an interest in Powerproject Vision among other customers in the US.

Central to us upholding innovation, adoption and customer satisfaction is the attraction and retention of the highest quality talent. During the year, we introduced numerous measures to ensure this could still be achieved in a highly competitive labour market. Our employee value proposition was improved throughout the year by the introduction of various employee initiatives, well-being support and benefits. As a result, in June 2022 we were awarded Great Place to Work® status in the UK and Sweden following a survey of Eleco colleagues, who worked tirelessly to deliver FY22's strong results while still making excellent progress our strategy. I am pleased to say we have retained that Great Place to Work® certification in 2023, and added Germany to the fold.

Strategy

The Group's leadership team continued its commitment to driving the vision and strategy whilst creating an environment to deliver stakeholder value and growth. These comprise three strategic pillars: Go-to-Market, Innovation and Technology, and Mergers and Acquisitions, underpinned by our Growth Platform.

Go-to-Market

Investment in cloud migration in 2022 has formed the basis for new future applications as well as the provision of cost-effective, secure and collaborative solutions for Eleco's current customers. Our revived sales enablement programme will support existing

colleagues to perform at their best and also allow Eleco to accelerate the onboarding of new colleagues and scaling of its sales capabilities.

Solving the challenges of the built environment requires collaboration and partnerships. Therefore as a focus for 2023, Eleco will be the leading partner of the C-Tech Startup Village at the UK Digital Construction Week in May. This will connect the Company with over 100 early-stage technology businesses in our sector.

Further service partners and resellers play a key role in providing Eleco scale in delivery to international markets. Earlier this year, in conjunction with our US value added resellers, we hosted our first US user conference since the pandemic and not only was the turnout excellent, but also the response was extremely favourable, with Lorne Duncan from Petroglyph commenting that, "It was the best user conference I have been to in the last decade and probably the best I have ever attended."

Innovation and Technology

Our growth strategy called for a reorganisation of our Research & Development function into an aligned group of colleagues reporting to our Chief Technology Officer. This change in H2 2022 has stimulated creativity and innovation as the team now meet as one, developing efficiencies by eliminating duplication and supporting specialism and career pathways within the Group.

Innovation is an area in which Eleco colleagues feel confident, as we are both proud and fortunate to work with the most forward-thinking engineers and planners in the industry to solve the challenges they face. Our solutions have an active educational audience of over 12,000 students and with the culture we promote, customers can easily speak with Eleco colleagues to discuss their challenges.

In 2023, our customers can expect to see more SaaS modules which promote better collaboration; for example, Asta Connect is our new last planner solution designed to bring teams together on site. We also plan to launch the first iteration of the Elecoverse, providing greater access to the Eleco 'universe' and scalability of services for our customers. We will continue to enhance our existing portfolio to improve customer experience and appeal to a diverse audience within our core customer base.

Mergers & Acquisitions

The Group's M&A strategy is driven by its ambitious technology roadmap and customer needs whilst further supplementing our organic growth.

There are three types of potential acquisition we are pursuing:

- Type A – Revenue & Profit enhancing in complementary markets. An established company with robust financial credentials and loyal customer base.
- Type B – Proven Technology that advances our roadmap. An established technology and capability-led businesses that would enable Eleco to accelerate its roadmap through acquiring developed IP and technical talent.
- Type C – Next-Generation Technologies; innovative solutions that add value to our existing customers.

Growth Platform

Developing and strengthening Eleco's operational platform has been a strategic focus since the launch of the strategy in 2021, and will continue to play an important role in the future success of Eleco. Core elements to enable growth are our people, culture, ESG credentials and resilient financial platform.

People & Talent

Eleco is a people business, and the calibre and talent of our people, along with their enthusiasm to solve the challenges of the built environment, continue to be key in delivering our strategy.

During the period the Leadership Team was strengthened with the recruitment of Neil Pritchard who was appointed as Chief Financial Officer, and to the Board, in October 2022. Neil has significant experience of AIM-listed technology companies, having been CFO of Corero Network Security plc and CML Microsystems plc and having worked for a number of internationally-quoted companies prior to this. Neil's background and skills are already proving invaluable as we focus on continued and sustainable organic and inorganic growth.

Luben Kirov joined as Chief Technology Officer, in February of 2022. With over 15 years of professional experience across Natural Resource Management, Enterprise Services, Software Development, Data Science and Consulting, Luben brings with him comprehensive and diverse experience in the fields of technology and business.

CEO Report continued

David Hernandez joined in July as Head of US Operations, based in Texas, and is an experienced sales leader, having spent almost a decade in sales leadership and channel management in the construction industry as well as having led his own residential and commercial contracting company.

Dirk Dombert started as Regional Managing Director, Northern Europe in November, and has 25 years of sales and management experience with software solutions and services in ecommerce and CAD/CAM technologies.

Culture & Values

Fostering a strong company culture aligned to Eleco's purpose and vision is critical to the delivery of our strategy. Accordingly we focused on strengthening our cultural values by introducing our own behavioural framework into employee objectives and our recruitment process in the period.

This focus on cultural values has brought about increased levels of trust and openness and has created an environment in which colleagues feel confident to contribute, collaborate, be innovative and ultimately perform to the best of their ability. Furthermore, these improved ways of working have served to support the leadership team in implementing transformational changes more swiftly.

Systems

Reliable and secure systems form a key element in enabling our growth ambitions. During the period we strengthened our cyber security posture by implementing a cyber vulnerability scanning system to regularly test our public-facing services. Furthermore we updated our cyber security procedures and policies in advance of applying for ISO 27001 in the UK in 2023.

ESG Credentials

Excellent environmental, social and governance credentials have significant importance in supporting our growth. In the period, we established an ESG Committee and developed a scorecard to commence the measurement of the initiatives we continue to implement. Some initiatives included offsetting carbon emissions, progression towards electrified vehicles and making facility improvements in our offices to reduce our impact on the environment.

Further supporting good governance, we reinvigorated our group-wide policy framework which is being introduced through our internal training platform. Every employee was also trained and tested throughout

the year on the detection of cyber threats and attacks. Our clients can therefore have confidence that we adhere to the National Cyber Security Centre (NCSC) guidelines for cyber security for construction businesses, one of the many industries that we serve.

I am proud of the social responsibility measures adopted by Eleco and for its recognition as a Great Place to Work®. During the year, we introduced several initiatives including an Employee Assistance Programme, Employee Hub, volunteering days for colleagues and support with additional external training to build upon their existing skills and abilities. In Q4 2022, and with the approaching colder weather, we recognised the impact on colleagues of the rising cost of living and, as a result, the Board made a one-off support payment to two-thirds of our employees.

Resilient Financial Platform

Annualised Recurring Revenues (ARR) at 31 December 2022 increased by 14 per cent to approximately £18.2m (£16.0m at 31 December 2021). Total Recurring Revenues (TRR), a key metric for the Group, increased to £16.9m, or 64 per cent of total revenue in 2022, representing a 10 per cent uplift on the comparable period (£15.4m in 2021 or 56 per cent of total revenues).

As a result of the transition away from upfront perpetual licences, revenues for the year ended 31 December 2022 were marginally lower than in the prior year at £26.6m (£27.0m in constant currency terms) (2021: £27.3m). This, together with profit before tax for the period of £2.9m (2021: £3.9m), was in line and ahead of market expectations. We expect total revenues to grow in the second half of the coming year as we pass the halfway mark of our SaaS transition.

Service revenue was in line with the previous year at £6.0m (2021: £6.0m).

Due to the SaaS transition, Building Lifecycle total revenue decreased by 2 per cent while CAD and Visualisation revenue also decreased by 7 per cent. Deferred Income increased to £7.8m (2021: £7.1m). Revenues by customer location were positive in the USA and Rest of World, though other areas were lower due to the SaaS transition and Germany showed a decline due to the prevailing economic conditions, but also reflected the reduced business by our ARCON business that was disposed of after the year end.

We invested approximately 12 per cent of revenues in product development across our portfolio during 2022 which was similar to prior year.

Cash generation remains strong, with an increase in free cash flow ahead of market expectations resulting in a significant increase in cash of 25 per cent to £12.5m as at 31 December 2022, up from £10.1m as at 31 December 2021.

The Company's robust, debt-free cash status enables us to have a progressive dividend policy while allowing for the retention of surplus cash to continue to invest in corporate development initiatives and the future growth of the Group. An enhanced final dividend and a payment of a special dividend (relating to the disposal of the ARCON business) rewards our shareholders for their support on our transformative journey.

Outlook

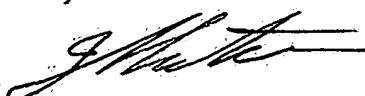
I am delighted with the meaningful progress that Eleco has made towards its strategic goals this year. As such, I would like to extend my thanks to the talented colleagues in the Group for their valued contribution, trust and dedication.

Eleco's customers increasingly embrace digitalisation as a critical means to solve the challenges they are facing in their business. We expect the rising demand for designing, constructing and operating buildings with improved green credentials to be a key driver for Eleco as our products support the reduction of waste, drive efficiency and provide critical data to make better decisions. Improving Eleco's go-to-market abilities will drive customer success, our ability to scale and strengthen our reputation as a trusted technology partner in the built environment.

We remain focused on growth, both organic and through acquisition, and continue to seek acquisitions which will increase the size of our customer base, complement our technology stack, widen our geographic reach and further develop our SaaS platform.

As we successfully transform Eleco into a high value SaaS recurring revenue business, and as previously announced in 2021, we anticipate that H1 2023 revenues will be lower, but expect revenues will accelerate in H2 of 2023 enabling us to return to revenue growth in 2023. I wish to thank all shareholders for their continued support during a period of transformation into a world-class, high value recurring revenue group.

Our customer-centric growth strategy, loyal customer base, strong pipeline of opportunities and world-class technology will open further exciting prospects for growth in our core markets and therefore we look to the year ahead with confidence.



Jonathan Hunter
Chief Executive Officer
27 March 2023

Our Purpose, Mission, Vision and Values

Vision

Creating certainty for the built environment

Mission

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

Purpose

Solve the challenges of the built environment through digital transformation

Strategic Objectives

- Customer-centric Growth
- Prioritised Innovation
- Resilient Operations

Values

- Be Customer Centric
- Strive for Excellence
- Be Open, Honest and Constructive
- Collaborate
- Have a Growth Mindset

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, enabling stakeholders to achieve the desired outcomes of reducing waste, mitigating risk, being compliant, and remaining efficient and effective in their resource management.

We base all that we do on our collective **Values**, namely:

- Be Customer Centric
- Strive for Excellence
- Be Open, Honest and Constructive
- Collaborate
- Have a Growth Mindset

Regions



United Kingdom

The UK is Eleco's largest territory by revenue representing 39 per cent of the Group's total revenue. The UK research and development teams are responsible for developing our project planning and maintenance software.



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.



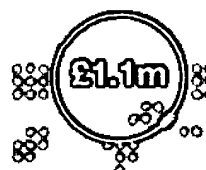
Germany

With 17 per cent revenue, Germany is our third largest region. It has particular strengths in Powerproject and visualisation software.



Rest of Europe/World

The rest of the World represents 17 per cent of our Group revenue and continues to present growth opportunities through our success in the Netherlands and Australia.



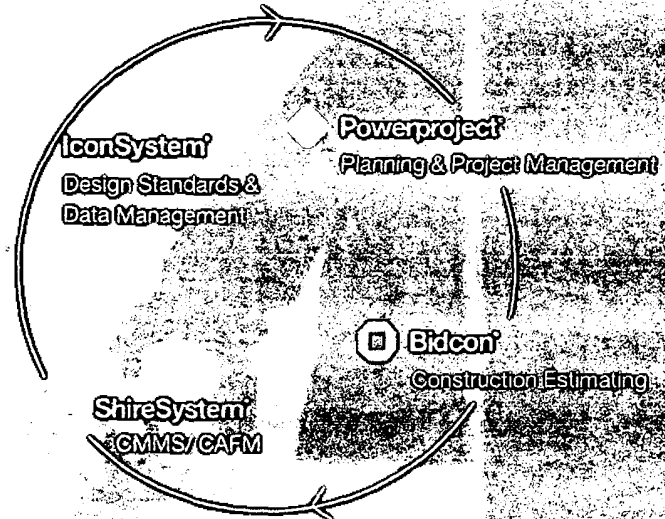
USA

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 both our direct sales and 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.

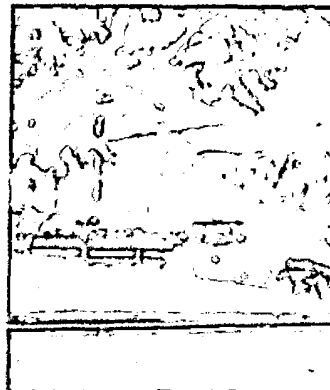


Customer Stories

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.

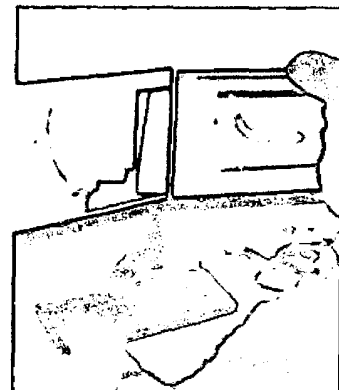
With a drive for more efficient and sustainable building methodologies and techniques, Eleco's software plays a crucial role in managing these issues, driving productivity for our customers and enabling them to better plan their resources.

For more information visit
www.elecoSoft.com and
www.voeuza.com



Managing the maintenance of a major estate

Chester Zoo adopted ShireSystem CMMS/CAFM software to ensure every part of their 128-acre site could be maintained to the highest standard. Moving to a unified approach has given the facilities management team full visibility of workload along with the ability to schedule planned preventative maintenance.



Design to CNC in ten minutes

Woodworking company Staircom Pty Ltd, Melbourne currently produce 40-50 staircases a week and have been using Staircon software since 2017 to combine greater production efficiency and better 3D visualisation capability. Staircon has even made it possible for them to design staircases on site and have them ready to run on the CNC ten minutes later.

→ Visualisation & CAD

Our portfolio focuses on niche vertical markets, including interior room visualisation and marketing, staircase manufacturing, timber frame manufacturing 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.

Staircon®

Staircase Manufacturing

Statcon®

Structural Engineering

→ Services

Solution implementation

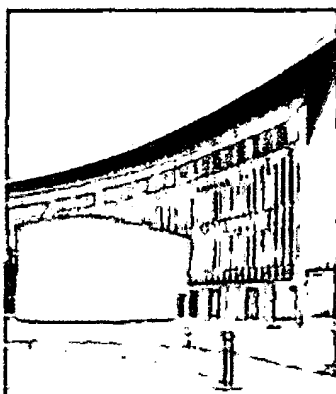
Our consultancy services are tailored to ensure your implementation is seamless during a transition to our software at scale.

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.



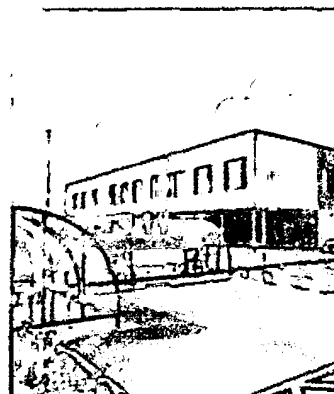
Software to deliver complex and award-winning projects

Willmott Dixon won gold at the CIOB Construction Manager of the Year Awards for its five-phase project to build the £49 million South Wales Police Learning Centre in Bridgend, Wales, using Powerproject to integrate the phases into a cohesive plan of action, centrally plan resourcing requirements and allow resequencing of works in real time.



Pilot programme rollout to ENR #4 US contractor

US construction management leader STOB Building Group has commenced a pilot programme of Powerproject and Powerproject Vision, with on-site education programmes rolling out in Dallas as well as other offices this year. Structure Tone London, the UK division of STOBG, is already a long-standing Powerproject customer and advocate of the software.



Supporting sustainable working procedures

Another gold-winning CIOB Construction Manager of the Year Award, this time for Kier in the Secondary Schools category with their complicated and time-sensitive build of the Addington Valley Academy. Powerproject was used to identify efficiencies as well as create programmes which could then be applied to future projects in support of Kier's Building a Sustainable World framework.

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 and thus delivering our ESG (Environmental, Social and Governance) credentials as well as shareholder value.

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

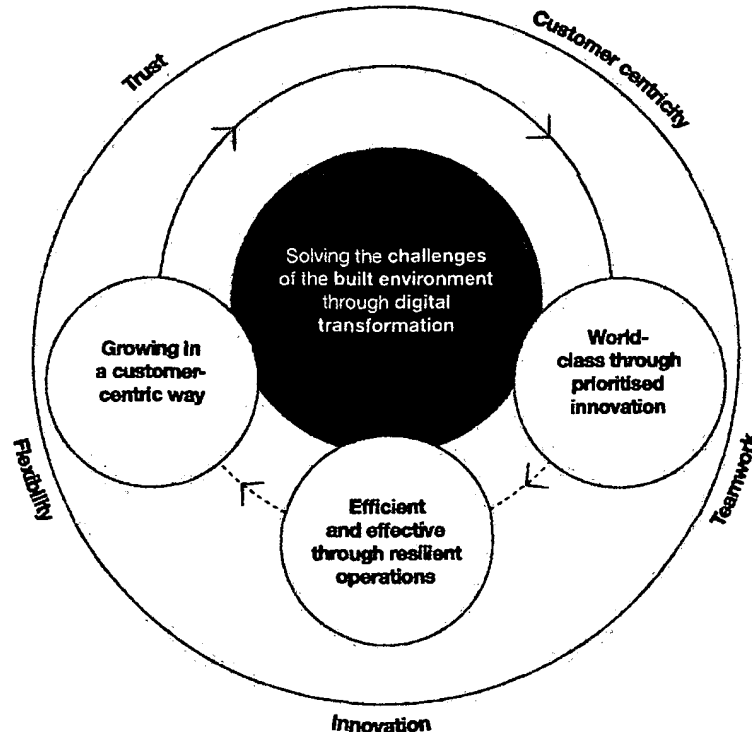
We are creating NextGen customer solutions by leveraging our deep knowledge of our customer base to identify and address future needs and create solutions in-house, through partnership and/or acquisition.

Efficient and effective through resilient operations

We capitalise on our unique capabilities and strengths to serve specific customer needs 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

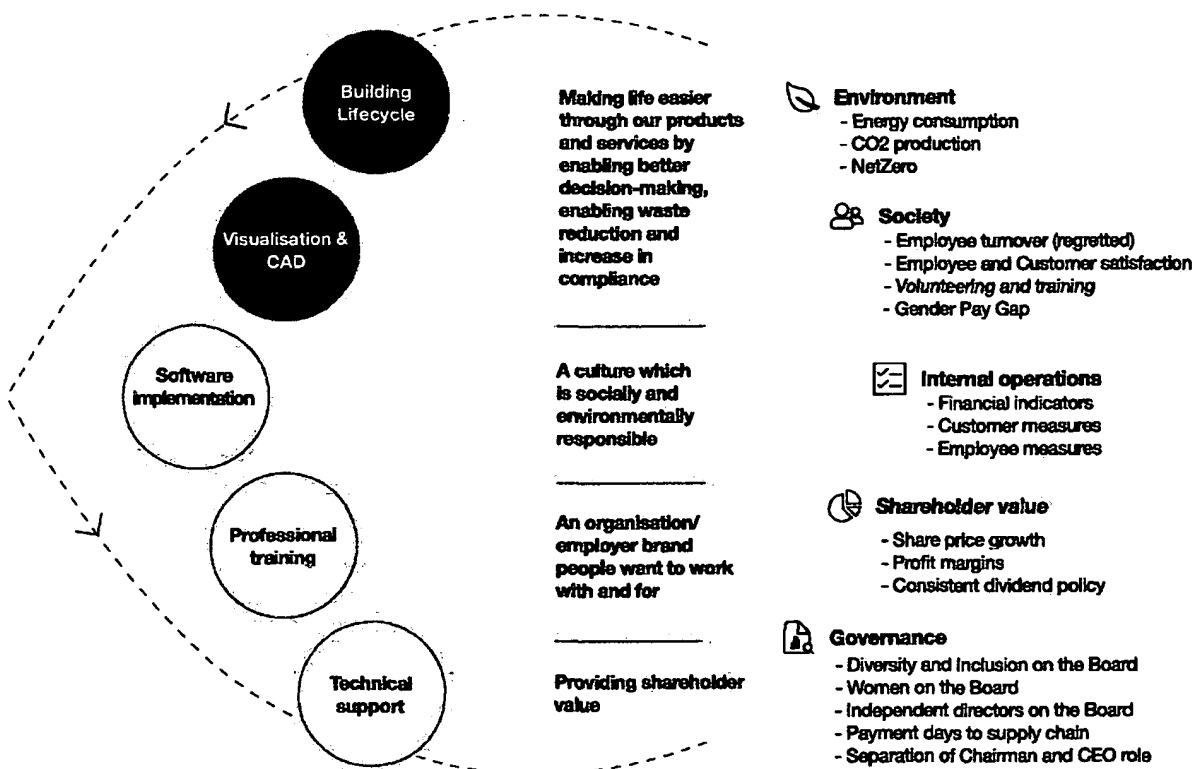
We focus, reinforce and expand the customer platform by growing a more focused, high-value customer base through product portfolio alignment and clear customer segment strategies using a customer-centric approach. Key pillars of our growth strategy are go-to-market, innovation and technology, and mergers and acquisitions.



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 impactful outcomes for:

- **The planet/environment and the wider society:** being environmentally and socially responsible,
- **Our people:** creating an organisation/employer brand 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 Environmental, Social and Governance (ESG) performance indicators and outcomes as well as internal operational and external shareholder value measures.



Review of Principal Risks

Product Risk

Risk	Description	Mitigation
Product development and competition	Eleco provides digital solutions for clients and their end customers. 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 Head of Innovation 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 endpoint 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 and we have obtained Great Place to Work® accreditations in Germany, the UK and Sweden. 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) to build on and strengthen the arrangements that are already in place, both globally and regionally, and 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. There are various interventions that we have already made to be strengthened: this includes Group target setting and clarifying roles and responsibilities in the matrix organisation, particularly around the key cross-cutting functions of sales/account management, marketing, product, technology, and the sharing of data.
Sub-optimal 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.	In 2022, we undertook a number of initiatives to position the organisation for further growth including finalising the merger of our three UK trading entities; merging our two German CAD and Visualisation businesses into one 'Veeuze'; reviewing our policies and procedures across the Group; and adapting our matrix structure; for example all research and development personnel reporting to the CTO. We have centralised product innovation by recruiting a Head of Innovation in 2023. Work continues 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 of skills and experience. 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 could adversely affect Eleco's performance. Additionally, the Ukraine conflict and the associated energy price rises and cost of living pressures may impact widespread economic activity.	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. In recent times, in many jurisdictions in which the Group operates, levels of inflation, salary and other cost pressures have substantially increased, itself following the impact of the Russian Ukraine conflict. Eleco has sought to mitigate this through geographic diversification, not engaging directly with end consumers, and recovery of such cost base increases through price rises to its customers where possible.
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 Group 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.	The Group does not engage in speculative currency trading activity. Our businesses predominantly trade in their own local currencies and have local operational and development staff cost bases which creates a natural hedge against currency movements in revenues. In addition, we will continue to monitor the need for foreign exchange contracts to manage risk where appropriate to do so.
Mergers and Acquisitions (M&A)	The risk of conducting acquisitions and subsequent integration exists for future transactions. This includes, among other things, the inability to meet sales volume targets, and higher than expected integration costs, as well as the failure to meet synergy goals. Furthermore, risks are present that the longer term understanding of the business needs to be assimilated when integrated into the Group.	We evaluate acquisitions for strategic and cultural fit. We will be producing integration plans right from the due diligence phase and will be managing the acquisition against those plans post-merger. The Group performs strong due diligence processes and closely managed integration processes; we seek to reduce the likelihood of this risk materialising. The integration plan will be for the long-term positioning of the acquired business in the ecosystem of the Group, not just the short-term integration immediate plans.

Key Stakeholders: 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 in recent years has created a strong platform for good governance and the balance of skills, experience and expertise of the Board suits the needs of Eleco.

Below we outline how we have considered the matters found in Section 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. We then 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. For further details regarding ESG initiatives, please see the ESG Committee Report on page 44.

Key decisions of 2022

1. Strategy review and acceleration of 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.

As reported in the Chairman's Statement and CEO Report, in 2021 the Company embarked on a strategic transition toward SaaS and subscription-based pricing. In 2022, given the Company's strong performance against the predicted softening of revenue, the Directors endorsed an acceleration of the strategy, to faster realise our transformation into a customer-centric, high recurring revenue business and enhancing shareholder value.

2. Reinitiation of Mergers and Acquisitions (M&A)

We paused our M&A strategy to focus on implementing the SaaS transition. Now that this is largely complete, we are reinitiating our M&A endeavours and have been actively seeking opportunities to accelerate revenue growth. Each opportunity is considered through a rigorous screening process, which evaluates the compatibility and ultimate integration of the potential acquisition.

The acquisition strategy is determined according to customer and market and business needs, which is underpinned by our ongoing engagement with customers.

3. AGM and shareholder response

Following various shareholder resolutions not being carried in 2021, Eleco engaged with shareholders to understand their concerns. Direct calls were made to shareholders and a proxy advisor was engaged to advise on approaches to addressing concerns. As a result, all resolutions in the 2022 AGM were passed.

All resolutions proposed in the AGM Notice this year remain fully in line with market practice. We continue to go beyond the applicable corporate governance requirements, submitting all Directors for annual re-election and seeking share authorities below the recommended levels for FTSE-listed companies.

4. Employee wellbeing

We continue to invest in the wellbeing of our people. In the face of widespread economic pressures and through consultation with the employee body, the Board recognised a need to address the 'cost of living' crisis and in November we paid a one-time allowance to two-thirds of our employees. This was in addition to annual pay awards, and it was well received by employees. During 2022, we also rolled out our Employee Assistance Programme to all our Group employees.

5. Capital allocation

Each year the Board considers the strength of the Group's balance sheet. Throughout 2022, the Company has maintained a debt-free position and a strong cash balance. We expect to invest cash into upcoming acquisition initiatives that can widen our customer base and develop our SaaS platform, in line with market requirements and ultimately generating greater shareholder value.

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 0.50 pence per share in respect of the year ended 31 December 2022. This is in addition to an interim dividend of 0.20 pence per share. Furthermore, we will propose a special dividend of 0.58 pence per share to reward our shareholders loyalty as we go through the SaaS transition, representing the cash proceeds from the disposal of the non-core ARCON business. The total full year dividends will therefore be 1.28 pence per share (2021: 0.60 pence per share).

Key Stakeholders: 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	<p>Our customers are critical to our business. Our products and services are critical in the construction supply chain. We aim to:</p> <ul style="list-style-type: none"> • 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. 	<p>The Board receives regular updates on customer feedback and sales throughout the year, which informs its strategic decisions. For further details of those strategic decisions please see the Chairman's Statement on pages 2 to 4 and the CEO Report on pages 5 to 9.</p>
Shareholders and Investors	<p>The Company liaised and interacted with a number of our major shareholders this year to understand those aspects which are uppermost on their agenda.</p> <p>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.</p>	<p>The Board regularly seeks and reviews the feedback from shareholders and investors, which feeds into board discussions and informs strategic decisions. For example, we regularly engage with shareholders and potential shareholders outside of Close Periods in investor roadshows.</p>

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 internal surveys 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. For example, we conduct extensive employee surveys as part of our Great Place to Work® initiatives.
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 looks to enhance and consolidate supplier relationships, by means of an ongoing review of service agreements and supplier relationships.
Partners (resellers and technology partners)	<p>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.</p> <p>We maintain confidentiality when partnering with other software vendors by entering into API (Application Programming Interface) partnership agreements.</p>	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 decided in 2021 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 44 to 53.

Financial Review



Since joining in October 2022, I have been impressed by the strong and increasing recurring revenue growth for the Group, itself a feature of sophisticated and strong management of the SaaS transition process, backed by loyal, experienced and dynamic colleagues in all the operations.

The journey to a SaaS environment for our many proven product solutions across the territories in which we operate is not without short-term pain, but nonetheless brings medium to long-term gain. Earnings are more sustainable, resilient and predictable, for our shareholders and providing a higher total Customer Lifetime Value. To date, Eleco plc has been more successful than most in managing that transition to subscription and SaaS-based pricing.

The high gross margins and low churn rates of our software businesses provide high cash generation, enabling Eleco to have a strength and resilience on the balance sheet that some other technology businesses are not always so fortunate to call upon. Coupled with very exciting R&D developments, improved dividend returns to our shareholders and plans to add to the Group scale through acquisitions, with the colleagues and management we now have, the prospects for the

Eleco Group for organic and inorganic growth have never been brighter.

Revenue and gross margins

A SaaS transition, by its nature, will lead to a temporary reduction of revenues as customers transition from perpetual, one-off licence purchases to Subscription and SaaS-based licences. In partnering closely with our customers in this transition from upfront perpetual licences, the Group's revenues were little changed at £26.6m (2021: £27.3m). In fact, in constant currency terms we reported relatively flat revenues of £27.0m. This is a significant achievement in navigating the transition very successfully and is in line with market expectations that the Group would be able to deliver this.

Key metrics for the subscription and SaaS transition are Annualised Recurring Revenues (ARR) and Total Recurring Revenues (TRR). ARR at the exit rate of the year at 31 December 2022 (ie December's recurring revenues multiplied by twelve) were £18.2m (ARR at 31 December 2021: £16.0m). TRR increased to £16.9m, or 64 per cent of total revenue in 2022, representing a 10 per cent uplift on the comparable period (2021: TRR of £15.4m, or 56 per cent of total revenues).

Financial Review continued

Services income was similar at £6.0m (2021: £6.0m). The level of deferred income at the balance sheet date increased by 10 per cent to £7.8m (2021: £7.1m), another positive sign of future recurring revenue.

Gross margins are also notably impacted in these initial phases of the SaaS journey because perpetual licences involve more upfront income relative to the cost of sales. That being a feature, overall gross margins were only lower by 1.5 per cent to 88.4 per cent (2021: 89.9 per cent), a remarkable result and testament to the attractiveness of our solution offerings and total Customer Lifetime Value, and to our staff in the value proposition and minimising already low churn rates.

Operating expenses and R&D investment

In total, selling and administrative costs were unchanged between the periods at £20.5m. Amortisation and impairment of intangible assets was significantly below the previous period at £1.6m (2021: £2.4m); however, for comparability purposes, in the prior period 2021 figure this included a £0.6m impairment of a development investment. Operating expenses also benefited from a £0.3m swing of positive FX of £0.2m in 2022 (2021: FX loss of £0.1m).

In line with many corporates, the tight labour market in 2022 proved a difficult climate to attract staff to budgeted positions and retain existing staff, though group employee numbers did increase to 255 (2021: 245 employees). Staff costs, excluding share-based payments, were £15.4m (2021: £13.8m). In general, operating expenses, for example depreciation and those covering discretionary spend, were slightly lower in most other areas reflecting more gradual pick-up in levels of activity as economies moved into a new post pandemic-impacted world.

Share option payment costs taken to the income statement, was £0.2m (2021: £0.1m), and there was no repeat of former director exceptional expenses in 2022 (2021: £0.1m).

Total software product research and development investment broadly similar at £3.1m for the year (2021: £3.3m) of which £1.6m (2021: £1.7m) was capitalised. The Group continued to enhance its product offerings and functionality and total R&D costs represents 12 per cent of revenue (2021: 12 per cent).

Profitability

Due to lower gross profits due to the SaaS transition, and unchanged overheads, operating profit was understandably lower at £3.0m (2021: £4.1m), at the higher end of market expectations.

Net finance costs in the year of less than £0.1m included interest expense for leasing arrangements under IFRS 16, offset by a small amount of interest receivable. In 2021: finance costs of £0.2m represents costs relating to the Group's debt, but this was largely repaid in the second half of 2021.

Profit before tax was therefore £2.9m (2021: £3.9m).

The Group tax charge on this lower profit before tax figure in the year was £0.5m (2021: £1.2m), an effective rate of 19 per cent (2021: 30 per cent). The current tax is on lower profits during the SaaS transition, a differing profit mix between group companies and a current tax adjustment in respect of previous years. The deferred tax charge significantly 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, a substantially enacted rate which remained for the 2022 period.

Profit after taxation is consequently £2.4m (2021: £2.7m), giving a basic earnings per share figure of 2.9 pence (2021: 3.3 pence).

EBITDA, adjusting earnings for interest, taxation, depreciation and amortisation and impairment of assets was £5.2m (2021: £7.2m). A reconciliation for EBITDA, adjusted EBITDA and adjusted operating profit is provided in note 2. A reconciliation of diluted and adjusted basic earnings per share is provided in note 8.

Operating cash, cash and liquidity

With 64 per cent of the Group's revenues as recurring and high contract retention rates, this has enabled us to remain resilient and cash generative during 2022 despite the impact of lower cash upfront from a reducing number of perpetual licences, as we move away from that business model.

£6.3m (2021: £7.7m) cash was generated from operations, which given the lower profit levels stemming from the transition to subscription and SaaS licences, is a strong overall performance and endorsement of the Group's high, software-based margins. Overall working capital movements have contributed a net cash inflow of £0.9m (2021: £0.6m).

Capital expenditure on intangible assets, principally comprising the capitalisation of software product development costs, was £1.6m (2021: £1.7m). Also broadly similar, capital expenditure on property, plant and equipment was £0.2m (2021: £0.3m).

Free cash flow, taking cash generated from operations less the intangibles and tangibles additions, and net of finance and taxation, was £3.8m (2021: £4.8m). This represents 127 per cent of operating profits (2021: 117 per cent).

Financing activities, consisting of repayments of loans, lease liabilities, equity dividends and any issue of shares were net outflows of £1.2m (2021: net outflow of £5.3m largely driven by substantial repayment of borrowings in that period).

The net overall inflow of cash in the period was £2.6m (2021: outflow of £0.6m).

Subsequent to the year end, in February 2023, the Group disposed of its interest in 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. This business was held for sale at the year end and categorised as such on the consolidated balance sheet. The disposal supports the Group's strategy to focus on its core customer segments and businesses.

Funding, Liquidity, Equity and Dividends

Taking in the cash in the ARCON Held for Sale business, the Group ended the year with cash of £12.5m and no borrowings, including cash held for sale of £0.4m (2021: £nil). In 2021, the comparable was net cash of £10.0m, being cash of £10.1m and gross borrowings of £0.1m. Lease liabilities amounted to £1.7m (2021: £1.9m).

The Company's debt-free, robust cash status, while maintaining an appropriate progressive dividend policy, allows for the retention of surplus cash for corporate development initiatives to promote and invest in the future growth of the Group to the value of all shareholders.

Mindful of some investor appetite for dividend income alongside the SaaS journey to higher revenues and growth levels, the Board has recommended the payment of a special dividend of 0.58 pence per share (2021: special dividend: nil pence) and a final dividend in respect of the year ended 31 December

2022 of 0.50 pence per share (2021: final dividend: 0.40 pence). Added to the interim dividend of 0.20 pence per share (2021: 0.20 pence per share) this total dividend represents a 133 per cent increase over the prior year.



Neil Pritchard
Chief Financial Officer
27 March 2023

Board of Directors



Jonathan Hunter
BBus BMm
Chief Executive Officer



Neil Pritchard
FCA BSc (Hons)
Chief Financial Officer



Serena Lang MBA
Non-Executive Chairman

Skills and Experience

Jonathan was appointed Chief Executive Officer in September 2020 following three years as Chief Operating Officer with the Group, and is responsible for implementing the Group's strategy.

Having joined the Board in June 2016, he played a fundamental role in the transition to a software group during and post divestment of the Building Systems division and has been at the forefront of the Group's M&A and integration activity since the commencement of his directorship.

Jonathan holds bachelor's degrees in Business Management and Multimedia from Griffith University, Australia and as well as attending relevant professional training and coaching, he continues to be involved in growth company roundtables and forums as a member of Criticaleye.

Committee Membership

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Skills and Experience

Appointed to the Board in October 2022, Neil brings a wealth of international public company experience in technology driven businesses to the Board.

Neil has previously been Chief Financial Officer (CFO) and Executive Director at Corero Network Security plc, a global leader in real-time, high-performance, automatic DDoS cyber defence solutions and, prior to this Group Financial Director and Executive Director at London listed technology business CML Microsystems plc Group, and Finance Director of the UK and Eire division of the DAX-listed group Continental AG. Neil also held senior financial positions with quoted companies Delta plc Group, now Valmont Industries, and Yule Catto & Co plc, renamed to Synthomer plc Group. Neil has successfully conducted many merger and acquisition (M&A) transactions throughout his career.

Neil is a qualified chartered accountant, holding an FCA, having spent six years with KPMG London in audit, treasury and forensic transaction services (TS) for M&A transaction roles. He holds an Economics and Politics degree from the University of Bath, UK.

Committee Membership

None

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 is now Non-Executive Chairman. Serena's distinguished and multifaceted career includes working as an Executive Consultant at Ernst & Young, 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 Invenys Plc (now part of Schneider Electric) running the highly profitable £130m North Europe and Africa Division of their international software and process businesses. Serena is a Non-Executive Director at Henry Boot plc, listed on the London Stock Exchange, where she Chairs the Responsible Business Committee and is a member of the Remuneration and Audit Committees, she is also a Non-Executive Director of Ainscough Crane Hire Ltd.

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. Her passion for Environmental, Social and Governance (ESG) matters and sustainability in general led her to establish the Company's ESG committee in 2021 and she has a Certificate from Cambridge University following the undertaking of their course, 'Sustainability in the Built Environment' in 2022.

Committee Membership

NE

Key to Committee Membership

- A** Audit Committee
- R** Remuneration Committee
- N** Nomination Committee

- E** ESG Committee
- Committee Chair



Dr. Annette Nabavi
MA (Oxon), Doc. de
3ième 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.

Dr Nabavi was a Non-Executive Director, 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, until its sale to Talan Group in January 2023 and she is on the board of EFI Limited, a specialised financial services consultancy.

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

ARNE



Paul Boughton FCA BSc
Non-Executive Director

Skills and Experience

Appointed as an Independent Non-Executive Director in March 2021, Paul is Chair of Quantix Technologies plc, the AIM listed telematics and vehicle analytics company, where he also Chairs the Audit Committee. He has over 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

ARNE



Mark Castle FRICS
Non-Executive Director

Skills and Experience

Mark joined the Eleco plc Board as an Independent Non-Executive Director in September 2021 and is Chair of the ESG Committee.

He is also a Non-Executive Director at Taylor Wimpey plc the FTSE 100 Housebuilder and Mace Group the privately owned global construction and consultancy business. Mark is also Chairman of the private equity backed Triangle Fire Group.

He joined the industry in 1981 as an apprentice and during his executive career held senior positions at Wates Group, StructureTone and Mace Group where he was Chief Operating Officer until 2021 having joined the business in 2005.

Mark was Chairman of Build UK the construction industry body from 2017 - 2019 and is a Fellow of the Royal Institute of Chartered Surveyors.

Committee Membership

ARNE

Corporate Governance Report

Chairman's Introduction to Governance

As Chairman of the Company, it is my responsibility to manage the Board in the best interests of our many stakeholders, which include shareholders and employees.

Good corporate governance is key to safeguarding those interests, and the Board seeks to ensure that the Company is committed to the highest standards of corporate governance and continually evaluates its policies, procedures and structures to ensure they are fit for purpose. In 2022, for example, Eleco established our Environmental, Social and Governance (ESG) strategy, and refreshed our suite of internal governance policies.

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.

Composition of the Board

During this past year, Eleco successfully recruited a permanent CFO, Neil Pritchard, who has settled into the role quickly. Thanks are extended to Rose Clark, who supported us as Interim CFO during the transition period.

The Board now comprises the Non-Executive Chairman, three independent Non-Executive Directors (including the Senior Independent Director) and two Executive Directors, being the CEO and CFO. The Directors maintain and enhance their experience and skillsets through exposure to other (listed) companies, attendance at industry events, academic certifications, reading and research around subjects, use of advisors, discussions with staff, and training as appropriate.

As we continue in our SaaS transition journey, we are confident the current Board, having been refreshed at the start of the journey in 2021, encompasses the right mix of experience and skills to see us through the journey. Nonetheless, 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.

Membership of the Board's sub-committees remain the same since being refreshed in the previous year. I am pleased to report that we held our inaugural ESG Committee meeting in February 2022. We have made excellent progress in aligning our ESG initiatives to the Company's Purpose, Mission, Vision and Values and have established a scorecard of performance metrics. These quantifiable metrics will feed into the executive KPIs for each year.

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 Non-Executive Chairman, along with the Senior Independent Director, the Executive Directors and the Company Secretary, ensures that the Board functions effectively and has established Board processes designed for this purpose. The three independent Non-Executive Directors provide scrutiny of these processes.

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.

The Board met 14 times during the year. These meetings were held through a combination of in-person and virtual meetings via Microsoft Teams. We value the opportunity to discuss complex issues in depth in-person and the team bonding opportunity it provides. Equally, we appreciate that virtual meetings are efficient, time- and cost-saving opportunities. The attendance of individual directors at board meetings in 2022 is set out in the table on the following page and committee meetings in the committee reports on pages 33 to 53.

	Board Meetings in 2022	
	Possible	Attended
Executive		
J Hunter	14	14
N Pritchard (appointed October 2022)	3	3
R Tearle (resigned February 2022)	1	1
Non-Executive		
S Lang (Chairman)	14	14
P Boughton	14	14
M Castle	14	13
A Nabavi	14	14

- 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 Executive Directors during the year, without the other Non-Executive Directors being present, to discuss matters as appropriate.
- 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 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.

In 2022, the Company undertook a governance framework review aimed at strengthening the internal control environment and establishing the global and local policy structure. As part of this, a thorough review of the Group Policy Framework, headed by the Group Transformation Director, was completed. Updated policies are being rolled out throughout 2023.

The Board Evaluation Process

The performance of Executive Directors is reviewed on an annual basis by the Remuneration Committee, headed by Annette Nabavi along with the other Non-Executive Directors. The review looks at the

Corporate Governance Report continued

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 using an external board evaluation platform to facilitate this process, which is QCA and Wates Principles compliant. This will provide a 360° evaluation and will foster top team alignment and will influence our development as a board in future years.

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 on 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 Secretarial firm to advise the Chairman and facilitate 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 implementing good governance procedures in the Company;
- assisting Executives in ensuring that the Group complies with legal, statutory, and regulatory requirements;
- assisting the Chairman with the effective planning and 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 128.

Serena Lang
Serena Lang (May 4, 2023 23:38 GMT+1)
Serena Lang
Chairman
27 March 2023

Audit Committee Report



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 adopted on 20 March 2023.

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 relevant and recent financial expertise to fulfil the role.

Committee Composition and Meeting Attendance in 2022

Director	Possible	Attended
P Boughton (Chair)	4	4
M Castle	4	4
A Nabavi	4	4

The Committee met four times during the year and considered the 2022 audit plan, the audit findings report for the year end, the financial statements for the year ended 31 December 2021 and the interim report for the six months ended 30 June 2022.

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

External Auditor

RSM UK Audit LLP ("RSM") was reappointed as the Company's external auditor in 2022, following their first year as auditor in 2020, and has been engaged to undertake the audit of the Group's financial year ended 31 December 2022. 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 2022. 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 2022 and had provided an appropriate level of challenge to management.

Audit Committee Report continued

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 84.

The Group 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:

- Accounting treatment of the ARCON business unit held for sale;
- Ongoing enhancements to the control environment and continuity of controls;
- The carrying values of operating companies and the need for reviewing the carrying value of goodwill;
- The capitalisation and amortisation of research and development (R&D) costs; and
- The planning of the Audit and the performance of the Company's Auditor.

During the prior year, the external auditor highlighted a number of control environment weaknesses stemming from the lack of one central group reporting system and oversight. As part of the year-end audit for the year ended 31 December 2022, additional procedures were conducted by component auditors, and no significant matters or errors have been noted in respect to significant errors or management override of control. Alongside the recruitment of new senior personnel, and rolled-out group policies, it is envisaged that the forthcoming implementation of the previously paused new group-wide systems in 2023 will lead to further improvements in the reporting and control environment.

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, as an ongoing matter, 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.

Serena Lang
Serena Lang, 6 March 2023 23:39 GMT+1
Paul Boughton
Audit Committee Chair
27 March 2023

Nomination Committee Report



Committee Composition and Meeting Attendance in 2022

Director	Possible	Attended
S Lang (Chair)	1	1
A Nabavi	1	1
M Castle	1	1
P Boughton	1	1

Dear Shareholder

On behalf of the Board and Committee I am pleased to present the Nomination Committee Report for the year ended 31 December 2022.

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 for 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 adopted on 30 September 2021 and may be found by visiting: www.eleco.com.

Key Activities During the Year

During the year, the Board welcomed Neil Pritchard as the Company's CFO, taking over from Rose Clark to whom we extend our thanks as Interim CFO.

The composition of Board Committees is monitored on an ongoing basis but had not changed since 2021 when the full Board was refreshed.

The 2022 Board evaluation was carried out internally, led by the Chair and facilitated by the Company Secretary. Appropriate debates were held over areas including internal controls; Board dynamics; and the balance between operational and strategic focus of meetings.

In line with corporate governance best practice, all directors shall stand for re-election at the Annual General Meeting (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. Typically this consists 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.

Nomination Committee Report continued

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

Serena Lang (May 4, 2023 13:38 GMT+1)

Serena Lang

Nomination Committee Chair

27 March 2023

Remuneration Committee Report



Committee Composition and Meeting Attendance in 2022

Director	Possible	Attended
A Nabavi (Chair)	4	4
P Boughton	4	4
M Castle	4	4
S Lang (resigned 14 April 2022)	2	2

Dear Shareholder

On behalf of the Board I have pleasure in presenting the Report of the Remuneration Committee for the year ended 31 December 2022.

The Committee comprises three independent Non-Executive Directors: Annette Nabavi (Chair), Paul Boughton and Mark Castle. Serena Lang stepped down as a member of the Committee in April 2022, having served as a member of the Committee to ensure continuity during a period of Board refreshment and transition in 2021-2022.

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 helps 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 four times during 2022.

The Committee also met informally throughout the year and recorded its decisions via written resolutions. All Committee members approved all written resolutions.

The full terms of reference for the Remuneration Committee were last adopted 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.

Remuneration Committee Report continued

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 2023 and separately, the basis for the remuneration of Executive Directors in 2022.

As detailed elsewhere in this report, the Company has performed well during the year. 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. Option grants were made to Jonathan Hunter and various members of the senior management and wider Group senior management team. The Committee believes that the overall remuneration delivered in relation to 2022 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 and approach. Other increases reflect changes in role and in responsibility. Benchmark comparisons are also made with other companies of a similar size and complexity.
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.

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.	<p>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, Free Cash Flow (FCF) and recurring revenue growth whilst the remainder pick up KPIs which reference the Company's ESG targets and other individual targets.</p> <p>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.</p>
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 had historically used market priced options coupled with KPIs, issued on an ad hoc basis to senior staff. However, in recent 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, with size of grant the key consideration. 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 and Non-Executive service contracts is three months (although due to his length of tenure and older contract status Jonathan Hunter's termination period is six months).

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

Remuneration Committee Report continued

Part 2: How the Remuneration Policy will be applied in 2023

2023 salary review for Executive Directors

The salary of Jonathan Hunter, Chief Executive Officer, was increased from £220,000 to £230,000 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 and the decision to give lower than inflation increases to Senior Executives, allowing more generous rewards as required for lower paid staff.

The salary of Neil Pritchard, Chief Financial Officer, was increased from £185,000 to £190,000 for 2023 using the same comparisons and rationale as the increase for the Chief Executive Officer.

Performance targets for the 2023 Annual Cash Bonus

The annual bonus is 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 is paid against other measures including the ESG Scorecard and core strategic initiatives. 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 this and other related matters.

In line with market practice, the Company adopts upper thresholds of 100 per cent and 70 per cent base salary for the CEO and CFO bonuses respectively, with no opportunities for deferral.

LTIP Awards to be granted in 2023

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

Directors' Remuneration in 2022

Executive	Basic salary £'000	Bonus £'000	Fees £'000	Sub-committee fees £'000	Benefits £'000	LTIP £'000	Pension £'000	Year to 31 December 2022 £'000	Year to 31 December 2021 £'000
S Lang ¹	—	—	—	—	—	—	—	—	415
J Hunter	220	146	5	—	5	—	20	396	426
A Karlsson ²	—	—	—	—	—	—	—	—	159
B Moralee ³	—	—	—	—	—	—	—	—	130
R Tearle ⁴	76	—	3	—	3	—	6	88	114
N Pritchard ⁵	46	22	—	—	—	—	2	70	—
Non-Executive									
S Lang ¹	—	—	80	—	—	—	—	80	21
P Boughton ⁶	—	—	40	4	—	—	—	44	32
M Castle ⁷	—	—	40	4	—	—	—	44	13
K Craig ⁸	—	—	—	—	—	—	—	—	36
D Dannhauser ⁹	—	—	—	—	—	—	—	—	45
A Nabavi ¹⁰	—	—	40	8	—	—	—	48	18

¹ S Lang moved from Executive to Non-Executive Chairman on 25 September 2021.

² A Karlsson resigned as Executive Director from the Board on 31 August 2021.

³ B Moralee resigned as CFO on 28 March 2021. Included in the basic salary figure is a settlement amount of £69,000.

⁴ R Tearle was appointed as CFO on 29 March 2021 and resigned on 4 February 2022. Included in his basic salary figure is an amount for working his notice of £69,000.

⁵ N Pritchard was appointed as CFO on 3 October 2022.

⁶ P Boughton was appointed as Non-Executive Director on 23 March 2021.

⁷ M Castle was appointed as Non-Executive Director on 20 September 2021.

⁸ K Craig resigned as Non-Executive Director on 31 August 2021.

⁹ D Dannhauser resigned as Non-Executive Director on 31 August 2021.

¹⁰ A Nabavi was appointed as Non-Executive Director on 12 August 2021.

Details of the LTIP options currently in issue to the Executive Directors and Senior Management are tabled below:

Options	Expiry date	Outstanding number of options	Criteria for vesting options
2022	31/07/2032	550,000	Market priced options with no vesting criteria other than to remain in employment by the Group and shall vest after a 3-year vesting period.
2022	31/07/2032	100,000	<p>The Option shall vest (if at all) in three parts on the third anniversary of the date of grant subject to having met the Performance Targets (as defined in the Rules) as detailed below:</p> <ul style="list-style-type: none"> (a) 40% of the option grant: Recurring revenue % target by end 2024: this KPI is subject to a sliding scale. (b) 40% of the option grant: Organic revenue growth of a % target pa, from £27.3m at end 2021 to £m target, net of acquisitions, at end 2024: this KPI is subject to a sliding scale. (c) 20% of the option grant: share price growth of a target % per annum from a starting price at the time of grant of £0.70 the share price is expected to reach a target £price by end June 2025 (measured as an average over the previous 30 days): this KPI is subject to a sliding scale.
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 31 December 2020.
2020	12/11/2030	250,000	<p>Half of the options are exercisable after 3.0 years, subject to the share price being equal to or exceeding 117 pence per share for 20 consecutive dealing days between the date of issue and 31 May 2023.</p> <ul style="list-style-type: none"> (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) nor (b) is met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.88 pence 2/3rds of the award will vest; or (d) If none of targets (a), (b) or (c) is met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.70 pence fifty 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.

Remuneration Committee Report continued

Options	Expiry date	Outstanding number of options	Criteria for vesting options
2020	31/05/2030	650,000	<p>Half of the options are exercisable after 3.0 years, subject to the share price being equal to or exceeding 117 pence per share for 20 consecutive dealing days between the date of issue and 31 May 2023.</p> <p>(a) The basic EPS reported in the audited Accounts for the year ended 31 December 2022 is at least 7.15 pence; or</p> <p>(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</p> <p>(c) If neither target (a) nor (b) is met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.88 pence 2/3rds of the award will vest; or</p> <p>(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 per cent of the award will vest; or</p> <p>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.</p>
2017	08/08/2027	500,000	The vested performance target for the year ended 31 December 2019 was an EPS of at least 2.97 pence.
Total		2,650,000	

Directors' Share Options

	Directors' options in issue at year end	2022			2021		
		Exercisable			Exercisable		
		Issued during year	£	£ Total	Issued during year	£	£ Total
J Hunter	850,000	150,000	0.70	105,000	250,000	1.004	251,000
		100,000	0.01	1,000			
S Lang ¹	500,000	-	-	-	250,000	1.004	251,000
	1,350,000	250,000			500,000		

¹ S Lang received share options, with performance conditions attached, during her tenure as Executive in 2020/21.

There were no shares that vested during the year. There were no gains from exercise of options by Directors 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.

In 2022, no new Non-Executive Directors were appointed. 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 in 2021.

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	2022 £	2021 £	Company	Position	Service
K Craig	–	4,500	Political Lobbying & Media Relations Limited	Former Director and Shareholder	Website Consultancy

Cost of Living Allowance

Eleco paid a one-time cost-of-living allowance (total: £109,000) to two-thirds of employees in November 2022. This was in addition to salary increases as per Company-wide salary policy. No senior management or directors participated in this cost-of-living allowance payment as it was aimed at alleviating financial pressure possibly faced by employees on the lower end of the staff income spectrum.

Gender Pay Gap

Eleco plc and its UK subsidiaries had 107 employees (2021: 103) in the UK at the year end.

Under current legislative thresholds, 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 over 34 per cent (2021: over 30 per cent) of UK employees are female.

Annette Nabavi

Annette Nabavi (May 10, 2023 13:11 GMT+1)

Dr. Annette Nabavi
Remuneration Committee Chair
 27 March 2023

ESG Committee Report



Committee Composition and Meeting Attendance in 2022

Director	Possible	Attended
Mark Castle (Chair)	2	2
Serena Lang	2	2
Annette Nabavi	2	2
Paul Boughton	2	2
Jonathan Hunter	2	2

Dear Shareholder,

I am pleased to introduce this year's Environmental, Social and Governance (ESG) report and proud to say that we have made considerable progress with our ESG strategy, the development and implementation of which is overseen by our ESG Committee.

The members of the Committee comprise the Non-Executive Directors and the CEO. The Committee which is chaired by Mark Castle was formed in 2021 with the first meeting held in 2022.

Our ESG commitments support our Purpose, Mission, Vision and Values and are based around a balanced scorecard of metrics which aim to capture year-on-year performance.

Eleco engages with its stakeholders across the organisation as we embrace the wider ESG agenda and our ESG performance is taken into consideration when deciding Executive remuneration.

Key highlights for 2022 have been the tracking of our balanced scorecard Key Performance Indicators (KPIs) for the first time; reducing carbon emissions globally from 140 tonnes to 115 tonnes (an 18 per cent reduction); offsetting our scope 1 and 2 emissions plus scope 3 business mileage through Verified Carbon Standard projects including REDD+ Protecting the Amazon; Providing Clean Cookstoves in Kenya and Renewable Energy; delivering wind generation in India; introducing a group policy framework and encouraging colleagues to engage in volunteering activities and training. Furthermore I am pleased to confirm that we have retained our Great Place To Work® accreditation for Sweden and the UK as well as gaining the accreditation in Germany.

For the first time, Eleco publishes a more comprehensive view of our ESG activity in this Annual Report. In defining our ESG strategy for 2023 and beyond, we are reviewing how we can positively contribute to the global environmental challenges by maximising the value of our products and services, and thereby reducing our global footprint. Our environmental policy will underpin those aims, driving effectiveness and performance.

As part of this endeavour, we are working closely with our ESG partners. We aim to carry out an expert-led materiality assessment this year, which will help us review our longer-term ESG strategy and activities, Net Zero plan and scorecard measures. As part of this assessment, we will be looking to set science-based targets in alignment with SBTi (Science Based Targets initiative).

Within our social strategy we recognise the importance of working together with our stakeholders to promote fairness, equality, and inclusion. We aim to become the brand that people want to work with and for, and to retain and recruit top talent in our colleagues.

As part of our Governance review and recognising best practice Eleco reviews their 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, adopted on 30 September 2021, may be found by visiting: www.eleco.com.

Streamlined Energy Carbon Reporting

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

The data relates to UK emissions for the twelve-month period from 1 January 2022 to 31 December 2022.

Eleco Energy Use and Associated Greenhouse Gas Emissions (SECR UK only)

	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2020	Percentage change 2021 to 2022	Percentage change 2020 to 2022	Reasons for change from 2021 to 2022
Total Energy consumption	237,458 kWh	214,271 kWh	286,860 kWh	+11%	-17%	Higher mileage claims in 2022 compared to 2021, lower during 2021 reflecting Covid-19 pandemic
Emissions from combustion of gas (Scope 1)	15 tCO ₂ e	17 tCO ₂ e	20 tCO ₂ e	-12%	-25%	See commentary below
Emissions from combustion of fuel for the purposes of transport (Scope 1)	0.5 tCO ₂ e	1 tCO ₂ e	5 tCO ₂ e	-50%	-90%	Less mileage covered by company car
Emissions from purchased electricity (Scope 2)	10 tCO ₂ e	21 tCO ₂ e	25 tCO ₂ e	-52%	-60%	Increased use of renewable electricity resulting in less emissions
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	22 tCO ₂ e	7 tCO ₂ e	7 tCO ₂ e	+214%	+214%	Reason for increase is due to more travel post Covid-19 paired with improved data reporting
Total gross emissions	51 tCO₂e	46 tCO₂e	57 tCO₂e	+11%	-11%	Due to increase in mileage claim in 2022
Emissions per £m turnover*	4.1 tCO₂e	4.2* tCO₂e	6.0 tCO₂e	-2%	-32%	See commentary below
Total Gross Scope 1, Scope 2 [market based] & Scope 3 emissions (tCO₂e) [optional]*	47 tCO₂e	42 tCO₂e	53 tCO₂e	+12%	-11%	Significant increase in mileage claim causing a spike in emissions post Covid-19 pandemic

* Corrected as last year, used global turnover rather than UK turnover.

During Covid-19 the organisation incurred less business travel as people were mainly working from home and utilising online meetings. Post Covid-19, during 2022 colleagues were starting to meet face-to-face again, resulting in an increase in business travel and, therefore, absolute emissions.

ESG Committee Report continued

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	70,831	13.70	68,860	13.77	1,860	0.45	89,738	21.50	231,290	49.41
Eleco plc	3,303	0.64	3,791	0.76	0.00	0.00	0.00	0.00	7,095	1.40
Eleco Software Ltd	194	0.04	223	0.04	0.00	0.00	0.00	0.00	418	0.08

* Distance by cars from Scope 1 transport fuels company cars and Scope 3 Mileage was converted into kWh to show consistency with what methodology was understood to be used in the previous accounting. This conversion was made using the conversion rate of 12.5 km/L fuel.

Quantification and Reporting Methodology

The carbon footprint of the reporting organisation is determined for the considered period of 1 January 2022 – 31 December 2022 following the Greenhouse Gas Protocol, ISO 14064, SECR regulations requirements, as well as the Environmental Reporting Guidelines from the UK Department for Business, Energy and Industrial Strategy (BEIS). This report covers Scope 1 and Scope 2 emissions, as well as partial data from scope 3 business travel category which includes data from mileage claims by Eleco employees for business travel purposes. The reporting methodology for the considered period aligns with Eleco plc's previous year carbon reporting methodology.

The operational control approach is applied to determine the organisational and operational boundaries of the carbon footprint. This implies that all organisational entities and all sources of greenhouse gas emissions which are under operational control of the reporting organisation are included in the carbon footprint. An organisation has operational control over an entity or activity if it has the ability to change operational policies related to that entity or activity.

Emission factors for Scope 1 and 2 emissions were taken from the UK Department for Business, Energy and Industrial Strategy (BEIS). Carbon offsets are not reported in this report, nor have they been subtracted from the total. The reporting organisation is responsible for the correctness and completeness of activity data included in the carbon footprint.

Full-time employees (FTE) for extrapolations (part time employees to be assumed to be 50 per cent) and accounted for as such in the employees' number to FTE.

No major changes impacting Eleco plc's GHG emissions occurred in this reporting period and consequently there was no need to recalculate the SECR baseline year emissions. It should be noted that there was a structural change in Eleco plc's subsidiaries during the year and Integrated Computing & Office Networking Ltd and Shire Systems Ltd were merged into Elecosoft UK Ltd.

Intensity Ratio

We have chosen to report our gross emissions against £m Sales Revenue. The value for the intensity ratio was 4.1 tCO₂e per £m sales revenue (2021: 4.2 tCO₂e per £m sales revenue).

Energy Efficiency Action

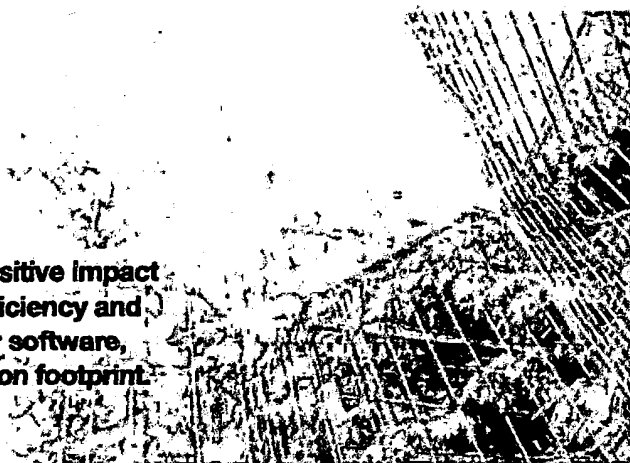
In the period covered by the report, Eleco continued using a hybrid powered car as the only company car for business travel for Elecosoft UK Ltd's fleet.

Mark Castle
ESG Committee Chair
27 March 2023

Mark Castle
Mark Castle (May 4, 2023 18:24 GMT+1)

Environmental

At Eleco, we are taking steps to maximise the positive impact we have on our planet by facilitating resource efficiency and environmental performance tracking through our software, whilst at the same time minimising our own carbon footprint.



Where we have come from

- Annual SECR reports since 2020 and annual global carbon footprint reporting since 2021.
- Carbon reduction target for scopes 1 and 2.
- Production of Net Zero roadmap.
- Developed ESG scorecard, measures and targets and tracked progress.

Achievements to date

- Produced an environmental Group policy.
- Switched to 100 per cent cloud-based servers in the UK and monitor their usage with dashboards.
- Delivery of Net Zero roadmap initiatives in 2022: switching to electric/hybrid powered cars, switching to renewable energy contracts where we are in control of energy supply, setting timers on heaters, lock to specific temperature bands, insulating pipework and cleaning condenser units which had a positive impact on our global energy consumption.
- Offset 2021 carbon emissions (scopes 1 and 2 and business mileage for scope 3).
- Partnered with a 'zero waste to landfill' certified electronics company to recycle our old electronic equipment.

Where we are heading

- Strengthening the Net Zero roadmap to include greater impact within our value chain.
- Implementation and education of environmental group policy with employees.
- Improve operational boundary reporting for scope 3.
- Set science-based targets in alignment with SBTi.
- Offset 2022 carbon emissions (scopes 1 and 2).
- Offset remaining emissions with quality carbon credits.
- Materiality assessment – environmental materiality beyond carbon.

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Social

We believe in having a positive impact on stakeholders and the wider society, including our own colleagues, their families, current and prospective customers, our shareholders and suppliers. We want to be a recognised employer brand people want to work with and for.



Where we have come from

Internal:

The dedication, motivation and commitment our people provide continues to make a positive impact on the business. In 2022 we carried out our first Great Place to Work® employee survey, the results of which are helping us shape the future of our People Strategy, as we continue our journey to become a recognised employer brand people want to work with and for.

External:

By maintaining open dialogue and a partnership culture with our customers we can ensure that our product offerings provide the best added value. In 2021 we conducted a systematic measurement of customer satisfaction.

Achievements to date

Internal:

- Achieved Great Place to Work® accreditation in the UK and Sweden.
- Developed a 'Behavioural Framework' linking company values to the behaviours of our teams.
- Started embedding these in our recruitment, objective setting, 1-2-1 and performance appraisal processes.
- Approved an Equality, Diversity and Inclusion policy in January 2023.
- Implemented the option for employees to use one volunteering day per year and supported with volunteering guidelines.
- Continued development of our Employee Value Proposition (EVP).
- Encouraged colleagues to undertake two – three training days per year.
- Partnered with the Microsoft Enterprise Skills Initiative programme for training and certification for our colleagues.

External:

- Second customer satisfaction survey.
- Working on becoming the (employer) brand people want to work with and for including all external stakeholders: investors, suppliers, customers and the wider community.

Where we are heading

Internal:

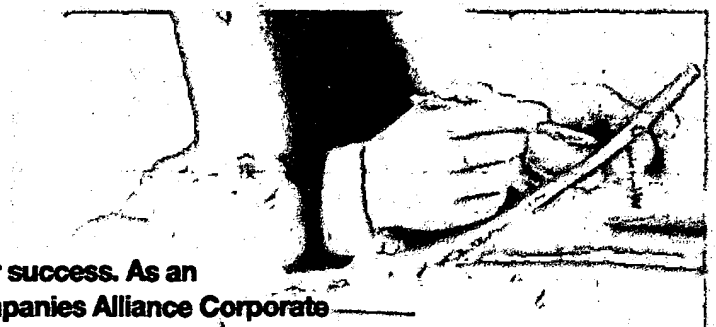
- Maintain our accreditation in the UK, Sweden and Germany.
- Active use of our Behavioural Framework in recruitment, objective setting, 1-2-1s and performance appraisals.
- Embed our values and behaviours in reward/recognition and talent/succession management.

External:

- The (employer) brand people want to work with and for including all external stakeholders: investors, suppliers, customers and the wider community.
- Harnessing the value our products add to our customers and a more sustainable world.

Governance

Good governance is a key ingredient to our success. As an organisation we adhere to the Quoted Companies Alliance Corporate Governance Code for AIM-listed companies. We have made good progress in proactively assessing our impact on the wider world and all stakeholder groups in an increasingly holistic way.



Where we have come from

We recognise that it is the responsibility of our Board and our Leadership Team to uphold our values (trust, customer centricity, flexibility, innovation and teamwork) and lead by active example. We believe in embedding equality, transparency and ethics in our dealings with all stakeholders as a central ethos.

Achievements to date

These foundations have been laid to guide our path to progress:

- Developed ESG scorecard, measures and targets and tracked progress.
- Active ESG Committee.
- Developed a Group policy framework and signed off 16 group policies in 2022.
- Specifically on Ethics, we signed off Whistleblowing, Anti-Facilitation of Tax Evasion, Slavery and Human Trafficking, Conflicts of Interest and Anti-Bribery and Corruption Group policies.
- Linked Leadership Team remuneration to ESG targets.

Where we are heading

- Working with external consultants to conduct expert-led materiality assessment.
- In light of that, review and evolve our scorecard measures and targets for 2023.
- Embed Group policies through our e-learning platform and Q&A sessions.

Strategic Report

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ESG Scorecard

We commit to measuring and communicating our progress overtime on clear Key Performance Indicators (KPIs). The development of Eleco, as with any company, is a continuous journey. With this overview we provide a transparent picture of not only where we are making progress, but also the areas where we need an increased focus. This helps us maintain integrity and accountability on the things that are key to what makes Eleco a trusted and responsible partner to all stakeholders.

Where 2022 targets had been set, these are shown in brackets alongside 2021 previous year actuals:

		2021	2022 Target	2022 Actual	
Environmental	Energy consumption (SECR)	214,271 kWh	-	237,458 kWh (+11%)	●
	Energy consumption (global)	779,303 kWh	-	730,153 kWh (-6%)	●
	Renewable energy supplies	25%	35%	45%	●
	Electrified vehicles	6%	15%	19%	●
	Hybrid	39%	-	63%	●
	CO2 production	140 tonnes	< 140 tonnes	115 tonnes (-18%)	●
Social	Employee satisfaction	69%	69%	75%	●
	Customer satisfaction	82%	-	82%	●
	Gender Pay Gap	27%	28%	21%	●
	Employee Turnover – regretted	9%	9%	11.7%	●
Governance	Female representation on the Board	33%	33%	33%	●
	Independent directors on the Board	67%	50%	50%	●
	Payment days to supply chain	36 days 61% within 60 days	35 days 65% within 60 days	16 days 98% within 60 days	●
	CEO and Chair role split	Yes	Yes	Yes	●

People and Stories

Comments from the 2022 Great Place To Work® survey:

"Very pleasant atmosphere and people always willing to help. You simply feel like at home here."

"The team overall is well motivated, performs well as a team and wants to succeed! A great family oriented environment."

"It's a company that is on a journey and has the will to change things for the better for its people, customers, shareholders and investors."

"The people. Everyone is good at what they do & make you feel part of something special."

"Constructive and emotionally free dispute culture in the sense of mutual success."

Comments from the 2023 Great Place To Work® survey:

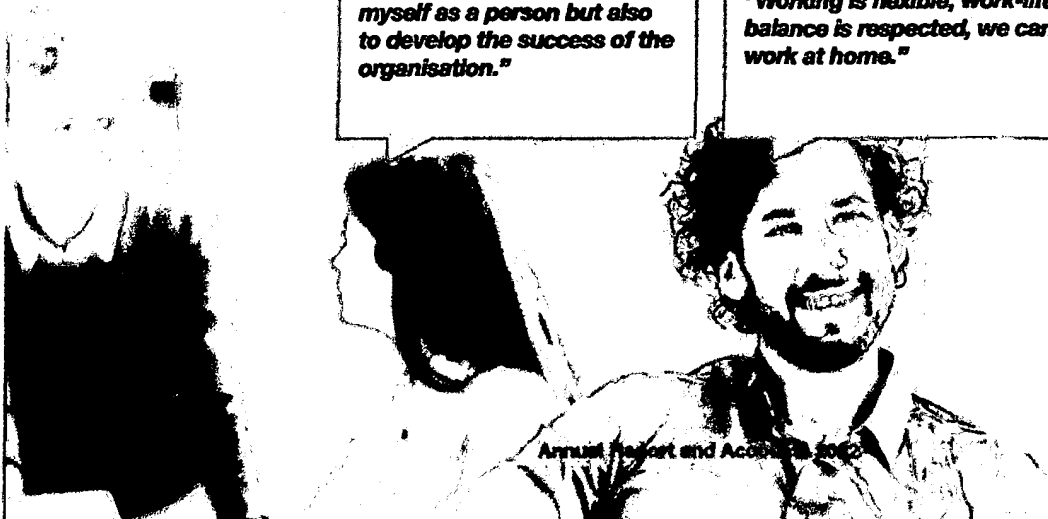
"The company has done well in supporting its employees financially in 2022."

"Colleagues care very much about each other. Everyone takes care of each other and trusts each other."

"You are given the opportunity to get on with the job and make decisions."

"A lot of freedom to develop myself as a person but also to develop the success of the organisation."

"Working is flexible, work-life balance is respected, we can work at home."



People and Stories continued

We realise that becoming the employer brand people want to work with and for is a continuous journey, so here are some comments for improvement mentioned in the Great Place To Work® survey:

- **Improved benefits package/options and salary** – we have carried out a benefits review and are implementing the findings; we have started a role and benchmarking review which will carry on into 2023 and 2024. In addition, we have awarded a cost-of-living payment to support colleagues on lower salaries in these challenging times.
- **Continuous development and training and career progression** – we have started by setting a scorecard target for training. We will be introducing a leadership programme for all line managers in 2023 and subsequent years and developing a technical framework, starting with the development roles, which we can evolve into a career path and development programme.
- **More women in senior leadership** – at 33 per cent we meet our ESG scorecard target “female representation on the Board” meaning that 2 out of 6 Board members are female. In addition, we encourage all executives and their line managers to ensure that they have a longlist of candidates with diverse backgrounds for every role they recruit, including senior leadership roles. This includes all spectrums of diversity and gender is one of them.
- **Embedding of our values and behaviours in the organisation across all levels** – this is an ongoing commitment and we have started to embed values and behaviours in our recruitment and also objective setting/1-2-1s/performance appraisals. The plan is to build them into our reward and recognition and also talent/succession management plus any manager/leader training across the organisation.
- **Promoting a sense of camaraderie for people which can be easily lost when not working in an office environment and also across geographical borders** – something that we encourage and will need to do perhaps more formally as we continue to develop our collaborative culture.

Customer stories

Customers are increasingly using our software to drive efficiency and sustainability.

Powerproject underpins Willmott Dixon's move to modern off-site manufacturing techniques

Willmott Dixon is pioneering off-site manufacturing techniques nationally after winning awards for its prefabricated construction of the University of Warwick's Interdisciplinary Biomedical Research Building.

Global sustainability concerns are driving construction companies to look for alternative, technology-driven ways to assemble buildings.

By manufacturing 50% of the building off-site and coordinating operations using Powerproject by Elecosoft, Willmott Dixon Construction Manager, Nick Preedy, reduced site deliveries by nearly 40%, lowering the building's carbon footprint.

The project has unlocked a whole new revenue stream for the company, which is now growing its off-site manufactured projects to promote greater sustainability in construction.

The Net Zero World initiative is driving construction companies to look for alternative, technology-driven ways to construct off-site manufactured buildings. Willmott Dixon is paving the way for environmentally-friendlier processes which is evidenced in the successful erection of the University of Warwick's 7,000 square metre, five-storey Interdisciplinary Biomedical Research Building (IBRB) in 2020.

Asda customise IconSystem to bring data-driven accuracy to the shelf edge

With over 630 stores used by 18 million+ customers, Asda is constantly evolving its product offering to meet changing demand. Precision planning is required to display new stock effectively – but legacy processes meant fixtures and fittings were frequently being inaccurately or excessively ordered.

Asda was already using IconSystem by Elecosoft to manage equipment information, so it was a natural step for Elecosoft to build a bespoke 'profiles and specials' module aligning Visual Merchandising plans with Fixture Management data.

"Data is now infinitely more accurate, we can easily access granular detail that isn't captured anywhere else, and we can be much smarter with the information we already have."

The profiles and specials dashboard is already delivering value for Asda, and the supermarket's mission to improve equipment ordering and management continues. Zoe Mitchell, Model Planner, and her colleagues meet with their IconSystem Account Manager every month to look at how the software is performing, and to see where functionality can be enhanced.

"IconSystem has been a really worthwhile investment, and the profiles and specials interface that Elecosoft has created within the software will drive long-term cost savings for Asda. Now that we can see all our data clearly and easily make changes, the sky is the limit!"

Directors' Report



The Directors present their report and the audited financial statements for the year ended 31 December 2022.

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. In addition, the disclosures in Section 172 Statement address the requirements of Schedule 7.11B(1) and (2) of the Companies Act 2006.

Biographical details of the Directors	Board of Directors	Page 28
Corporate governance	Corporate Governance Report	Page 30
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Independent auditor	Audit Committee Report	Page 33
Financial risk management	Review of Principal Risks and Uncertainties	Page 19
Going concern	Notes to the Consolidated Financial Statements	Page 71
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Results for the Year Ended 31 December 2022

The Group profit on ordinary activities before taxation was £2,944,000 (2021: £3,926,000). The detailed financial statements of the Group are set out on pages 66 to 111.

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.

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.

Dividends

The Directors have recommended a final dividend of 0.50 pence (2021: 0.40 pence). An interim dividend of 0.20 pence was paid on 7 October 2022 (2021: 0.20 pence). A further special dividend of 0.58 pence per share, representing the proceeds from the disposal of the non-core ARCON business, has also been proposed (2021: nil special dividend).

Share Price

The middle market price of the Company's Ordinary Shares on 31 December 2022 was 68.5 pence and the range during the period under review was 63.5 pence to 109.5 pence.

Directors

The current composition of the Board of Directors is shown on pages 28 to 29. Directors who held office during the 2022 year were:

- S Lang
- J Hunter
- P Boughton
- A Nabavi
- M Castle
- R Tearle (resigned 4 February 2022)
- N Pritchard (appointed 3 October 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 2022 were as follows:

	2022	2021
J Hunter	28,361	28,361
S Lang	77,234	77,234

Substantial Interests

As at 31 December 2022, the Company has been notified of the following interests in the issued share capital by substantial (3 per cent or over) shareholders:

Shareholder	No. of shares	%
H A Allen	11,882,584	14.29
J H B Kettleley	9,130,335	10.98
J D Lee	5,462,064	6.57
Jupiter Asset Management	4,520,781	5.44
IBIM2 Limited	4,314,307	5.19
Tikvah Management	3,905,614	4.70
Hargreaves Lansdown	3,286,472	3.95
Janus Henderson Investors	3,153,443	3.79
P R & Mrs M J Kettleley	3,016,440	3.63
Long Path Partners	2,831,466	3.41

Political Donations

The Group did not make any political donations in 2022 (2021: £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 70.

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 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.

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

Directors' Report continued

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 Section 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 Corporate Governance 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 the 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 the 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.

Strategic Report Sign-Off

In accordance with Section 414D(1) of the Companies Act 2006, the Strategic Report on pages 2 to 27 is signed by order of the Board.

By order of the Board



Jonathan Hunter
Chief Executive Officer
27 March 2023

Eleco plc
Dawson House
5 Jewry Street
London
EC3N 2EX

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 2022 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 Practices).

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 2022 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 Practices; 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 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
	<ul style="list-style-type: none"> • Impairment of Goodwill
	Parent Company
	<ul style="list-style-type: none"> • None
Materiality	Group
	<ul style="list-style-type: none"> • Overall materiality: £230,000 (2021: £198,000) • Performance materiality: £149,000 (2021: £148,000)
	Parent Company
	<ul style="list-style-type: none"> • Overall materiality: £109,000 (2021: £50,000) • Performance materiality: £70,800 (2021: £37,500)
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 judgment, 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 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

- *Accounting Policies: Significant accounting judgements and estimates; Impairment of Goodwill*
- *Note 9 – Goodwill.*

As at 31 December 2022, the Group had Goodwill totalling £15,337k (2021: £15,593) arising from past acquisitions.

Under IAS 36 management are required to test each of the cash generating units ("CGUs") to which Goodwill is allocated for impairment on an annual basis. Management has prepared discounted cash flows ("DCF") models to estimate the value in use of each of the Group's CGUs and compare these to the carrying value of the relevant CGU.

The use of the DCF model requires management to make estimates relating to revenue growth, gross and operating margin, profitability, inflationary growth, and the application of appropriate discount rates. Management have prepared DCF models using a pre-tax discount rate based on a weighted average cost of capital ("WACC") range from 11.4% to 13.6% (2021: range from 14.1% to 16.9%).

Given the material nature of the balances, the significant management estimations involved, and the potential impact on the financial statements, we have determined Goodwill 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's expert.

How the matter was addressed in the audit

Our audit approach included:

- Obtain an understanding of the Cash Generating Units (CGUs) to which Goodwill is attributable and reperform management's annual impairment review, comparing the value in use (calculated through the DCF model at a CGU level) to the carrying value of each CGU's Goodwill.
- Agreeing the mathematical accuracy and integrity of the calculations.
- Reviewing the consistency of approach year on year and challenging management on changes in the approach used to develop the model through discussion and comparison to previous years' models.
- Reviewed the accuracy of previous forecasting models against actual results.
- Challenging the models' assumptions and the conclusions of management through:
 - Consulting with an internal valuations expert regarding the discount rate used and assessing the impact of a range of alternative rates calculated by our expert.
 - Considering the sensitivity analysis performed by management and the sensitivity to, and likelihood of, changes in key assumptions that would result in an impairment.
 - Challenging management on the assumptions used in their models regarding key drivers around revenue growth rates, operating profits and cost-saving efficiencies.
 - Assessing the sensitivity to changes by performing a reverse-sensitivity analysis to identify the breakeven points for key drivers of the model.
 - Considered the probability and circumstance that might result in each breakeven scenario occurring and challenged management on the mitigations for each scenario. This has included review of isolated changes in key assumption and the combined impact of multiple factor changes.
- Comparing forecast cash flows to actual results observed to assess accuracy of forecasting and applied variances to our model assessment.
- Considering any evidence of management bias in assumptions used in the annual impairment review on the basis of approach taken and assumptions used in the cashflow model.
- Reviewing disclosures in the financial statements.

Independent Auditor's Report continued

to the members of Eleco plc

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	£230,000 (2021: £198,000)	£109,000 (2021: £50,000)
Basis for determining overall materiality	3.7% of EBITDA (2021: 5.0% of Profit Before Tax)	0.8% of Net Assets (as restricted for the purposes of providing a Group opinion). (2021: 5.0% of Net Assets)
Rationale for benchmark applied	<p>Most common financial information used by the users as a group is EBITDA. This is the main measurement used to assess the business performance as this shows the underlying performance of the entities before depreciation and amortisation which is a large sum in the financial statements due to the value attributable to intangible assets.</p> <p>We note in the prior year(s), a profit before tax (PBT) benchmark was used at 5%, however we consider EBITDA to be a more appropriate benchmark as per discussions with management and note the key differences between PBT and EBITDA to primarily relate to amortisation of intangibles.</p>	The key benchmark for the parent company is considered to be net assets.
Performance materiality	£149,000 (2021: £148,000)	£70,800 (2021: £37,500)
Basis for determining performance materiality	65% of overall materiality (2021: 75%)	65% of overall materiality (2021: 75%)
Reporting of misstatements to the Audit Committee	Misstatements in excess of £11,500 (2021: £9,920) and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £5,450 (2021: £2,500) and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

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

Full scope audits were performed for 6 components, specific audit procedures for 3 components and analytical procedures at group level for the remaining 6 components.

Of the above, full scope audits for 1 component and specific audit procedures for 3 components were undertaken by component auditors.

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	6	69%	93%	81%
Specific audit procedures	3	25%	3%	13%
Analytical Review Procedure	6	6%	4%	6%
Total	15	100%	100%	100%

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, Australian, 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 2024, including challenging the assumptions made by management.
- Checking the arithmetic accuracy of the forecasts that form the basis of the directors' going concern assessment.

Independent Auditor's Report continued

to the members of Eleco plc

- Corroborating the cash balance that is used as the starting point for the forecasts by agreeing to bank confirmations and obtaining an updated cash position subsequent to the balance sheet date.
- Agreeing the Group's main external debt as fully repaid pre-year end to bank 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 56, 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.

Independent Auditor's Report continued

to the members of Eleco plc

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 internal / 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 test whether revenues related to the next accounting period have been appropriately 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; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

Euan Banks (UK) 13, 2023 (13-49) (GAT 1-1)

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

27 March 2023

Consolidated Income Statement

For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Continuing operations			
Revenue	1, 2	26,566	27,344
Cost of sales		(3,087)	(2,754)
Gross profit		23,479	24,590
Amortisation and impairment of intangible assets	2, 3, 10	(1,596)	(2,361)
Former Directors' payments	3	-	(69)
Share-based payments	21	(201)	(81)
Other administrative expenses		(18,699)	(17,980)
Administrative expenses	3	(20,496)	(20,491)
Operating profit	2, 3	2,983	4,099
Net finance costs	5	(39)	(173)
Profit before tax		2,944	3,926
Taxation	6	(549)	(1,195)
Profit for the financial period		2,395	2,731
<i>Attributable to:</i>			
Equity holders of the parent		2,395	2,731
Earnings per share – (pence per share)			
Basic earnings per share	8	2.9p	3.3p
Diluted earnings per share	8	2.9p	3.3p

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 £'000	2021 £'000
Profit for the year	2,395	2,731
Other comprehensive expense:		
Items that will be reclassified subsequently to profit or loss:		
Translation differences on foreign operations	(107)	(258)
Other comprehensive expense net of taxation	(107)	(258)
Total comprehensive income for the year	2,288	2,473
Attributable to:		
Equity holders of the parent	2,288	2,473

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	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 year	-	-	-	-	-	2,731	2,731
Other comprehensive (expense)/ income:							
Exchange differences on translation of net investments in foreign operations	-	-	-	(270)	-	12	(258)
Other	-	(29)	-	(1)	(1)	32	1
Total comprehensive (expense)/ income for the year	-	(29)	-	(271)	(1)	2,775	2,474
At 31 December 2021	832	2,406	1,002	(279)	(5)	19,890	23,846
Dividends	-	-	-	-	-	(493)	(493)
Share-based payments	-	-	-	-	201	-	201
Transactions with owners	-	-	-	-	201	(493)	(292)
Profit for the year	-	-	-	-	-	2,395	2,395
Other comprehensive expense:							
Exchange differences on translation of net investments in foreign operations	-	-	-	(107)	-	-	(107)
Total comprehensive income for the year	-	-	-	(107)	-	2,395	2,288
At 31 December 2022	832	2,406	1,002	(386)	196	21,792	25,842

Consolidated Balance Sheet

At 31 December 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Goodwill	9	15,337	15,593
Other intangible assets	10	6,591	6,554
Property, plant and equipment	11	745	717
Right-of-Use assets	22	1,479	1,728
Deferred tax assets	19	51	65
Total non-current assets		24,203	24,657
Current assets			
Inventories	13	44	16
Trade and other receivables	14	4,057	4,277
Current tax assets		356	216
Assets of the disposal group held for sale	29	794	-
Cash and cash equivalents		12,137	10,055
Total current assets		17,388	14,564
Total assets		41,591	39,221
Current liabilities			
Borrowings	16	-	(45)
Lease liabilities	16, 22	(467)	(471)
Trade and other payables	15	(1,523)	(1,793)
Provisions	17	-	(10)
Liabilities of the disposal group held for sale	29	(428)	-
Accruals and deferred income	18	(10,305)	(9,689)
Total current liabilities		(12,723)	(12,008)
Non-current liabilities			
Borrowings	16	-	(56)
Lease liabilities	16, 22	(1,215)	(1,464)
Deferred tax liabilities	19	(1,785)	(1,806)
Non-current provisions	17	(26)	(41)
Total non-current liabilities		(3,026)	(3,367)
Total liabilities		(15,749)	(15,375)
Net assets		25,842	23,846
Equity			
Share capital	20	832	832
Share premium		2,406	2,406
Merger reserve		1,002	1,002
Translation reserve		(366)	(279)
Other reserve		196	(5)
Retained earnings		21,792	19,890
Equity attributable to shareholders of the parent		25,842	23,846

The financial statements of Eleco plc, registered number 00354915, on pages 65 to 111 were approved by the Board of Directors on 27 March 2023 and signed on its behalf by:


Jonathan Hunter
Chief Executive Officer

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Profit before taxation for the year		2,944	3,926
Net finance costs		39	173
Depreciation charge		621	722
Amortisation and impairment charge		1,586	2,361
Profit on sale of property, plant and equipment		(24)	(7)
Share-based payments expense		201	81
Decrease in provisions		(25)	(115)
Cash generated from operations before working capital movements		5,352	7,141
Decrease/(increase) in trade and other receivables		193	(366)
(Increase)/decrease in inventories and work in progress		(27)	7
Increase in trade and other payables and accruals and deferred income		755	942
Cash generated from operations		6,273	7,724
Interest paid		(27)	(124)
Net taxation paid		(719)	(903)
Net cash inflow from operating activities		5,527	6,697
Investing activities			
Additions of intangible assets		(1,631)	(1,727)
Purchase of property, plant and equipment		(158)	(279)
Proceeds from sale of property, plant, equipment and intangible assets		53	60
Net cash outflow from investing activities		(1,736)	(1,946)
Financing activities			
Repayment of bank loans	16	(102)	(4,447)
Repayments of principal of lease liabilities	22	(556)	(650)
Equity dividends paid		(493)	(493)
Issue of share capital		-	260
Net cash outflow from financing activities		(1,151)	(5,330)
Net increase/(decrease) in cash and cash equivalents		2,640	(579)
Cash and cash equivalents at 1 January		10,055	10,668
Effects of changes in foreign exchange rates		(157)	(34)
Cash and cash equivalents at 31 December		12,538	10,055
Cash and cash equivalents comprise:			
Cash and short-term deposits		12,137	10,055
Cash held for sale	29	401	-
		12,538	10,055

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 2022 comprise the Company and its subsidiaries (together referred to as the "Group"). The consolidated and parent company financial statements were authorised for issuance on 27 March 2023.

The address of the registered office is given on page 128. 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 54 to 56.

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 2022.

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 unless otherwise stated.

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.

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 of technical viability 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 Russian/Ukraine conflict and the wider macro economic environment in 2022. 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 at least 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 previous period has allowed the Company to repay the entirety of borrowings and to grow its net cash position to £12,538,000 (2021: £9,954,000). The Group has both cash and undrawn credit facilities available and headroom comprising £1.0m bank overdraft facility (2021: £1.0m) 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 transition and 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 include a substantial and increasing deferred income balance.

Notwithstanding the Group has net current assets of £4,665,000 at 31 December 2022 (2021: £2,556,000) these amounts are after deferred income of £7,787,000 (2021: £7,086,000) 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 64 per cent (2021: 56 per cent) of the Group's revenue is from recurring revenue contracts.

Significant Accounting Policies continued

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 on consolidation.

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.

E. Revenue recognition continued

The table below shows the main revenue recognition policies for each stream 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. Under IFRS 15, revenue is recognised 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	<p>The licence does not provide the customer with the ownership of the software, nor the right to use it in perpetuity.</p> <p>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.</p> <p>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.</p>
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)	<p>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.</p> <p>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.</p>
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).

Significant Accounting Policies continued

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.

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:

Leasehold Buildings – 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, 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. Right-of-use assets are assessed for impairment when such indicators exist or adjusted for any remeasurement of lease liabilities.

Significant Accounting Policies continued

L. Right-of-use assets continued

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 such as photocopiers. The Group consider low value assets to be those that are less than £1,000. 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).

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 on an average cost basis. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion such as marketing, selling and distribution.

O. Share-based payments

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

P. Provisions and contingent liabilities

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

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

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.

Significant Accounting Policies continued

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 then allowed to be 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. Retained earnings refer to reserves where past and current year profits accumulate.

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)	
IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023 & 1 January 2024
IAS 1 Classification of Liabilities as Current or Non-Current	1 January 2023
IAS 12 Deferred Tax related to Assets and Liabilities arising from Single transaction	1 January 2023
IAS 8: Definition of Accounting Estimates	1 January 2023

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

Y. Held For Sale Assets and Liabilities

A non-current asset (or disposal group) is classified as held for sale where its carrying value will be recovered principally through a sale (rather than through continuing use in the business).

A non-current asset or disposal group is measured at the lower of its carrying amount and fair value less costs to sell.

Costs to sell are the incremental costs directly attributable to the disposal of an asset (or disposal group) and exclude finance costs and corporate tax. They also exclude cash (where this will not be disposed of with the business) and intercompany balances.

Non-current assets (whether held as part of a disposal group) or otherwise, classified as a disposal group, are not depreciated. Interest and other expenses associated with liabilities held for sale should continue to be recognised.

Notes to the Consolidated Financial Statements

1. Revenue

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

	2022 £'000	2021 £'000
Licence sales	3,606	5,913
Recurring maintenance, support and subscription revenue	16,927	15,424
Services income	6,033	6,007
Total revenue	26,566	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.

Revenue recorded in the year includes £7.1m (2021: £6.4m) 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:

	2022 £'000	2021 £'000
UK	10,263	10,446
Scandinavia	6,388	6,550
Germany	4,449	4,911
USA	1,101	1,030
Rest of Europe	3,808	3,916
Rest of World	557	491
	26,566	27,344

1. Revenue continued

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

Revenue by product group is as follows:

	2022 £'000	2021 £'000
<i>Software for:</i>		
Building Lifecycle	17,248	17,650
CAD and Visualisation	7,432	7,997
Other – third party software	1,886	1,697
	26,566	27,344

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:

	2022 £'000	2021 £'000
Direct	25,317	26,068
Reseller	1,249	1,276
	26,566	27,344

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-makers have 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. During the year, the Executive Directors, reviewed the three revenue streams, having previously reviewed these as one. 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.

Notes to the Consolidated Financial Statements

continued

	2022 Software £'000	2021 Software £'000
Revenue	28,566	27,344
Adjusted EBITDA	5,200	7,251
Amortisation and impairment of purchased intangible assets	(1,097)	(1,786)
Depreciation	(621)	(722)
Adjusted operating profit	3,482	4,743
Amortisation of acquired intangible assets	(499)	(575)
Former Directors' payments	-	(69)
Operating profit	2,983	4,099
Net finance cost	(39)	(173)
Segment profit before taxation	2,944	3,926
Taxation	(549)	(1,195)
Segment profit after taxation	2,395	2,731
Operating profit	2,983	4,099
Amortisation and impairment of intangible assets	1,586	2,361
Depreciation charge	621	722
EBITDA	5,200	7,182
Former Directors' payments	-	69
Share-based payments	201	81
Adjusted EBITDA	5,401	7,251

Adjusted basic earnings per share is shown in note 8.

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 2022 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.

2. Segment information continued

	2022 Software £'000	2021 Software £'000
Group assets and liabilities		
Segment assets	41,591	39,221
Total Group assets	41,591	39,221
Segment liabilities	15,749	15,375
Total Group liabilities	15,749	15,375

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. These include assets that were held at the year end as Held For Sale Assets.

Non-current assets by geographical location are as follows:

	2022 £'000	2021 £'000
UK	14,680	14,780
Scandinavia	6,769	6,759
Germany	2,708	3,072
USA	2	2
Rest of Europe	44	44
Rest of World	2	-
	24,203	24,657

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 (2021: below 10 per cent reporting threshold).

Notes to the Consolidated Financial Statements

continued

3. Operating profit

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

	2022 £'000	2021 £'000
Software product development expense	1,526	1,660
Depreciation of property, plant and equipment	147	213
Depreciation of right-of-use assets	474	509
Amortisation of acquired intangible assets	499	575
Amortisation of other intangible assets	1,097	1,150
Impairment of other intangible assets	-	636
Share-based payments	201	81
Employer furlough scheme repayments	-	135
Profit on disposal of property, plant and equipment	(24)	(7)
Foreign exchange (gains)/losses	(208)	127
<i>Fees payable to the Company's auditor for:</i>		
The audit of the parent company and consolidated financial statements	134	83
<i>Fees payable to the Company's auditor and its associates for other services:</i>		
The audit of the Company's subsidiaries	119	104
Other services	9	8
Former Directors' payments	-	69

4. Employee information

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

	2022 Number	2021 Number
Sales & marketing	58	57
Client services	86	76
Software development	70	69
Management and administration	41	43
	255	245

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

	2022 £'000	2021 £'000
Wages and salaries	12,446	11,145
Social security	2,268	1,985
Pension costs	654	648
Share-based payments	201	81
	15,569	13,859
Less: Development staff costs capitalised	(1,550)	(1,578)
	14,019	12,281

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 are 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:

	2022 £'000	2021 £'000
Short-term employee benefits	512	994
Post-employment benefits	28	58
Former Directors' benefits	-	69
Executive Directors	540	1,121
Gain on share-based payment	-	123
Employers NI	66	134
Total remuneration in respect of key management personnel	606	1,378
Fees – Non-Executive Directors	216	165
	2022	2021
Number of Directors exercised options	-	-
Number of options issued to the Directors ('000)	250	700
Gain made in exercise of options (£'000)	-	-

The emoluments of the highest paid Director totalled £396,000 (2021: £426,000).

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 40 of the Remuneration Committee Report.

5. Finance cost

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

	2022 £'000	2021 £'000
Finance income:		
Bank and other interest receivable	20	-
Finance costs:		
Bank overdraft and loan interest	(4)	(110)
Interest expense for leasing arrangements	(55)	(63)
Total net finance costs	(39)	(173)

Notes to the Consolidated Financial Statements

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6. Taxation

(a) Taxation on profit on ordinary activities

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

	2022 £'000	2021 £'000
<i>Current tax:</i>		
UK corporation tax on profits of the year	359	433
Tax adjustments in respect of previous years	(104)	–
	255	433
Foreign tax	276	329
Total current tax	531	762
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	9	8
Change in tax rates	–	370
Tax adjustments in respect of previous years	9	55
Total deferred tax	18	433
Tax charge in the consolidated income statement	549	1,195

Income tax for the UK has been calculated at the weighted average rate of UK corporation tax of 19 per cent (2021: 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.

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 (2021: 19 per cent) for the period under review. The reconciliation is explained below:

	2022 £'000	2021 £'000
Profit on continuing operations before tax	2,944	3,926
Tax calculated at the average standard rate of UK corporation tax of 19% (2021: 19%) applied to profits before tax	559	746
Effects of:		
Expenses not deductible for tax purposes	45	125
Research & development tax relief	(64)	(71)
Prior year adjustments	(93)	11
Tax rate differences in foreign jurisdictions	131	394
Other differences	(26)	(10)
Continuing operations tax charge for the year	549	1,195

(c) Unrecognised tax losses

The Group has tax losses of £1,623,000 (2021: £1,623,000) arising in the UK. The potential deferred tax asset not recognised in respect of losses in UK subsidiaries is £2406,000 (2021: £2406,000). 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.

Notes to the Consolidated Financial Statements

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7. Dividends

Dividends paid in the year were 0.60 pence per ordinary share (2021: 0.60 pence per ordinary share). Cash dividends of £493,000 (2021: £493,000) were paid during the year.

	2022 pence per share	2021 pence per share	2022 £'000	2021 £'000
Ordinary Shares				
Declared and paid during the year				
Interim – current year	0.20	0.20	164	164
Final – previous year	0.40	0.40	329	329
	0.60	0.60	493	493

The Directors have recommended a final dividend of 0.50 pence (2021: 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. In addition, a special dividend of 0.58 pence per share, representing the proceeds from the disposal of the non-core ARCON business, will be proposed at the AGM as a further resolution (2021: nil special dividend).

8. Basic and diluted earnings per share

	2022			2021		
	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)
Ordinary Shares						
Basic earnings per share	2,395	82.2	2.9	2,731	82.0	3.3
Diluted earnings per share	2,395	83.0	2.9	2,731	82.9	3.3
Adjusted basic earnings per share	2,799	82.2	3.4	3,253	82.0	4.0

In determining the diluted earnings per share the dilutive impact of share options on weighted average number of shares was included. The reconciliations to the above figures are shown below:

Reconciliations of EPS measures

	2022			2021		
	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)
Ordinary Shares						
Basic earnings per share	2,395	82.2	2.9	2,731	82.0	3.3
Dilutive effect of share options	–	0.8	–	–	0.9	–
Diluted earnings per share	2,395	83.0	2.9	2,731	82.9	3.3

	2022			2021		
	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)
Ordinary Shares						
Basic earnings per share	2,395	82.2	2.9	2,731	82.0	3.3
Effect of adjusted profit (note 2)	404	–	0.5	522	–	0.7
Adjusted basic earnings per share	2,799	82.2	3.4	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 26.

9. Goodwill

	2022 £'000	2021 £'000
Cost:		
As at 1 January	15,593	15,762
Assets Held for Sale	(336)	–
Exchange differences	80	(169)
As at 31 December	15,337	15,593
Net book value	15,337	15,593

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:

	Notes	2022 £'000	2021 £'000
Elecosoft UK		8,703	8,703
Asta Development Germany		239	227
Elecosoft Sweden		4,422	4,438
Elecosoft Netherlands		21	20
Eleco Software Germany	29	–	336
Veeuze Germany		1,952	1,869
		15,337	15,593

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.

Notes to the Consolidated Financial Statements

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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 8 to 20 per cent (2021: 4 to 10 per cent) in accordance with the SaaS transition; 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:

CGU	Notes	2022		2021	
		Pre-tax discount rate	Nominal long-term growth rate	Pre-tax discount rate	Nominal long-term growth rate
Elecosoft UK		11.7%	0.4%	14.6%	0.30%
Asta Development Germany		13.6%	1.5%	16.9%	0.40%
Elecosoft Sweden		12.1%	2.1%	15.0%	0.50%
Elecosoft Netherlands		11.4%	2.2%	14.1%	0.40%
Eleco Software Germany	29	–	–	16.9%	0.40%
Veeuze Germany		13.6%	1.5%	16.9%	0.40%

These budgets and strategic plans cover a five-year period. The growth rates used to extrapolate the cash flows beyond this period ranges between 0.4 per cent and 2.2 per cent depending on the geographical location of the CGU.

Management have performed sensitivity analysis on key assumptions including discount rate and revenue growth rates. There are no reasonable scenarios in which a change in the assumptions would lead to an impairment loss being recognised for the year ended 31 December 2022.

10. Other intangible assets

	Notes	Customer relationships £'000	Intellectual property £'000	Total £'000
Cost:				
At 1 January 2021		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 and 1 January 2022		7,147	10,348	17,495
Additions		–	81	81
Additions – internal development		–	1,550	1,550
Assets held for sale	29	–	(2)	(2)
Disposals		–	(29)	(29)
Exchange differences		2	7	9
At 31 December 2022		7,149	11,955	19,104
Accumulated amortisation and impairment:				
At 1 January 2021		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 and 1 January 2022		4,466	6,475	10,941
Amortisation charge for the year		499	1,097	1,596
Disposals		–	(29)	(29)
Exchange differences		1	4	5
At 31 December 2022		4,966	7,547	12,513
Net book value:				
At 31 December 2021 and 1 January 2022		2,681	3,873	6,554
At 31 December 2022		2,183	4,408	6,591

Values attributed to internal development costs meet criteria as set out in section 1J of the Accounting Policies. 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.

Notes to the Consolidated Financial Statements continued

10. Other intangible assets continued

Additions in the year represent purchased intangible assets of £81,000 (2021: £149,000) and internal development costs capitalised of £1,550,000 (2021: £1,578,000). 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. There were no indicators of impairment in the current year. An impairment charge of £nil (2021: £636,000) 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 is included in amortisation and impairment of intangible assets within the Consolidated Income Statement.

11. Property, plant and equipment

	Leasehold buildings £'000	Plant, equipment and vehicles £'000	Total £'000
Cost:			
At 1 January 2021	599	954	1,553
Additions	10	268	278
Disposals	-	(1)	(1)
Exchange differences	(22)	(21)	(43)
At 31 December 2021 and 1 January 2022	587	1,200	1,787
Additions	-	158	158
Disposals	(5)	(359)	(364)
Transfer to assets of disposal group	-	(14)	(14)
Exchange differences	18	(4)	14
At 31 December 2022	600	981	1,581
Accumulated depreciation and impairment:			
At 1 January 2021	187	715	902
Depreciation charge for the year	40	173	213
Disposals	-	(1)	(1)
Exchange differences	(22)	(22)	(44)
At 31 December 2021 and 1 January 2022	205	865	1,070
Depreciation charge for the year	20	127	147
Disposals	(5)	(330)	(335)
Transfer to assets of disposal group	-	(5)	(5)
Exchange differences	(16)	(25)	(41)
At 31 December 2022	204	632	836
Net book value:			
At 31 December 2021 and 1 January 2022	382	335	717
At 31 December 2022	396	349	745

Included in plant, equipment and vehicles is £122,000 (2021: £122,000) in respect of assets under construction.

12. Capital commitments

Capital expenditure commitments of £nil (2021: £nil) have been placed with suppliers at 31 December 2022.

Notes to the Consolidated Financial Statements

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13. Inventories

	2022 £'000	2021 £'000
Finished goods	44	16
	44	16

At 31 December 2022 the Group's inventory provisions were £nil (2021: £nil).

14. Trade and other receivables

	2022 £'000	2021 £'000
Gross trade receivables	3,419	3,730
Provision for credit losses	(83)	(102)
Net trade receivables	3,336	3,628
Other receivables	191	99
Prepayments and accrued income	530	550
	4,057	4,277

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 to determine the lifetime expected credit losses attributable to the receivables. 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 Eleco Group company's credit check process. The average credit period taken on the sales of goods and services is 31 days (2021: 41 days). No interest is charged on past due trade receivables (2021: £nil).

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

	2022 £'000	2021 £'000
Sterling	1,381	1,524
Euro	1,333	1,134
Swedish Krona	1,119	1,364
US Dollar	186	205
Other	38	50
	4,057	4,277

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

	2022 £'000	2021 £'000
At 1 January	(102)	(66)
Written off as uncollectable	31	33
Recovered during the period	71	–
Provided against during the period	(83)	(75)
Exchange	–	6
At 31 December	(83)	(102)

15. Trade and other payables

	2022 £'000	2021 £'000
Trade payables	452	637
Other taxation and social security	706	730
Other payables	365	426
	1,523	1,793

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 16 days (2021: 36 days). The Directors consider that the carrying amount of trade payables approximates to their fair value.

16. Borrowings

	2022 £'000	2021 £'000
Current liabilities:		
Bank loans	-	45
Lease liabilities	467	471
	467	516
Non-current liabilities:		
Bank loans	-	56
Lease liabilities	1,215	1,464
	1,215	1,520
Total loans and borrowings	1,682	2,036
Cash and cash equivalents	(12,538)	(10,055)
Net (cash)/borrowings	(10,856)	(8,019)

The UK banking facilities are with Barclays Bank plc and the Group facilities comprised a £1.0m overdraft facility, carrying an interest rate of 2.75 per cent over base rate (undrawn at 2022 and 2021).

The UK term loan facility with Barclays Bank plc was fully paid down in 2021.

Notes to the Consolidated Financial Statements

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16. Borrowings continued

Included in bank loans was an outstanding loan of £nil (2021: £101,000) in a German subsidiary company. The loan was secured against the freehold property in the German subsidiary company. This loan was paid off in full in February 2022.

The bank loans and overdrafts are repayable as follows:

	2022 £'000	2021 £'000
In one year or less	-	45
Between one and two years	-	56
Between two and five years	-	-
	-	101

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

	2022 £'000	2021 £'000
At 1 January 2022	51	166
Credit to the income statement	(25)	(98)
Utilised in the year	-	(17)
At 31 December 2022	26	51
Current liabilities	-	10
Non-current liabilities	26	41
	26	51

Provisions principally relate to re-organisation 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.

18. Accruals and Deferred Income

	2022 £'000	2021 £'000
Accruals	2,518	2,603
Deferred income	7,787	7,086
	10,305	9,689

Deferred income represents income from 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.

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 2021	-	84	1	85	(1,145)	(3)	(269)	(1,417)
(Charge)/credit to the income statement	-	(20)	-	(20)	(354)	(2)	(56)	(412)
Exchange differences	-	-	-	-	-	-	23	23
At 31 December 2021	-	64	1	65	(1,499)	(5)	(302)	(1,806)
(Charge)/credit to the income statement	-	(14)	-	(14)	(23)	-	19	(4)
Exchange differences	-	-	-	-	-	-	25	25
At 31 December 2022	-	50	1	51	(1,522)	(5)	(258)	(1,785)

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 £406,000 (2021: £406,000) have not been recognised due to the unpredictability of future profit streams against which these losses may be offset. These losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements

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20. Share capital

	No. of shares	2022 Nominal Value £'000	No. of shares	2021 Nominal Value £'000
<i>Authorised:</i>				
Ordinary Shares of 1p each	85,000,000	850	85,000,000	850
<i>Allotted, called up and fully paid:</i>				
Ordinary Shares of 1p each at start of year	83,154,650	832	82,464,650	825
Issue of Ordinary Shares			690,000	7
Ordinary Shares of 1p each at end of year	83,154,650	832	83,154,650	832

There was no increase in called up and fully paid share capital in the year and issuance of £nil (2021: 690,000) shares of nominal value 1 pence at a premium of £nil (2021: £253,000).

21. Share-based payments

The Company operates one share scheme and options outstanding at 31 December 2022 over Ordinary Shares granted under the scheme were as follows:

Date awarded	Number of Ordinary Shares	Vesting dates		Weighted average remaining contractual life (years)
		Earliest	Latest	
9 August 2017	500,000	1 May 2020	8 August 2027	4.6
18 May 2020	650,000	31 May 2023	31 May 2030	7.4
12 November 2020	250,000	31 May 2023	12 November 2030	7.9
23 February 2021	600,000	1 March 2024	23 February 2031	8.2
1 August 2022	650,000	31 July 2025	31 July 2032	9.6
	2,650,000			7.6

Further details of these historical share awards are detailed below:

650,000 options were granted during 2022 under the Company's Long Term Incentive Plan ("LTIP") at an exercise price of 70.0 pence per share. During the year no options relating to the 2022 issue had been forfeited and no options relating to prior issues were forfeited. Of these, 150,000 are market priced options, which have no vesting criteria other than to remain in employment by the Group and shall vest after a 3-year vesting period. 100,000 are nominal cost options which shall vest after 3 years if certain performance criteria related to recurring revenue growth, overall revenue growth and share price growth are met. The remaining 400,000 were awarded to senior management in the Group, which have no vested criteria other than to remain in employment by the Group.

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. These options will vest if the EPS for the year ended 31 December 2023 is 20 per cent or more greater than 3.9p.

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 31 May 2023.

21. Share-based payments continued

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

- (a) The basic EPS reported in the audited Accounts for the year ended 31 December 2022 is at least 7.1 pence; or
- (b) if target (a) is not met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 8.23 pence; or
- (c) if neither target (a) nor (b) is met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.88 pence 2/3rds of the award will vest; or
- (d) if none of targets (a), (b) or (c) is met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.70 pence fifty 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 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 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) nor (b) is met, but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.88 pence, 2/3rds of the award will vest; or
- (d) if none of targets (a), (b) or (c) is met, but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.70 pence, 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.

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21. Share-based payments continued

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

	2022		2021	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of the year	2,000,000	76.9	2,240,000	56.6
Granted during the year	650,000	70.0	700,000	100.4
Exercised during the year	-	-	(690,000)	35.7
Forfeited during the year	-	-	(250,000)	74.3
Outstanding at the end of the year	2,650,000	75.2	2,000,000	76.9
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 2022 was £201,000 (2021: £81,000).

A valuation model is used to value the share options and the key assumptions used for the outstanding awards granted during 2022 and 2021 are shown below:

	2022	2021
Share price at grant date	70.0p	97.5p
Exercise price per share	70.0p	100.4p
Per cent expected to vest (at date of grant)	98%	98%
Expected life (years)	5.0	5.0
Dividend yield	0.73%	0.53%
Share price volatility	81%	36%
Fair value per option	43.4p	38.0p

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 resulted in the period in a reduction in the Group's annual operating expenses of £619,000 (2021: £655,000) and additional depreciation costs of £474,000 (2021: £509,000) and finance costs payable of £55,000 (2021: £63,000). Details of lease liabilities and right-of-use assets are provided below.

Under IFRS 16, on transition at the date of initial application, the Group recognised a lease liability for leases previously classified as an operating lease under IAS 17, 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 elects to not 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

	2022 £'000	2021 £'000
Properties	1,190	1,400
Motor vehicles	289	328
Other plant and equipment	—	—
	1,479	1,728

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 £'000
At 1 January 2021	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 and 1 January 2022	1,399	329	—	1,728
Additions and measurements	98	96	—	194
Disposals	—	(19)	—	(19)
Exchange difference	55	(5)	—	50
Depreciation charge for the year	(363)	(111)	—	(474)
At 31 December 2022	1,189	290	—	1,479

Notes to the Consolidated Financial Statements

continued

22. Right-of-Use assets continued

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

Lease liabilities

	Property £'000	Motor vehicles £'000	Other plant and equipment £'000	Total £'000
At 1 January 2021	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 and 1 January 2022	1,602	337	(4)	1,935
Additions	162	59	–	221
Interest charge	48	7	–	55
Interest income on lease liabilities	–	(3)	–	(3)
Lease payments	(474)	(82)	–	(556)
Exchange difference	22	8	–	30
At 31 December 2022	1,360	326	(4)	1,682

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:

	2022 £'000	2021 £'000
<i>Financial assets at amortised cost:</i>		
Cash and cash equivalents	12,538	10,055
Trade and other receivables	3,527	3,727
Cash and receivables	16,065	13,782
<i>Financial liabilities at amortised cost:</i>		
Trade and other payables	1,167	1,063
Bank loans and overdrafts	–	100
Accruals	2,577	2,603
Non-current liabilities	–	–
Financial liabilities held at amortised cost	3,744	3,766

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

23. Financial instruments continued

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

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

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

	Financial liabilities		Financial assets		Net financial (assets)/liabilities £'000
	Floating rate £'000	Total £'000	Floating rate £'000	Total £'000	
Sterling	1,360	1,360	6,993	6,993	5,633
Euro	1,127	1,127	3,083	3,083	1,956
Swedish Krona	1,226	1,226	5,430	5,430	4,204
US Dollar	25	25	448	448	423
South African Rand	6	6	46	46	40
Other	-	-	65	65	65
At 31 December 2022	3,744	3,744	16,065	16,065	12,321
Sterling	1,715	1,715	4,183	4,183	2,468
Euro	756	756	3,664	3,664	2,908
Swedish Krona	1,284	1,284	4,768	4,768	3,484
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	3,766	3,766	13,782	13,782	10,016

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	-	299	-	177	-	476
Euro	-	-	-	-	-	-
Swedish Krona	-	291	-	27	-	318
At 31 December 2022	-	590	-	204	-	794
Sterling	-	486	-	837	36	1,359
Euro	-	-	-	-	-	-
Swedish Krona	-	279	-	76	31	386
At 31 December 2021	-	765	-	913	67	1,745

Notes to the Consolidated Financial Statements

continued

23. Financial instruments continued

(d) Financial risk: objectives, policies and strategies:

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

The net finance cost for the year from continuing operations was £39,000 (2021: £173,000). 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 19 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 £399,000 lower (2021: £373,000 lower) if Sterling strengthened by 10 per cent and £439,000 higher (2021: £411,000) if Sterling weakened by 10 per cent.

Effect of change in Sterling +/-10%	Net financial (assets)/liabilities			Profit/(loss)		Equity	
	2022 £'000	Rate +10% £'000	Rate -10% £'000	Rate +10% £'000	Rate -10% £'000	Rate +10% £'000	Rate -10% £'000
Denominated in Sterling	(5,633)	-	-	-	-	-	-
Not denominated in Sterling	(6,715)	616	(677)	(42)	47	(399)	439
Total net financial liabilities	(12,348)	616	(677)	(42)	47	(399)	439

Effect of change in Sterling +/-10%	Net financial (assets)/liabilities			Profit/(loss)		Equity	
	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

23. Financial instruments continued

(i) Interest rates

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

	2022				
	As reported	Rate +1%	Profit/(loss)	Equity	Rate -1%
Effect of increase in interest rates	£'000	£'000	£'000	£'000	£'000
Effect of decrease in interest rates					
Net finance cost	(39)	(10)	(10)	(10)	10

	2021				
	As reported	Rate +1%	Profit/(loss)	Equity	Rate -1%
Effect of increase in interest rates	£'000	£'000	£'000	£'000	£'000
Effect of decrease in interest rates					
Net finance cost	(173)	(46)	(46)	(46)	46

(ii) 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:

	3 months or less	3 to 6 months	6 to 12 months	Between 1 and 2 years	Between 2 and 5 years
Trade and other payables	1,523	1,523	-	-	-
Bank loans and overdraft	-	-	-	-	-
Lease liabilities	1,682	19	428	27	1,189
At 31 December 2022	3,205	1,542	428	27	1,189
Trade and other payables	1,793	1,793	-	-	-
Bank loans and overdraft	101	-	-	45	11
Lease liabilities	1,935	22	426	75	1,389
At 31 December 2021	3,829	1,815	471	120	1,400

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

At 31 December, the Group had no committed borrowing facilities expiring in the periods shown (2021: £101,000).

	2022	2021
Expiring in one year or less	-	45
Expiring between one and two years	-	56
Expiring between two and five years	-	-
	-	101

Notes to the Consolidated Financial Statements

continued

23. Financial Instruments continued

(g) Credit risk

Group policies are aimed at minimising losses due to customer payment default. The loss allowance on all financial assets is measured by considering the probability of default. 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 before provision for credit losses at the reporting date by geographic region is as follows:

	2022 £'000	2021 £'000
UK	1,093	1,170
Germany	559	580
Scandinavia	910	1,079
USA	282	284
Rest of Europe	431	464
Rest of World	144	153
	3,419	3,730

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.

(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.

During the prior period when borrowings were in place covenants made to the bank were in operation 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 course of the year ended 31 December 2022.

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 2022, the continuing operations EBITDA for the year was £5,200,000 (2021: £7,251,000) and the net bank cash position was £12,538,000 (2021: net bank cash position £9,954,000).

23. Financial instruments continued

(i) Reconciliation of liabilities arising from financing activities

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

	Long-term borrowings £'000	Short-term borrowings £'000	Lease liabilities £'000	Total £'000
At 1 January 2022	56	45	1,935	2,036
Cash flows:				
– Repayment	(56)	(45)	(474)	(575)
– Additions	–	–	221	221
Non-cash:				
– Acquisition	–	–	–	–
– Fair value	–	–	–	–
– Reclassification	–	–	–	–
At 31 December 2022	–	–	1,682	1,682

	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

Notes to the Consolidated Financial Statements

continued

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 2022 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 55 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 £nil (2021: £58,697) was paid to JHB Ketteley & Co Limited under a former lease for occupation by the Group of 66 Clifton Street, London, EC2A 4HB. There was £nil (at 31 December 2021: £6,197) outstanding in 2022. JHB Ketteley was a former Executive 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 2021. The final settlement on dilapidations was £33,250 and this was settled in March 2022.

An amount of £nil (2021: £4,500) was paid to Political Lobbying & Media Relations Ltd (PLMR) in respect of training costs. There were no amounts outstanding at 31 December 2022 (at 31 December 2021: £nil). K Craig was a former Director of the Company and is a Director of PLMR.

26. 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.

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Operating profit	2,983	4,099
Acquisition related expenses	-	-
Former Directors' payments	-	69
Amortisation of acquired intangible assets	499	575
Adjusted operating profit	3,482	4,743
Profit before tax	2,944	3,926
Acquisition related expenses	-	-
Former Directors' payments	-	69
Amortisation of acquired intangible assets	499	575
Adjusted profit before tax	3,443	4,570
Tax charge	(549)	(1,195)
Acquisition related expenses	-	-
Former Directors' payments	-	(13)
Amortisation of acquired intangible assets	(95)	(109)
Adjusted tax charge	(644)	(1,317)
Profit after tax	2,395	2,731
Acquisition related expenses	-	-
Former Directors' payments	-	56
Amortisation of acquired intangible assets	404	466
Adjusted profit after tax	2,799	3,253
Cash generated from operations	6,273	7,724
Purchase of intangible assets	(1,631)	(1,727)
Purchase of property, plant and equipment	(158)	(279)
Acquisition related expenses	-	-
Former Directors' payments	-	69
Adjusted operating cash flow	4,484	5,787
Adjusted operating cash flow	4,484	5,787
Net interest paid	(27)	(124)
Tax paid	(719)	(903)
Proceeds from disposal of PPE	53	60
Acquisition related expenses	-	-
Former Directors' payments	-	(69)
Free cashflow	3,791	4,751

Notes to the Consolidated Financial Statements

continued

27. Post-balance sheet events

On 17 February 2023, the Group sold its wholly owned subsidiary Eleco Software GmbH, the German ARCON architectural CAD business, to FirstinVision GesmbH, an Austrian architectural software business, for a total consideration of €600,000. This is the business that was held for sale at the 31 December 2022 year end and referred to in note 29.

The transaction supports the Group's strategy to focus on its core customer segments and businesses.

The €600,000 consideration is to be satisfied in cash, with €550,000 immediately payable on completion, and €25,000 in two deferred instalments (without performance conditions attached) over the next two years.

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	
	2022	2021	2022	2021
Swedish Krona to Sterling	12.46	11.80	12.61	12.23
Euro to Sterling	1.17	1.16	1.13	1.19
US Dollar to Sterling	1.24	1.37	1.21	1.35

29. Disposal Group Held for Sale

In line with our previously announced strategy to focus on our core customer segments and businesses, we held our Eleco Software GmbH, the German ARCON architectural CAD business, for sale at the year end in accordance with the provisions of IFRS 5.

Assets of the disposal group held for sale

The table below reflects assets of the disposal group held for sale measured at the lower of carrying amount and fair value less costs to sell in the Consolidated Balance sheet. There was no revaluation from reclassification required as a result of this business classification under IFRS 5. As at 17 February 2023, the business was disposed of to an Austrian buyer (see Post Balance sheet event note 27).

	At 31 December 2022 £'000	At 31 December 2021 £'000
Assets held for sale		
Goodwill	336	-
Other intangible assets	2	-
Property, plant and equipment	9	-
Right-of-Use assets	19	-
Trade and other receivables	27	-
Cash and cash equivalents	401	-
Total assets held for sale	794	-

Liabilities of the disposal group held for sale

Liabilities classified as liabilities of the disposal group held for sale on the face of the Consolidated Balance Sheet are as follows:

	At 31 December 2022 £'000	At 31 December 2021 £'000
Liabilities held for sale		
Lease liabilities	(19)	-
Trade and other payables	(350)	-
Accruals and deferred income	(59)	-
Total liabilities held for sale	(428)	-

Company Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2021	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 year	-	-	-	-	609	609
Exchange differences on translation of net investments in foreign operations	-	-	-	80	-	80
Other	-	(29)	-	(28)	27	(30)
Total comprehensive income for the year	-	(29)	-	52	636	659
At 31 December 2021	832	2,406	1,002	83	7,511	11,834
Dividends	-	-	-	-	(493)	(493)
Share-based payments	-	-	-	176	-	176
Transactions with owners	-	-	-	176	(493)	(317)
Profit for the year	-	-	-	-	1,944	1,944
Exchange differences on translation of net investments in foreign operations	-	-	-	63	-	63
Total comprehensive income for the year	-	-	-	63	1,944	2,007
At 31 December 2022	832	2,406	1,002	322	8,962	13,524

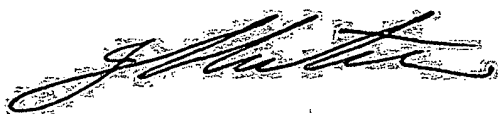
Company Balance Sheet

At 31 December 2022

	Notes	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	3	125	88
Tangible assets	4	133	127
Investments	5	6,546	6,546
Debtor due after more than one year	6	17,719	18,085
		24,523	24,846
Current assets			
Debtors	7	2,470	3,584
Cash at bank and in hand		4,886	1,769
		7,356	5,353
Creditors: amounts falling due within one year	8	(18,320)	(18,314)
Provisions for liabilities	10	(26)	(51)
Net current liabilities		(10,990)	(13,012)
Total assets less current liabilities		13,533	11,834
Creditors: amounts falling due after more than one year	9	(9)	-
Net assets		13,524	11,834
Capital and reserves			
Called up share capital	11	832	832
Share premium account		2,406	2,406
Merger reserve		1,002	1,002
Other reserve	13	322	83
Profit and loss account		8,962	7,511
Shareholders' equity		13,524	11,834

The parent company's profit for the year was £1,944,000 (2021: £609,000) and total comprehensive income attributable to the equity shareholders was £2,007,000 (2021: £659,000).

The financial statements of Eleco plc, registered number 00354915, on pages 112 to 125 were approved by the Board of Directors on 27 March 2023 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 its 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.

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.

Operating 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.

Statement of Company Accounting Policies continued

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 £1,944,000 (2021: £609,000).

2. Employee information

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

	2022 Number	2021 Number
Marketing	-	1
Software development	1	1
Management and administration	13	10
	14	12

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

	2022 £'000	2021 £'000
Wages and salaries	1,241	1,663
Social security	212	141
Pension costs	52	37
Share-based payments	176	57
	1,681	1,898

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:

	2022 £'000	2021 £'000
Short-term employee benefits	508	876
Post-employment benefits	28	32
Former Directors' payments	-	69
Executive Directors	536	977
Fees – Non-Executive Directors	216	165
	752	1,142

	2022	2021
Number of Directors exercised options	-	-
Number of options issued to the Directors ('000)	250	700
Gain made in exercise of options (£'000)	-	-

The emoluments of the highest paid Director totalled £396,000 (2021: £426,000).

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.

Notes to the Company Financial Statements

continued

3. Intangible fixed assets

	Intellectual property £'000
Cost:	
At 1 January 2021	1,301
Additions	77
Disposals	-
At 31 December 2021 and 1 January 2022	1,378
Additions	46
Disposals	-
At 31 December 2022	1,424
Accumulated amortisation and impairment:	
At 1 January 2021	1,271
Amortisation charge for the year	19
Disposals	-
At 31 December 2021 and 1 January 2022	1,290
Amortisation charge for the year	9
Disposals	-
At 31 December 2022	1,299
Net book value at 31 December 2021	88
Net book value at 31 December 2022	125

4. Tangible fixed assets

	Plant, equipment and vehicles £'000	Total £'000
Cost:		
At 1 January 2021	169	169
Additions	123	123
Disposal	—	—
At 31 December 2021 and 1 January 2022	292	292
Additions	12	12
Disposal	—	—
At 31 December 2022	304	304
Accumulated depreciation:		
At 1 January 2021	149	149
Depreciation charge for the year	16	16
Disposal	—	—
At 31 December 2021 and 1 January 2022	165	165
Depreciation charge for the year	6	6
Disposal	—	—
At 31 December 2022	171	171
Net book value at 31 December 2021	127	127
Net book value at 31 December 2022	133	133

Included in plant, equipment and vehicles is £122,000 (2021: £122,000) in respect of assets under construction.

Notes to the Company Financial Statements

continued

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 2021	21,858	728	22,586
Disposals	-	-	-
Reclassification	-	-	-
At 31 December 2021 and 1 January 2022	21,858	728	22,586
Disposals	-	-	-
Reclassification	-	-	-
At 31 December 2022	21,858	728	22,586
Accumulated provision:			
At 1 January 2021	16,040	-	16,040
Disposals	-	-	-
At 31 December 2021 and 1 January 2022	16,040	-	16,040
Disposals	-	-	-
At 31 December 2021	16,040	-	16,040
Net book value at 31 December 2021	5,818	728	6,546
Net book value at 31 December 2022	5,818	728	6,546

Investments include £728,000 (2021: £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 on the following page. 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 127.

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
Veeuze GmbH	Germany	Ordinary	100%	Software and services
Elecosoft LLC	US	Ordinary	100%	Software
Elecosoft BV	Netherlands	Ordinary	100%	Software and services
Elecosoft Pty Ltd	Australia	Ordinary	100%	Software
Elecosoft Limited	UK	Ordinary	100%	Holding company
Asta Group Limited	UK	Ordinary	100%	Holding company

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, Veeuze GmbH, Elecosoft (Pty) Ltd and Elecosoft Consultec AB. Following a merger of the three UK trading companies' operations on 1 January 2022, the carrying value of the investments have been aligned accordingly.

6. Debtor due after more than one year

	2022 £'000	2021 £'000
Amounts due from subsidiary undertakings	17,719	18,085
	17,719	18,085

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

7. Debtors

	2022 £'000	2021 £'000
Trade debtors	14	14
Other debtors	37	27
Prepayments and accrued income	110	172
Other taxation and social security	14	12
Current tax	56	-
Deferred taxation	-	10
Amounts due from subsidiary undertakings	2,239	3,349
	2,470	3,584

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

	2022 £'000	2021 £'000
Trade creditors	216	290
Other creditors	69	82
Accruals and deferred income	557	786
Current tax	-	146
Amounts due to subsidiary undertakings	17,478	17,010
	18,320	18,314

Amounts due to subsidiary undertakings comprise of interest-bearing loans of £16,874,000 (2021: £16,568,000) and intercompany current accounts of £604,000 (2021: £442,000) 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.

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.

	2022 £'000	2021 £'000
Deferred tax liabilities	9	-
	9	-

Strategic Report

10. Provisions for liabilities

	2022 £'000	2021 £'000
At 1 January	51	166
Charge to the profit and loss account	(25)	(98)
Utilised in the year	-	(17)
At 31 December	26	51

Governance

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

11. Called up share capital

	No. of shares	2022 Nominal value £'000	No. of shares	2021 Nominal Value £'000
<i>Authorised:</i>				
Ordinary Shares of 1p each	85,000,000	850	85,000,000	850
<i>Allotted, called up and fully paid:</i>				
At start of year	83,154,650	832	82,464,650	825
Issue of Ordinary Shares	-	-	690,000	7
At end of year	83,154,650	832	83,154,650	832

Financial Statements

Notes to the Company Financial Statements

continued

12. Share-based payments

The Company operates one share scheme and options outstanding at 31 December 2022 over Ordinary Shares granted under the scheme were as follows:

	Number of Ordinary Shares	Vesting dates		Weighted average remaining contractual life (years)
		Earliest	Latest	
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
1 August 2022	650,000	31 July 2025	31 July 2032	9.6
	2,650,000			7.5

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

	2022		2021	
	Number	Weighted average exercise price Pence	Number	Weighted average exercise price Pence
Outstanding at the beginning of the year	2,000,000	76.9	2,240,000	56.6
Granted during the year	650,000	70.0	700,000	100.4
Exercised during the year	-	-	(690,000)	35.7
Forfeited during the year	-	-	(250,000)	74.3
Outstanding at the end of the year	2,650,000	75.2	2,000,000	76.9
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 2022 was £176,000 (2021: £57,000).

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 2022 (2021: 907,849 shares) with a market value of £622,000 (2021: £835,000) and has waived its entitlement to dividends on Ordinary Shares held by it until such time as they are vested in employees.

14. Operating lease commitments

	Property 2022 £'000	Other 2022 £'000	Property 2021 £'000	Other 2021 £'000
Leases expiring:				
Within one year	58	-	-	-
Between two and five years	-	-	-	-
	58	-	-	-

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 42.

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 55 of the Directors' Report.

The following relate to matters in previous years for past Board Directors:

- An amount of £nil (2021: £58,697) was paid to JHB Ketteley & Co Limited under a former lease for occupation by the Group of its former Group headquarters at 66 Clifton Street, London, EC2A 4HB and £nil (2021: £nil) for a contribution to the former office costs at Burnham-on-Crouch. There was £nil outstanding at 31 December 2022 (at December 2021: £6,197). 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 2021. The final settlement on dilapidations was £33,250 and settled in March 2022.
- An amount of £nil (2021: £4,500) was paid to Political Lobbying & Media Relations Ltd (PLMR) in respect of training costs. There were no amounts outstanding at 31 December 2022 or 31 December 2021. K Craig was a former Director of the Company and is a Director of PLMR.

Five-Year Summary

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Revenue	26,566	27,344	25,232	25,398	22,220
EBITDA	5,200	7,182	6,675	6,159	4,006
Adjusted EBITDA	5,200	7,251	7,003	6,302	5,257
Amortisation and impairment of intangible assets	(1,097)	(1,786)	(1,068)	(855)	(529)
Depreciation	(621)	(722)	(866)	(902)	(778)
Adjusted operating profit	3,482	4,743	5,069	4,545	3,950
Amortisation of acquired intangible assets	(499)	(575)	(590)	(590)	(595)
Exceptionals	-	(69)	(328)	(143)	(689)
Operating profit	2,983	4,099	4,151	3,812	2,666
Net finance costs	(39)	(173)	(262)	(339)	(272)
Profit before taxation	2,944	3,926	3,889	3,473	2,394
Taxation	(549)	(1,195)	(726)	(772)	(598)
Profit after taxation	2,395	2,731	3,163	2,701	1,796
Basic earnings per share (continuing operations)	2.9p	3.3p	3.9p	3.3p	2.4p
Shareholders' equity	25,842	23,846	21,524	17,924	15,479
Final dividend per share	0.50p	0.40p	0.40p	0.30p	0.68p

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
Eleco (DCS) Limited	UK	Ordinary	100%	Dormant
Elecosoft Limited	UK	Ordinary	100%	Holding company
Elecoprecast Limited	UK	Ordinary	100%	Holding company
Elecosoft Pvt Limited	India	Ordinary	100%	Dormant
Falconer Road Property Limited	UK	Ordinary	100%	Dormant
RB Fabrications (Norwich) Limited	UK	Ordinary	100%	Dormant
Webster Homes (Southern) 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

Professional Advisors and Registered Offices

Professional Advisors

Auditor

RSM UK Audit LLP
25 Farringdon Street
London EC4A 4AB

Bankers

Barclays Bank PLC
The Pinnacle
Midsummer Boulevard
Milton Keynes MK9 1BP

Company Secretary

Elemental Company Secretary Limited
+44 (0) 20 3286 6229
info@elementalcosec.com

Financial Public Relations

SEC Newgate
Sky Light City Tower
50 Basinghall Street
London EC2V 5DE
+44 (0) 20 3757 6882
eleco@secnewgate.co.uk

Nominated Advisor and Broker

finnCap Ltd
One Bartholomew Close
London EC1A 7BL
+44 (0) 20 7220 0500
www.finnCap.com

Registrars and Transfer Agent

Neville Registrars
Neville House
Steelpark Road
Halesowen B62 8HD
+44 (0) 12 1585 1131
info@nevilleregistrars.co.uk

Solicitors – Employment and Company Law

Bates Wells & Braithwaite London LLP
10 Queen Street
London EC4R 1BE
+44 (0) 20 7551 7777

Solicitors – Corporate Transaction and Commercial Transaction

Reynolds Porter Chamberlain
Tower Bridge House
St Katharine's Way
London E1W 1AA
+44 (0) 20 3060 6000

Registered Offices

Eleco plc

Dawson House, 5 Jewry Street,
London, England EC3N 2EX
+44 (0) 20 7422 8000
ir@eleco.com
www.eleco.com

Registered Number 00354915

Elecosoft UK Limited

Eleco Software Limited
Elecosoft Limited
Asta Group Limited
Parkway House
Haddenham Business Park
Pegasus Way
Bucks
HP17 8LJ

Elecosoft Consultec AB

Storgatan 40
931 31 Skellefteå
Sweden

Asta Development GmbH

Egon-Eierman-Allee 8,
76187 Karlsruhe,
register court Mannheim HRB 706289

Veeuze GmbH

Warmbüchenstraße 17,
30159 Hannover,
register court Hannover HRB 222415

Elecosoft LLC

12600 Hill Country Blvd
Suite R-275
Austin
TX 78738

Elecosoft BV

Bennekomseweg 41
6717 LL Ede
Nederland



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ELECO[®]

Eleco plc
Dawson House
6 Jewry Street
London EC3N 2EX
+44 (0) 20 7422 8000
www.eleco.com