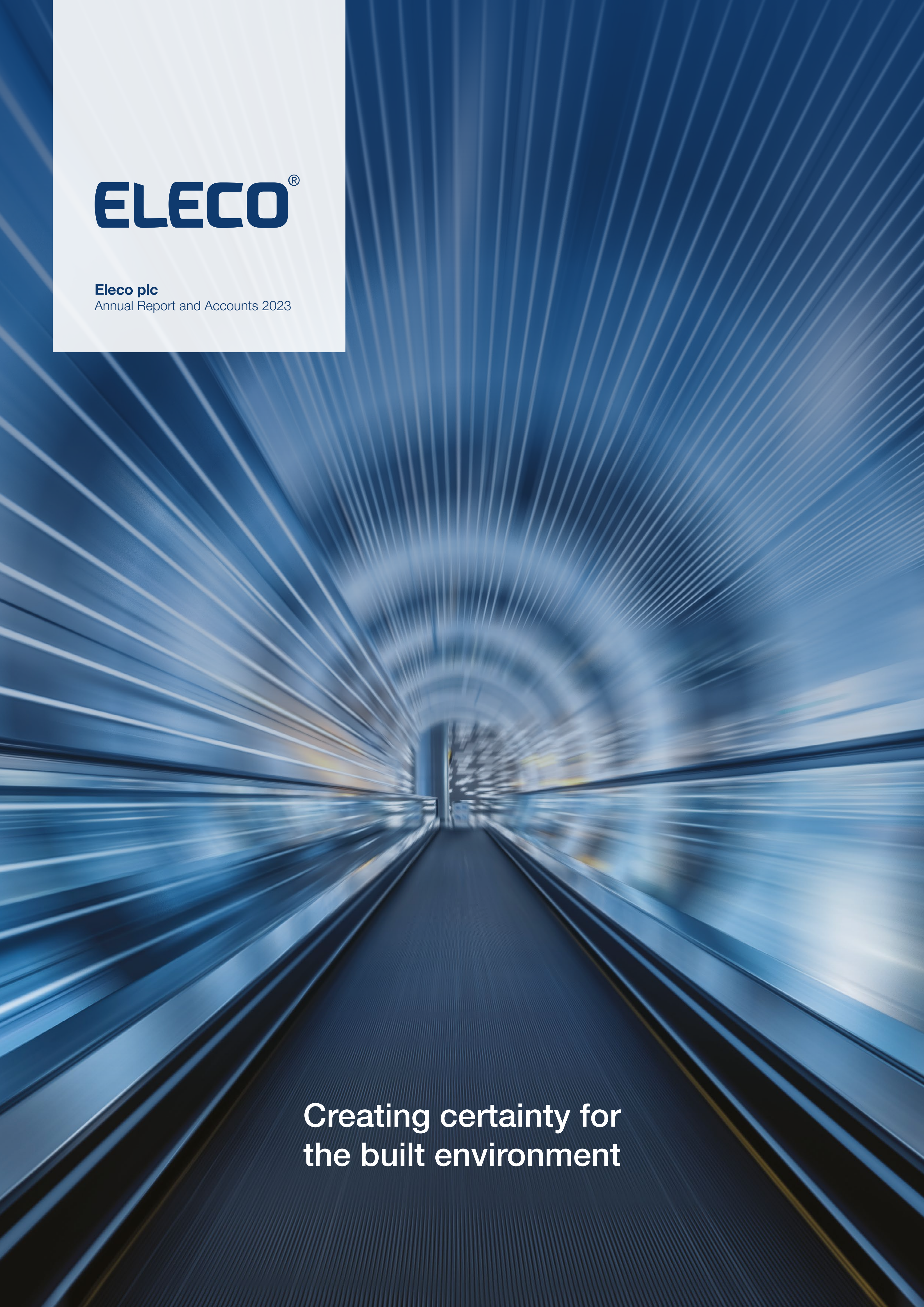


ELECO®

Eleco plc
Annual Report and Accounts 2023

Creating certainty for
the built environment

World-class technology for the built environment

What we do

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

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

How we operate

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

Customer-centric growth

Prioritised innovation

Resilient operations

> Read more about our Strategic Objectives on page 14

www.eleco.com

You can download the digital version of this: www.eleco.com

In this report

Strategic Report

Governance

Financial Statements

Purpose

To solve the **challenges** of the **built environment** through digital transformation

Mission

To provide **best-of-breed software** to companies in the **built environment**

Vision

To create **certainty** for the **built environment**

Financial highlights

Total Revenue

£28.0m

2023	£28.0m
2022	£26.6m

Total Recurring Revenue (TRR)

£20.7m

2023	£20.7m
2022	£16.9m

Gross margin

89.8%

2023	89.8%
2022	88.4%

Adjusted EBITDA

£6.1m

2023	£6.1m
2022	£5.4m

Profit before tax

£3.4m

2023	£3.4m
2022	£2.9m

Cash

£10.9m

2023	£10.9m
2022	£12.5m

Operational highlights

- Acquisition of BestOutcome Limited to widen capabilities and customer base and post year end, acquisition of Vertical Digital to enhance the Group's technical capabilities to a multinational audience.
- A focus on margin improvement led to a discontinued number of lower-margin product lines (end-of-life products).
- Strategic profitable divestment of low-margin non-core business Eleco Software GmbH (Arcon) with proceeds returned to shareholders as a special dividend.
- Asta Powerproject awarded 'Project Management Software of the Year' at the UK Construction Computing Awards for the tenth consecutive year, recognising Eleco's commitment to innovation and excellence in the construction industry.
- ISO 27001 accreditation achieved by Elecosoft UK Limited and BestOutcome Limited, in recognition of their IT systems meeting or exceeding the latest industry standards, and information security and data protection best practices being followed.
- AstaGPT™, Generative AI support was developed in-house, launched post year end.
- Record recurring revenue growth and year-on-year headline revenue growth returns.
- Great Place to Work® certification achieved for all business units that qualify.
- Successfully implemented a direct sales channel in the USA, with in excess of 40 new direct customers following focused investment on sales and marketing.

At a Glance

World-class technology for the built environment

Eleco offers a leading and comprehensive range of innovative and award-winning digital construction software solutions for the built environment

Our product suite

Eleco'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.

12
Offices

Serving Eleco's core regions: UK (including Group HQ), Sweden, Germany, the Netherlands and the USA.

273
Employees

Spanning sales, business development, client services, customer support and delivery, software engineering research and development, marketing, finance, HR, IT and administration.

96%
Direct sales

Eleco's direct sales model accounts for more than 96 per cent of its total revenues, supplemented by established value-added resellers in territories that extend its reach further.

Our products and services

Our products and services are designed to drive forward our purpose: solving the challenges of the built environment through digital transformation.

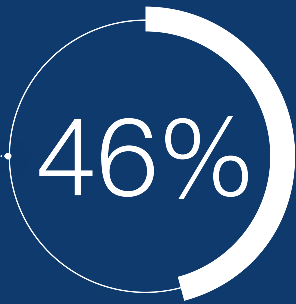
> Read more in the CEO Report on page 06

Asta®
Bidcon®
IconSystem®
ShireSystem®
Staircon®
Statcon®
VEEUZE®
pm3
pm3 time

Revenues by Region

UK and Republic of Ireland

Eleco's biggest market, this has a wide portfolio of solution offerings

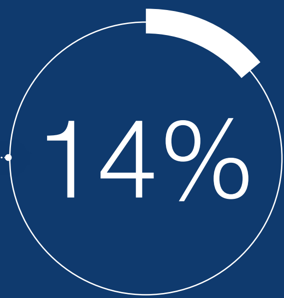


Scandinavia

Scandinavia has a proud heritage with established solutions like Bidcon, Staircon and Asta Powerproject

Germany

Europe's biggest single economy, Elecosoft and Veeuze operate from several locations in the country

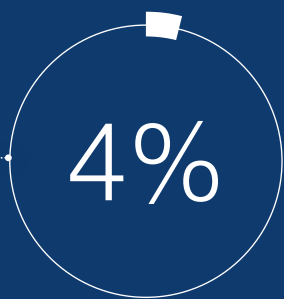


Rest of Europe

We continue to expand our business operations across continental Europe

USA

The USA is a growth area for Eleco from a less established base



Chairman's Statement

Clear strategy has delivered a strong set of results

Mark Castle FRICS
Non-Executive Chairman

In my first year as Chair, I am delighted to report that Eleco's clear strategy has delivered another strong set of results.

This has resulted in a robust financial performance as well as notable industry achievements at a time when we are endeavouring to meet the combined challenges of the digital evolution and the need for ever greater efficiency and productivity whilst remaining conscious of our environmental responsibilities.

The Group has entered the final phase of its transition to a recurring revenue business, based around the SaaS and subscription model it started in late 2021. Now reporting our 2023 results, our key financial measures all reflect strong growth. ARR (Annual Recurring Revenue) and TRR (Total Recurring Revenue) were up 24 per cent and 22 per cent respectively and Adjusted EBITDA up 13 per cent to £6.1m (2022: £5.4m). Adjusted EPS was 4.0 pence (2022: 3.6 pence). The business also continues to generate strong cash flows; even though 2023 saw us make an acquisition and increased dividend payments to our loyal shareholders, we ended the year with a cash position of £10.9m (2022: cash £12.5m).

As well as the focus on streamlining its solution portfolio to higher-margin products, the Group also sold the non-core Eleco Software GmbH ('Arcon') business and acquired BestOutcome Limited. The latter is a leading UK provider of simple, scalable Project Portfolio Management (PPM) software for projects and structured programmes.

Post year end, we also welcome, as part of our most recent acquisition, our new colleagues from the Vertical Digital group of companies in Romania (see note 29), who with their diverse, proven R&D capabilities will further enhance and advance our innovation roadmaps.

Board changes

After nearly nine years as a director and latterly as Chair, Serena Lang stepped down in May 2023. She oversaw a number of developments which further transformed the business into a customer-centric, building lifecycle-focused operation, also adopting a new cultural focus. I thank Serena for the significant contribution she made to the Group during her tenure.

Serving as Interim Chair since her departure, and following a formal recruitment process with an independent search agency, I was delighted to accept the role of Chair in October 2023.

Paul Boughton stepped down earlier in 2023 as a Non-Executive Director and was replaced by Alyson Levett, who brings a wealth of leadership experience from within the software sector and succeeded Paul as Chair of the Audit and Risk Committee. We were also delighted that in April 2024 James Pellatt joined the Board as Non-Executive Director, providing a customer perspective and extensive experience in real estate, innovation and sustainability.

Employees

Eleco has a distinct and rich corporate culture which is reflected in the Company's clear purpose: to solve the challenges of the built environment through digital transformation. On behalf of the Board, I would like to thank all my colleagues at Eleco for their dedication to making the business what it is today.

Dividends

In line with the further success of the Group and our growth in profitability, the Board is proposing a final dividend of 0.55 pence per share, which, with the interim dividend of 0.25 pence per share, gives a total for the year of 0.80 pence per share, up 14 per cent (2022: 0.70 pence per share). This is in line with the Group's progressive, sustainable dividend policy.

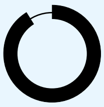
Current trading and outlook

Eleco's future prospects remain strong. We are well placed to deliver on our expansion plans via both inorganic and organic growth. International markets continue to be robust and we have seen a positive start to the year. As at 31 March 2024, our ARR was £24.5m. It gives a clear indication of our continued organic growth in recurring revenues. Looking forward, the Group is trading in line with 2024 expectations.

Mark Castle
Non-Executive Chairman
22 April 2024

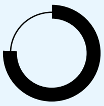
Our ESG commitments support our purpose, mission, vision and values. These are based around a balanced scorecard of metrics capturing year-on-year performance.

This year we have taken a deep dive into our current operations and future plans, with an aim to capture all that we are doing well, where we can improve and where we can innovate to maximise our ESG impact; both via our direct operations and indirectly through our products and services.



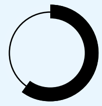
82%

Total kWh electricity from renewable energy tariffs



76%

Employee satisfaction

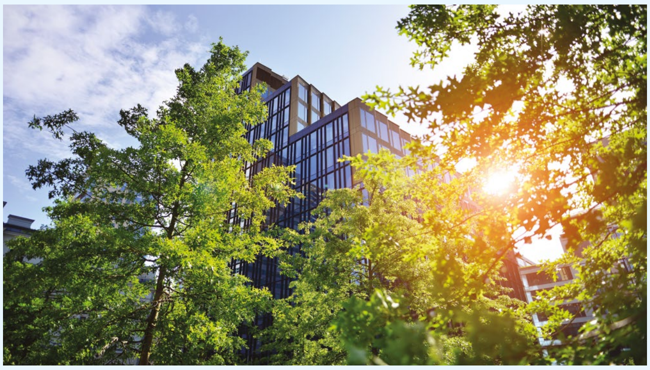


60%*

Independent Directors on the Board

* These figures exclude J Pellatt who was appointed as Non-Executive Director after the year end on 8 April 2024.

Find out more about our ESG plans on our website



Environmental

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

Social

We are making a positive impact on stakeholders and the wider society, including current and prospective customers, our shareholders and suppliers, as well as our own colleagues and their families.

Governance

We adhere to the Quoted Companies Alliance Corporate Governance Code for AIM-listed companies. We have made good progress in assessing our impact on the wider world and all stakeholder groups in an increasingly holistic way.

CEO Report

We have developed predictability in future revenue, improved profit measures and expanded internationally

Jonathan Hunter BBus BMm
Chief Executive Officer

I am proud to say that Eleco delivered a robust performance in the year under review, with its underlying revenue growth and profitability ahead of consensus estimates, despite challenging macroeconomic climates and geopolitical uncertainties.

The progress and success of our strategic approach is evidenced in the 2023 results, with growth in our higher margin building lifecycle solutions and the discontinuation of products that were not contributing to the future of the Group. This approach allowed Eleco to expand its Project Portfolio Management capabilities with the accretive, cash acquisition of BestOutcome Limited announced at the end of June. To demonstrate its confidence in the strategy, the Board increased the interim dividend by 25 per cent and returned the proceeds of the divestment of Arcon (Eleco Software GmbH), a slightly loss-making CAD solution, by way of a special dividend.

Trading

Group revenues for the year ended 31 December 2023 were £28.0m (2022: £26.6m), an increase of five per cent. Annualised Recurring Revenue (recurring revenue in the last month multiplied by twelve months) to 31 December 2023 increased by a record 24 per cent to £22.6m (2022: £18.2m) and the Total Recurring Revenue increased 22 per cent to £20.7m (2022: £16.9m). Recurring revenues now represent 74 per cent of the total Group revenues (2022: 64 per cent) and grow as a percentage of total revenue as the SaaS transition journey continues.

Profit measures have also improved, with an increase in adjusted EBITDA of 13 per cent to £6.1m (2022: £5.4m), adjusted profit after tax of 10 per cent to £3.3m (2022: £3.0m) and adjusted basic EPS up 11 per cent to 4.0 pence (2022: 3.6 pence). The business continues to be cash generative, and despite the acquisition of BestOutcome Ltd announced at the end of June 2023 for a net £3.5m before acquisition expenses and increased dividend payments to a total of £1.1m, the cash position ended the year at £10.9m (2022: cash £12.5m).

UK revenues increased by 21 per cent to £13.0m (2022: £10.7m), the equivalent of 46 per cent of Group revenues. The UK revenues included £1.0m of BestOutcome Ltd sales from the start of H2 2023.

Overseas revenues decreased by six per cent to £15m (2022: £15.9m), the equivalent of 54 per cent of Group revenues, with Germany and Sweden's revenues impacted by divested and end-of-life products.

Strategy

Eleco's strategy is to build on its established position as a trusted and innovative partner for its international customers and the wider built environment through a combination of organic and inorganic growth.

The strategic objective is to scale and continue to be relevant in order to solve the challenges of the built environment. The Group is delivering its purpose through a well-governed, profitable and resilient operating business, which we refer to as the Growth Platform, and underpins the three strategic pillars which are:

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

Go-to-Market

The Group continued to develop its sales and marketing techniques and resources throughout the period, establishing a sales enablement programme to support existing colleagues to perform at their best and also accelerate the onboarding and scaling of its sales capabilities.

The Asta suite of products was subject to a comprehensive rebrand, reframing the value proposition to demonstrate that it has now become, arguably, the best platform of solutions for schedulers. During the period, Asta won the Construction Computing Project Management Software of the Year Award for the tenth consecutive year.

The Group saw success in its US go-to-market strategy by working closely with the reseller channel to introduce a direct-to-market operation, attracting a total of 118 new customers and setting strong foundations for future growth. Early in 2024, we hosted our US Innovation Summit, where prestigious customers such as Mortenson Construction and PennDOT (Pennsylvania Department of Transportation) shared their positive experiences of using our solutions.

Eleco established a relationship with the C-Tech Club, a not-for-profit community created for almost 400 founders and CEOs of international construction technology start-ups. As a lead sponsor, we bring both our trusted industry expertise and heritage to this forum for fresh thinking and help identify new technological trends and developments for our customers.

Following its acquisition, BestOutcome has been integrated into the Group using its own PM3 Project Management solution. Investments have been made in sales and development resources while plans have been developed to introduce PM3 into international English-speaking markets.

European operations continued to face a challenging economic climate due to the energy crisis resulting from events in Ukraine. Prompt actions were taken in Sweden to discontinue end-of-life applications that were no longer contributing to growth and efforts were focused on core products, ultimately delivering a seven per cent increase in new customers in that region.

Following a change to the management structure of our German operations, the new management teams successfully implemented go-to-market initiatives and operating procedures across the Netherlands and Germany which resulted in new client wins.

Eleco's CAD and Visualisation solutions Veeuze and Staircon continued to focus on software development as well as business development in international markets. Both business lines were impacted by lower service revenues due to budget restrictions resulting from the uncertain economic conditions within their customer bases. Despite this, they continued to attract new logos, and a first customer for Veeuze was signed in Australia.

Technology and Innovation

The Group reinvested 13 per cent of revenue (2022: twelve per cent) into its diverse, international team of talented technical colleagues and product managers, who work to enhance our core solutions as well as developing new solutions for our customers.

Our vision is to solve the challenges of the built environment, and we are both proud and fortunate to be working with customers comprising the most forward-thinking engineers and innovators in the industry. Our customers are increasingly turning to Eleco for guidance on enhancing their workflows and improving the value and integrity of their construction data, focusing on cloud-based SaaS solutions and innovative insights. This shift underscores the Group's evolution towards developing a solution-oriented approach, responding to the digital transformation needs in the construction sector. Recognising a bottleneck in meeting these needs due to the varied technical expertise required beyond mere software solutions, Eleco saw the necessity of expanding its capabilities. The outcome of considering the substantial cost of building an in-house team to address this challenge led to the strategic acquisition of the profitable Vertical Digital business. This move bolsters Eleco's ability to meet its technical resourcing demands, facilitating a more comprehensive support structure for our clients' projects. Read more about Vertical Digital in the M&A section of this report.

An area of technology focus in 2023 was the development of the Group's Artificial Intelligence ('AI') roadmap, resulting in the release of AstaGPT in March 2024. AstaGPT saves valuable time by providing tailored, expert guidance quickly and intuitively through the use of Generative AI from our high-quality documentation. AstaGPT will also help new customers get to grips with using Asta for the first time, as tested and proven when onboarding new members of our own team. Use of AstaGPT is already exceeding our existing support portal traffic and continues to grow.

We also embarked on research initiatives with early-stage construction-focused businesses that specialise in AI to prototype unique opportunities that will potentially provide value to our customers.

Our technology roadmaps for 2024 and beyond now heavily focus on helping our customers leverage the benefits of well-structured data and position them to be best placed to capitalise on the new technology developments that are coming to the market. Our multi-skilled team approach to solving industry problems using Product, Development, Innovation, Data, Business Development and Marketing is proving to be a winning formula as evidenced by AstaGPT and our new module for other core solutions.

CEO Report continued

Mergers and Acquisitions

The Group's acquisition strategy aims to enhance the value of the Group and expand its capabilities and profitability by actively pursuing opportunities where acquisitions complement and/or extend Eleco's technology/solutions and/or increase the customer base and/or geographical footprint.

In 2023, we acquired BestOutcome Ltd and sold the non-core Arcon business. The former is a UK leading provider of simple, scalable Project Portfolio Management (PPM) software and we have been extremely pleased with the integration of this business into our building lifecycle portfolio offering.

Post year end, we completed the acquisition of the Vertical Digital group of companies in Romania for an initial consideration of €1.3m and potential deferred and contingent outflow ('Earn Out') of up to a maximum of €250,000 for financial years ending 31 December 2024 and 31 December 2025.

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

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

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

Vertical Digital meets Eleco's acquisition criteria, having an established track record with the ability to deliver on common customer needs, enhance product digitalisation and advance Eleco's roadmap. At 31 December 2023, Vertical Digital delivered total revenue of €1.2m (c.£1.0m), growth of 44 per cent compared with 2022, and a net profit before taxation of €0.3m (c.£0.2m) based on unaudited figures and accounting policies prior to Eleco plc Group control.

The management team will remain in the business, with Dan Pop responsible for the expansion of our new Eastern European business unit and Alex Gheboianu accepting a wider responsibility as the Group's Chief Technology Officer. Alex has a BSc in Computer Science, 15 years' experience in software engineering and enterprise architecture as well as being a certified IT trainer, developing training programmes in over 31 countries.

Growth Platform

In delivering Eleco's growth ambitions, we understand the importance of maintaining and strengthening the value-creating operational platform. Accordingly, our strategy is underpinned by enabling growth initiatives that support growth and the future success of Eleco.

People and Culture

Eleco is an expanding people business and the diversity, calibre of talent, alignment with our management vision and cultural values remain hugely important to delivering our strategic ambitions. Fostering a strong company culture based on a value framework that makes colleagues feel a sense of ownership and care for all stakeholders leads to better decisions being made for the future.

Demonstrated through our certifications as a Great Place To Work®, our cultural values have brought increased levels of trust and openness to our organisation, where colleagues feel confident in sharing creative thoughts, collaborating and ultimately performing to the best of their ability. Furthermore, our cultural values support the implementation of operational transformation more swiftly.

Systems

Reliable and secure systems are important for any growing business and Eleco is no exception when we consider our growth ambitions. During H2 2023 and early 2024, we successfully implemented NetSuite ERP in the UK, and the implementation will continue across all regions in 2024 and 2025.

ESG Credentials

Progressive improvements in environmental, social and governance credentials play significant importance in supporting Eleco's growth, as it demonstrates the quality of its business and value it brings to stakeholders. During the period, a stakeholder materiality assessment was conducted to identify where the management of Eleco should prioritise its efforts.

Some of the positive contributions to society during the year include the provision of software products to some 8,000 educational institutions, 29 per cent of employees utilised at least one day volunteering across all regions, and over 50 per cent of staff received at least one day of self-development training. Furthermore, we moved toward greater use of electrified vehicles and continued to reduce carbon emissions, as well as contributing to carbon compensation schemes to make the Group carbon neutral.

Setting our sights on becoming Net Zero, an ESG Implementation Team was formed in Q1 2024. The team comprises colleagues from each business unit, with the responsibility for implementing environmental improvements across the Group.

Governance continued to play an importance in the period under review as we revised our company-wide policy framework, which was read and signed by every employee. We also provided every employee with training and scenario testing on the detection of cyber security threats and attacks.

We are also pleased to report that Elecosoft UK and BestOutcome were accredited with the international standard ISO 27001, which recognises that companies are following information and data security best practices, and that all of their IT systems either meet or exceed the latest industry standards.

Our Markets

In every field of endeavour, technology drives progress. Building technology continues to improve efficiency, productivity, safety and quality. However, it takes some time for construction businesses to embrace and adopt new technology. While the construction sector is often criticised for being slow to adopt technology, it is also a sector that is under immense and increasingly complex demands. Such demands create new challenges for our customers, driving a need for them to not only contend against their competitors with an increasing rate of technology adoption but also with the growing complexity of building projects, the demand to deliver safely and in a sustainable way whilst considering the future operational efficiency and environmental and social impact of the structure.

Eleco operates across markets with a number of macroeconomic and macro societal drivers including population growth, digitalisation, regulation and land space. The world's population is expected to grow to 9.7bn by 2025. 6.5bn people will be in cities, with the population of urban areas increasing by 200k people every day. This is driving unprecedented demand for new urban buildings.

There is also continual pressure on margins in an industry which is very cost-intensive, complex, multi-disciplined, multi-party and typically lengthy in its projects, as well as pressure to raise environmental standards, with most geographies continuing to increase regulatory and compliance requirements.

The market opportunities are considerable as FMI research identifies US$1.9bn total addressable market in Construction Project Management software, US$3.4bn in Maintenance and Facility Management software and more broadly, US$6bn in BIM software solutions covering the building lifecycle with growth rates across all markets in the high single to mid double-digit levels.

Critical to the success of any and every project is the management of time and cost, and that is where Eleco has focused its technical building lifecycle strategy; it is in the management of time and task from early stages through to construction and operations. Supporting the project delivery is also estimating, BIM, data and visualisation.

Across the many geographies in which it operates, Eleco continues to see excellent opportunities for strong organic growth by expanding its existing customer base, with more software capabilities being provided to more customers in more geographies and adding to total customer lifetime values.

At the same time, the Group is capitalising on the industry's digitalisation inflexion point, with data becoming a common thread across all customers' departments. This provides opportunities to sell more capabilities across organisations and fulfil joined-up thinking for our customers. Linked to the demand in data usage to satisfy this, there are increasing opportunities for bespoke services based on the Group's software being at the centre of these numerous construction workstreams.

CEO Report continued

Outlook

I am proud to acknowledge the significant strides Eleco has taken towards achieving its strategic objectives this year, performing extremely well in 2023 and delivering record levels of recurring revenue growth, as well as securing future revenues through the increased levels of subscription licences.

I extend my gratitude to our exceptional colleagues across the Group for their invaluable contribution, trust and dedication.

Eleco's customers are increasingly recognising digitalisation as a vital tool to address their business challenges in meeting market demands. Enhancing Eleco's go-to-market capabilities will not only ensure customer success but also fortify our ability to scale, bolstering our reputation as a trusted technology partner in the built environment.

Our commitment to growth, both organically and through acquisitions, remains firm. We continue to seek acquisitions that augment our customer base, complement our technological arsenal, expand our geographic footprint, and advance our SaaS platform.

The expansion and international reach of our businesses requires us to maintain good governance, profitability and talent, and to nurture a culture of innovation and growth. With these fundamental components firmly in place and supported by our highly-skilled management team, I am confident that Eleco is primed to further enhance its performance and continue its growth in 2024.

Jonathan Hunter

Chief Executive Officer

22 April 2024

Total Revenue

£28.0m

Total Recurring Revenue (TRR)

£20.7m

Gross margin

89.8%

BestOutcome

BestOutcome is a provider of specialist SaaS Project and Programme Management software, providing the only outcome-focused solution that we know of in the market with extremely well-governed code and hosting. It stands out amongst its peers due to the high security and accessibility protocols in place.

- Specialist Project & Programme Management, trusted partner, founded in 2000.
- Responsive in-house UK development.
- Outcome driven – focus on the required business outcome, not a set of tasks, 'top down'.

Software

- PM3: Project Portfolio Management ecosystem.
- PM3Time: Professional time & expense service.
- PM3Learn: Stores all initiatives in one place and honest reporting.

Why PM3?

- Easy-to-use interface.
- Easily configurable.
- Single Sign On, and secure and safe.
- Value add including training and project management thought pieces.
- Reporting engine of 200+ reports and plugs-ins to (BI) tools.

Strategic fit

BestOutcome met our M&A criteria as being a Type A profitable SaaS business in complementary markets and also met Type B which is a technology business that can advance our roadmap.

PM3 is a respected solution which sits well within Eleco's best-of-breed products. Focused on outcomes and ideal for top-down portfolio management or early-stage concept and feasibility planning, it has a Gantt chart capability that, with some application features, sets it apart from its peers.

- **M&A approach:** Fits criteria, profitable customer base.
- **Solution:** Expanded portfolio addition.
- **Market opportunity:** Broadens building lifecycle coverage.
- **Growth roadmap:** Profitable, high growth rates, SaaS.
- **Other synergies:** Technological and client expertise.

Features of business

- Well-managed longstanding proven business.
- Award winning, feature-rich, secure solution.
- SaaS-focused recurring revenues.
- Scalable, large addressable markets.
- Impressive customer base.
- In-house strong UK customer focused R&D.

Investment Proposition

We have set ambitious yet responsible targets to grow our business, seeking to create significant value for all of our stakeholders

Strategic position

- Established industry leader with bespoke software solutions
- Well placed to address numerous international market drivers
- Proven track record

Fundamentals/financials

- Recurring revenue business model providing greater visibility, sustainability and predictability of revenues
- Increasing prospects of operational gearing and expanding the opportunities to easily scale internationally
- High gross margins
- Increasing dividend and cash generation
- Ease of software scalability (lack of production bottlenecks or constraints)

Management

- Long-established industry expertise
- Depth of management team with excellent talent retention
- Infrastructure in place to support growth

Products/services

- World-class, award-winning solutions
- Wide range of proprietary innovative products – not commoditised
- Proven innovative and swift new product development
- Quality of solutions backed by established brands and reputation

Relationships

- Trusted partner across the building lifecycle
- High customer retention – growing presence across customer base
- Growing diversity of customer base

ESG

- Enable customers to resource efficiently and deliver environmental performance tracking – increasingly key requirement
- Delivering comprehensive ESG programme across business – based on our internal materiality assessment
- Societal delivery is a key part of employee retention and motivation

Market approach

- Exploit leading niche position
- Address large and growing international markets
- Opportunities for organic and inorganic growth

Market opportunity

- Growing demand for digitalisation across built environment
- High barriers to entry
- Multiple international opportunities across widening customer base

Business Model and Strategy

Our business model is all about embedding our purpose, mission and vision into everything that we do

Our purpose

To solve the challenges of the built environment through digital transformation.

Our mission

To provide best-of-breed software to companies in the built environment.

Our vision

To create certainty for the built environment.

Our cultural values

Be Open, Honest and Constructive

Put Customers First

Have a Growth Mindset

Strive for Excellence

Our strategy

Eleco's strategic objectives remain to continue to innovate and to grow, with the solid foundation of a stable and efficient organisation.

Eleco continues to be well positioned in a very exciting and attractive market as technology is seen as the catalyst to meet the growing demands of the building industry. Eleco's customer base has been facing unprecedented labour challenges and escalating materials costs.

Eleco's software plays a crucial role in mitigating these issues, increasing productivity for our customers, and enabling them to better plan their resources. There is a drive for more efficient and sustainable building methodologies and techniques. Eleco's technology solutions are widely recognised for allowing better decision making and collaboration across our clients' projects, positioning us to benefit from increasing digitalisation trends in Eleco's core markets.

As a result, the increasing digital transformation within the built environment is a significant opportunity for Eleco to leverage its position as a proven provider of software for the construction and built environment sectors, strengthen its platform, and continue to drive organic growth. Eleco's strategic objectives are listed below:

Customer-centric growth

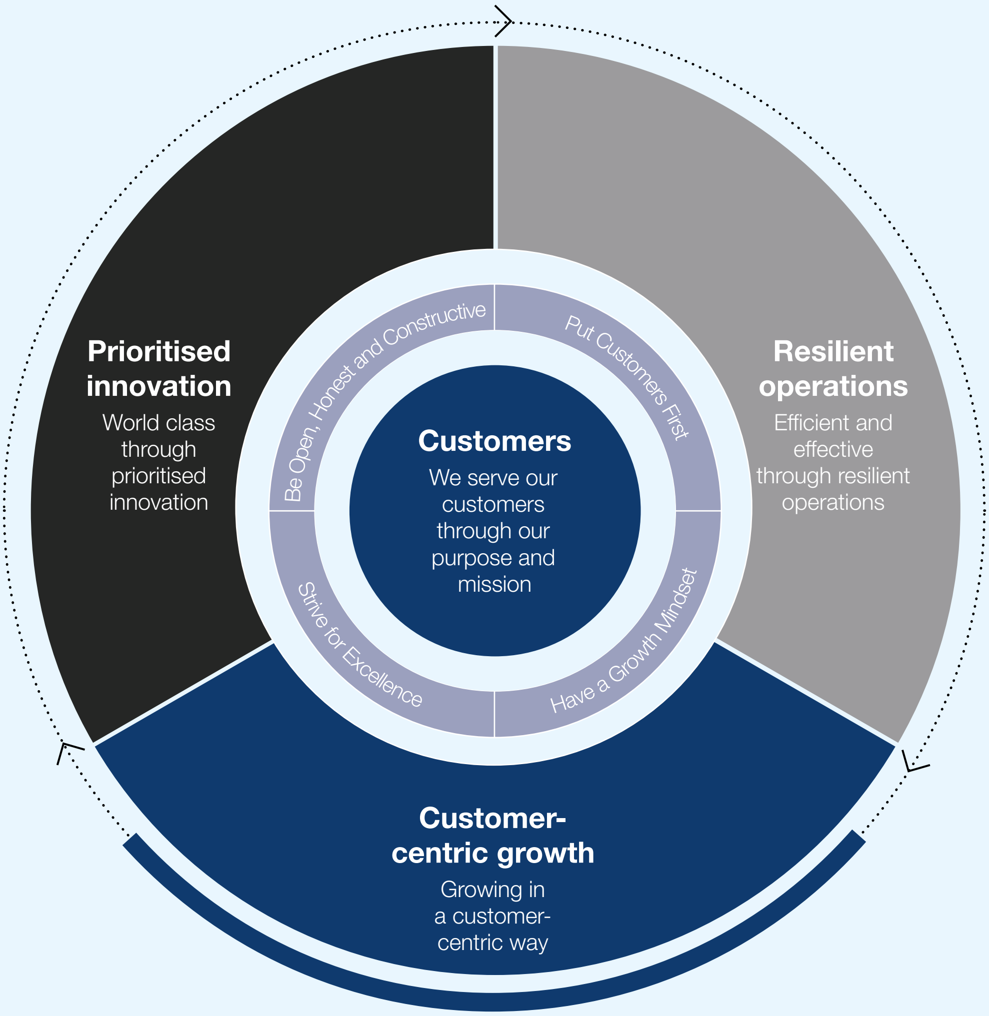
Prioritised innovation

Resilient operations

Focus areas

Shareholder value	Society	Governance	Internal operations	Environment
Profit margins	Employee turnover	Diversity and Inclusion on the Board	Financial indicators	Energy consumption
Recurring revenue growth	Employee and Customer satisfaction	Independent Directors on the Board	Customer satisfaction & Employee satisfaction	CO_2 production
Progressive and sustainable dividend policy	Volunteering and training	Payment days to supply chain	Cost management, Productivity and Innovation	Net Zero
	Gender Pay Gap	Separation of Chairman and CEO role		

Business model



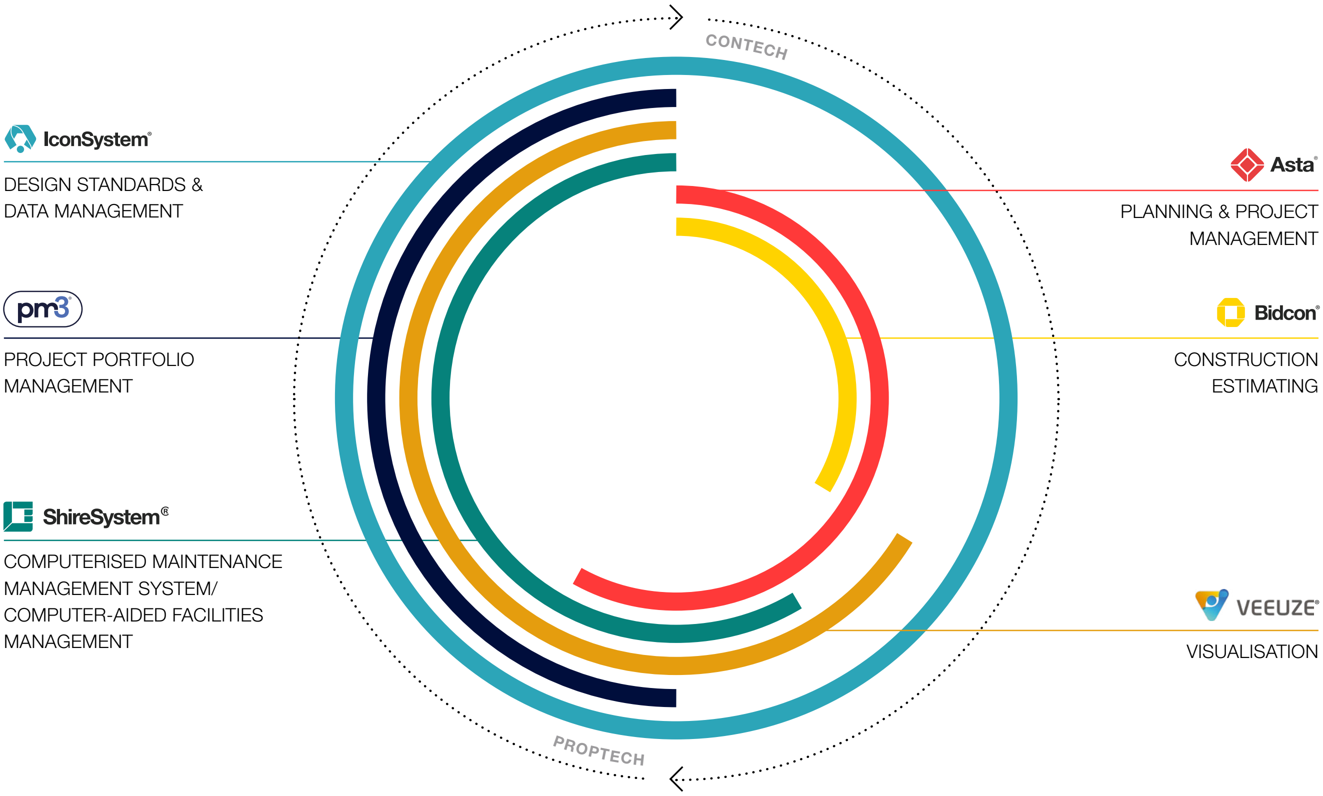
Creating value for

Our shareholders	Our people	Our customers	The planet and society
providing a return on shareholder investment	creating an employer brand people want to work with and for	making life easier for customers through our products and services	being environmentally and socially responsible

Market Opportunities

Key trends			
Population growth, increasing needs for buildings and increased complexity in the built environment	Volatile global cost of materials	Increased digitalisation adoption	Sustainability and growth in ESG and regulatory environment
Drivers			
The world's population growth and urbanised societies is increasing. Coupled with the limited resources of a land footprint, there is greater need for building to house people and in a more innovative and sustainable way. There is an increase in the amount of data being collected and used, in particular more on-site data. In terms of new construction techniques; Modularisation, Design for Manufacture and Assembly is becoming more of a focus as a philosophy for offsite construction.	Changing macroeconomic conditions and scarcity around finite raw materials against increasing aggregate demand causes lengthened lead times and volatile costs, adding pressure on customer margins. Margin pressure and protection is particularly acute in cost-intensive, complex, multi-disciplined and lengthy projects. There is a continued focus on cost reduction and accurate and reliable software solutions, allowing our customers to make better decisions, be more productive in their tasks and deliver on time and within budget.	The construction sector has increased its level of technology adoption but the level of digitisation, while gathering pace, remains relatively low compared with other industries, thus providing lots of headroom for growth. Add to this, that data is the common thread across all client departments – it's the harnessing of data that will reinforce market position and solution provision for a customer-centric organisation.	The need for global net zero emissions is driving legislation and policies across the world. Consequently, there is more focus on sustainable building practices. All industries are moving toward reducing their impact on the environment but also buildings with green credentials are more sellable, attracting higher rents and valuations. This means that tools like our Bidcon Climate estimation software will become mandatory in the future and not just a 'nice to have'. Socially, we provide thousands of free licences to educational institutions. Our software also provides comprehensive, traceable and joined-up thinking to help organisations provide a robust compliance culture in the face of ever-increasing regulatory needs and requirements.
Opportunities			
• Leading digitalisation • Open data formats • Design for manufacture and assembly • Facilitating off-site modularisation and other innovative solutions	• Increased automation and productivity • Reporting and data integrity • Enabling supply chain efficiency • Leading industry best practice	• Customer support using leading industry experience • Cloud deployment • Mobile solutions • Partner integrations • Leading BIM workflows • Across business data thread use • AI and machine learning (ML)	• Embodied Carbon Calculators • CO_2 emission trackers • Energy analysis tools • Embedded governance and regulation compliance

Our Portfolio of Products and Solutions



BUILDING LIFECYCLE

- Asta Powerproject
- Asta Connect
- Asta Vision
- Asta Powerproject 4D
- Bidcon
- IconSystem
- ShireSystem
- pm3
- pm3 time

VISUALISATION & CAD

- VEEUZE
- Staircon
- Statcon
- Framing

Product Insights

Creating certainty for the built environment with world-class software

ShireSystem®

A scalable, combined maintenance (CMMS) and facilities (CAFM) software to manage multiple locations and assets.

Core features:

Work order, scheduling and progress monitoring
Plan and request work for locations and assets to ensure control of facilities and contractors.

Compliance auditing
Generate reports for Health & Safety and quality compliance, with a full history and audit trail.

Submit, manage and track work requests
Track work requests against an asset, contact, client or location.

Document management
Manage documents and images, control access to specific files, attach documents to assets, locations, contacts, tasks and parts and generate a full version history along with document expiry settings.

Servicing and inspection records
Record data relating to upcoming checks, maintenance planning, instructions and readings in one place.

Bespoke reports
Request bespoke reports to provide visibility to management and support clear decision making.

Cutting machinery breakdowns and maximising productivity
Global leader in high-performance insulation and building envelope solutions Kingspan has invested in ShireSystem CMMS to increase asset reliability and performance, maximise productivity and make decisions based on real insight. Switching to ShireSystem has meant 15% fewer breakdowns and 10% increase asset availability, and data integration with Power BI has allowed for more strategic planning of inventory and management of workloads.

“

We can see the biggest causes of downtime for every line, business unit and piece of equipment so we can identify trends and fix issues.

Adam Coles
Regional Engineering Manager, Kingspan

pm3

Outcome-driven portfolio, programme and project management tool to run everything from stand-alone projects through to large-scale business change programmes.

Core features:

Effective resource management
Understand resource ‘pinch points’ and ensure planned portfolios have sufficient resources.

Reports and dashboards
Heavily used by executives and portfolio managers, the software has over 100 out-of-the-box reports and configurable dashboards designed by UI experts to allow drill down to lower levels of detail where needed.

Effective team collaboration
Enabling dispersed project teams to collaborate using either the PM3 or PM3Team app, where updates on the app automatically synchronise with PM3 to improve team productivity.

Benefits realisation
Ensures a realistic benefit plan in terms of timing and value.

Prioritisation and transformation
Not simply a project management system, but designed to manage programmes and portfolios and facilitate prioritisation.

Whitbread plc: we now have one source of the truth
PM3 has been Whitbread’s PPM tool of choice for around ten years, prior to which they were using a simple web reporting tool and a combination of spreadsheets and MS Project.

“

Every project that is in Change Delivery is built into PM3, so we have an end-to-end view of what is in our annual IT work plan.

The functionality in PM3 allows us to successfully manage the delivery of all these projects. Before we used PM3, project records were in a number of different places, and we now have one source of truth. We can extract data or report on progress from one central place: we use a combination of the inbuilt PM3 reports and PM3BI to provide the integration to Excel.

Lynne Clark
PMO Portfolio Reporting Manager, Whitbread

Bidcon®

Construction estimating software to reduce risk and increase productivity throughout the lifecycle of a project.

Core features:

Manage subcontractors effectively
Send tender enquiries quickly to multiple suppliers; replies are uploaded to allow for detailed comparison and improved decision making.

Import and export function
Easily import data from Excel such as supplier price lists and customer cost libraries, or export data to various formats including XML and Excel.

Global search and filter
Aid analysis and ad hoc reporting for all stages of the estimating process through global search and filtering against all Bidcon data elements.

Define user accounts/access
Specify user account access and security levels via customisable settings for both the system and estimates.

In-built templates to reduce human error
Ensure the production of accurate and consistent estimates through templates, thereby decreasing setup time and streamlining the estimating process.

Construction company GBJ Bygg, with five locations in Sweden, were already using Asta Powerproject and have since adopted Bidcon, which gives them the flexibility, user-friendliness and sharp estimations to deliver successful projects.

Established in the 1940s, the solid wood construction specialist has welcomed the Bidcon Climate Module, which will allow them to carry out climate impact analyses during the early stages of projects. With the Swedish Housing Agency now requiring climate declarations for any new construction, GBJ Bygg is positive that the company can continue to develop in an increasingly sustainable direction.

“

If a project is good from the beginning, it will usually be good at the end too; the estimation work we do in Bidcon ensures a security in our tenders that accompanies us throughout the entire project.

Mattias Karlsson
Estimations & Sustainability Engineer, GBJ Bygg

Asta Powerproject®

Award-winning planning and project management software with intuitive scheduling, 4D BIM integration, a mobile app and resource management features to empower better outcomes for projects of all sizes.

Core features:

Maintain visibility of costs
Cost and time go hand in hand: analyse budgeted costs, planned costs and actual costs against time as well as modelling cost data using man-hours, quantity, fixed and variable rates.

Manage resources across project programmes
Balance the availability of people, plant and materials through visually clear steps to maintain schedule and budget.

Scenario simulations to improve project outcomes
Develop multiple ‘what if’ scenarios to explore the best outcome for the project, communicate plans clearly, and accelerate project delivery.

Check compliance against industry/company standards
Use pre-configured industry metrics developed in partnership with the DCMA and CIOB or determine company-specific parameters.

Mitigate risks in planning
Assess project risks using the built-in risk analysis tool to identify tasks most likely to cause delays or cost overruns and create more accurate and attainable schedules.

Tailor project plans and layouts
Customise views to suit planning styles and ensure relevant data is presented clearly throughout the project lifecycle.

A five-star finish, delivered ahead of schedule
Specialist engineering contractor McGee used Asta Powerproject to sequence and manage a ground-breaking five-storey mega-basement for Claridge’s Hotel. In addition to being the subject of a BBC television documentary ‘The Mayfair Hotel Megabuild’, the ambitious project received a Fleming Award, which recognises excellence in the practical application of geotechnics, teamwork, expertise and innovation.

“

The Claridge’s project was very complex by nature. We had one space to work in, and all our equipment and materials came in and out of one opening. Asta Powerproject allowed us to take just-in-time material planning to the extreme.

Michelle Mackey
Project Engineer, McGee

Sustainability Report

Maximising customers' resource efficiency; minimising our own carbon footprint

Environmental

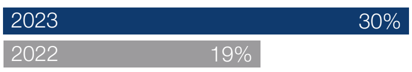
At Eleco, we are taking steps to maximise the positive impact we have on our planet by facilitating our customers' resource efficiency and environmental performance tracking through our software, whilst at the same time minimising our own carbon footprint.

64%

Renewable energy supplies

30%

Electrified vehicles



Cost vs climate impact

Eleco's Bidcon estimating software solution and Carbonzero's Prodikt.com are collaborating with an aim to fully integrate sustainability into the calculation and decision-making processes of construction projects.

An integration has been developed between the two tools to allow Bidcon users to easily retrieve climate and sustainability data from Prodikt to support their calculations and assist them in achieving both internal and global sustainability targets.

Training will be provided to allow companies to take full advantage of the collaboration, in the hope that sustainability will become a central yet straightforward part of the construction process.

And better still: using the same data right through from initial design stages will avoid unnecessary duplication of work, freeing up time and vital resources which can be deployed elsewhere.

PRODIKT + Bidcon®

Strategic planning with sustainable outcomes

Long-term Asta Powerproject customer VolkerFitzpatrick delivers engineering and construction projects across a diverse range of industries including air travel, education and energy and rail infrastructure.

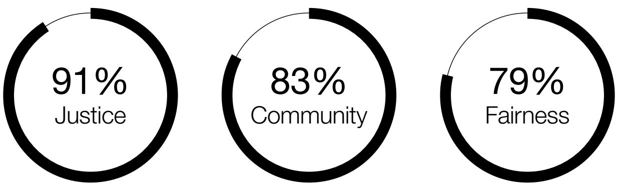
For over a decade, the UK-based company's planning team has used the software to provide greater operational efficiency and establish stronger communication between internal teams and external subcontractors to deliver results for their clients on even the most complex of projects.

More recently, VolkerFitzpatrick has deployed Asta Powerproject BIM to enhance its digital offering to clients, as well as introducing Asta Powerproject Vision to give senior management a real-time view of live projects.

With these strong analytical foundations in place, and with clear plans for progression, the company's next major objective is to use Powerproject Vision to understand resourcing holistically across the group and offer material tracking capabilities to support clients developing sustainable construction programmes.

Social

We want to make a positive impact on stakeholders and the wider society, including current and prospective customers, our shareholders and suppliers, as well as our own colleagues and their families.



76%

Employee satisfaction

2023	76%
2022	75%

9.7%

Employee Turnover – regretted

2023	9.7%
2022	11.7%

Eleco has been recognised as a Great Place to Work® in the UK, Sweden and Germany

As other regional teams increase in number and reach the required headcount for participation in the survey, it is hoped that they too will qualify for certification.

BestOutcome joined the Group from July 2023 having separately gained Great Place to Work® certification, and were delighted to be awarded this again in November 2023.

The Great Place to Work® methodology is based on 30 years of continual research on workspace culture and a rigorous, date-based model for qualifying employee experience: The Great Place to Work Trust Model™. Employers must meet or exceed the 65 per cent Trust Index™ survey benchmark to achieve certification.

> Our people are our greatest assets and gaining recognition as a Great Place to Work® reflects our continuous efforts toward building and sustaining a culture where employees feel fulfilled, engaged and respected. We are pleased and proud to know that our colleagues place their trust in us as an organisation.

Jonathan Hunter
Chief Executive Officer

Sustainability Report continued

Social continued

Eleco and the wider community

Colleagues across the Group are allocated one day per year to devote to volunteering, whether as a working day or time off in lieu for any activities carried out during non-working hours.

The stories reflect just some of the ways in which Eleco colleagues have given back to their communities in 2023.

> The highest percentages achieved in employee feedback on the Great Place to Work Trust Index™ were Justice (91 per cent), Community (83 per cent) and Fairness (79 per cent), and we will remain focused on promoting an environment of equity and inclusivity at Eleco.

Mark Castle
Non-Executive Chairman

Two teams form Asta Development GmbH, Germany actively supported Tafel e.V., a non-profit organisation dedicated to food rescue and distributing essential good to those in need. Together, colleagues sorted food and prepared packages, which really brought home the significance of teamwork, and the direct impact their actions could have on the community.

A team member in the US gave up her own time to rescue and foster 26 dogs. All of them had come from dangerous situations and she was able to feed and care for them before they were all successfully placed into loving new homes.

The Netherlands team volunteered at a local care home for elderly dementia sufferers, making pancakes for the residents' lunch, spending time with them over coffee and taking them out for a walk in the local area.

Governance

We adhere to the Quoted Companies Alliance Corporate Governance Code for AIM-listed companies. We have made good progress in assessing our impact on the wider world and all stakeholder groups in an increasingly holistic way.

40%*

Female representation on the Board

2023	40%
2022	33%

60%*

Independent Directors on the Board

2023	60%
2022	50%

27 days

Payment days to supply chain

2023	27 days	(96% within 60 days)
2022	16 days	(98% within 60 days)

* These figures exclude J Pellatt who was appointed as Non-Executive Director after the year end on 8 April 2024.

nqa.
ISO 27001
INFORMATION SECURITY MANAGEMENT

ISO 27001 is the international standard for Information Security Management, and this certification was achieved by Elecosoft UK in 2023, recognising that the business is following information security and data protection best practices, and that all of its IT systems either meet or exceed the latest industry standards. BestOutcome is also ISO 27001 accredited.

Following the development of a policy framework, with review and sign-off of 16 policies in 2022, these were embedded across the Group via its e-learning platform and Q&A sessions in 2023. Any new employees are also required to read and accept the policies on joining.

In line with cyber security and data protection best practices, the e-learning platform is also used to circulate and monitor regular security training sessions, with an aim of reducing the threat of security breaches through increased employee awareness.

Sustainability Report continued

As part of Eleco's net zero journey, and alongside the changes being made within the organisation, the Company has invested in certified carbon projects which help mitigate climate change in geographies where natural carbon sequestration is higher.

Tropical forest protection – Keo Seima, Cambodia

A REDD+ project with a focus on reducing high deforestation rates in eastern Cambodia by helping secure land rights for the indigenous Bunong in the area.

Highland restoration – Northern Ethiopia

The project assists natural regeneration through native tree planting and setting up 'exclosures' to prevent livestock grazing and improve biodiversity.

Forest adaptation – Luckaitz Valley, Germany

In the Luckaitztal forest adaptation project, more than 600 ha of pine forest are being converted into biodiverse climate resilient forest.

ESG Scorecard

We commit to measuring and communicating our progress over time 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.

		2022 Actual	2023 Actual
Environmental	Energy consumption by revenue (kWh/£m) (SECR, location based)	22	17 (-23%)
	Energy consumption by revenue (kWh/£m) (global)	27*	24 (-11%)
	Renewable energy supplies	45%	64%
	Electrified vehicles	19%	30%
	CO_2 production	139** tonnes	108 tonnes (-22%)
Social	Employee satisfaction	75%	76%
	Customer satisfaction	82%	81%
	Mean Gender Pay Gap	21%	28%
	Median Gender Pay Gap	21%	23%
	Employee Turnover – regretted	11.7%	9.7%
Governance	Female representation on the Board	33%	40%
	Independent Directors on the Board	50%	60%
	Payment days to supply chain	16 days 98% within 60 days	27 days 96% within 60 days
	CEO and Chair role split	Yes	Yes

The targets are linked to Executive pay and incentivisation reward as part of overall compensation.

* The electricity consumption at Hannover has been restated for 2022. Previously the electricity consumption was estimated using average consumption per m2 from other offices. However, actual consumption is now available and so has been used.

** Market and location-based emissions for district heating and cooling have been reported as the same. This is because of an improvement in methodology compared to previous years and is more representative of the emissions produced in the absence of market-based emission factors. Figures for market-based district heating and cooling in 2022 have therefore been restated.

S172 Statement

Key considerations and decisions

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 (including on the environment – please see ESG section on page 20);
- 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 new Non-Executive Directors in recent years have 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 explain some of the key decisions taken by the Board and then outline in the form of a table how we engage with our stakeholders.

Key decisions of 2023

1. Strategy review and acceleration of transition to subscription pricing

The Board reviews the Company's strategy several times annually. As part of this, the Directors consider the business plan for the coming year; budget and any relevant investments; and the impact that decisions will have in the long term. 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. We now see improved results in 2023 and growth phase for the business going forward.

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

We paused our M&A strategy during the Covid-19 period and to focus on implementing the SaaS transition. Now that this is largely complete, we have reinitiated 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. During 2023, the Group both acquired BestOutcome Ltd and disposed of Eleco Software GmbH. The Group continues to actively pursue M&A opportunities.

3. AGM and shareholder response

All resolutions in the 2023 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.

We strive to ensure we act in the interests of all members fairly in accordance with company law and directors fiduciary interests by not putting the interests of any one shareholder ahead of other members.

4. Employee wellbeing

We continue to invest in the wellbeing of our people including rolling out our Employee Assistance Programme to all our Group employees and benchmarking and improving our benefits within the Group and externally. In 2023, we added to our Great Place to Work® accreditations in Germany and with our new subsidiary BestOutcome Ltd.

5. Capital allocation

Each year, the Board considers the strength of the Group's balance sheet. Throughout both 2023 and 2022, the Company has maintained a debt-free position and a strong cash balance, even though some cash was utilised in the purchase of BestOutcome Ltd and in heightened dividends to shareholders. We expect to invest cash into upcoming acquisition initiatives that can widen our customer base and develop our recurring revenue platforms, in line with market requirements and ultimately generating greater shareholder value for our investors.

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 0.55 pence per share in respect of the year ended 31 December 2023. This is in addition to an interim dividend of 0.25 pence per share.

6. Systems

During the year, the Eleco Group subsidiaries migrated, as part of our SaaS journey, to a single global cloud provider. This allows us to more easily scale and securely manage both customer and company data.

Also during the year, we implemented a new finance system in the Elecosoft UK subsidiary and centrally at Group. There is a phased roll-out across other subsidiaries during 2024 and 2025.

S172 Statement continued

Stakeholder engagement

The table below sets out how we engage with our key stakeholders.

Customers	Shareholders and Investors	Employees
Engagement		
Our customers are critical to our business. Our products and services are critical in the construction supply chain. We aim to: • Keep the supply chain operating in the safest possible way. • Support the production of goods used in construction. • Support customers to make better decisions through accurate software solutions.	The Company liaised and interacted with a number of our major shareholders this year to understand those aspects which are uppermost on their agenda. The Company maintains open communications with the wider stakeholder community. The Non-Executive Chairman and Executive Directors engage through results roadshows. The Company utilises Investor Meet Company to give access to a wider group of investors and other investor forums. 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.	Our employees are a strong, talented and loyal 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. The Group is committed to keeping its employees fully informed regarding its performance and prospects. Employees are encouraged to present their suggestions and views. 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 embed this into our entire recruitment, training and promotion processes.
How this engagement influenced Board discussions and decision making		
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 4 to 5 and the CEO Report on pages 6 to 10.	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. Additionally, we consult with relevant and appropriate board advisors as and when necessary.	Understanding the views of our people helps us in improving our relationship with employees and influences decisions such as spending allocation.
Suppliers	**Partners (resellers and technology partners)**	**Wider community**
Engagement		
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 engages with resellers through a channel management function. We also provide technical support and training on an ongoing basis to our reseller community. We maintain confidentiality when partnering with other software vendors by entering into API (Application Programming Interface) partnership agreements. Our relationship with Nodes & Links is an example of another partnership governed by a partnership agreement.	Our solutions directly and indirectly impact a whole host of stakeholders including end users and local residents. We provide greater certainty in the built environment.
How this engagement influenced Board discussions and decision making		
The Company looks to enhance and consolidate supplier relationships, by means of an ongoing review of service agreements and supplier relationships.	Prior to entering into any formal reseller or API agreements with prospective partners, the Board receives, reviews and approves all arrangements.	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. This Committee reviews the Group's progress on its ESG journey. Further details of this can be found in the ESG Committee report on pages 47 to 49.

Principal Risks and Uncertainties

Monitoring and managing risks

Key: Change		Key: Response	
↗ **Increase**	→ **No or little change**	⊗ **Terminate**	⊕ **Treat**
↓ **Decrease**		**Transfer**	⊖ **Tolerate**

Description	Risk	Internal/ external change	Mitigating actions/controls	Response
Product Risk				
Product development and competition	Eleco provides digital solutions for clients and their end customer. In an environment of constantly changing customer requirements, increased technology adoption, and industry and technological innovation, there is a risk that competitors may develop solutions that are superior to ours, especially by utilising AI tools. This could result in a loss of customers and related revenue.	External ↗	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. Product development spend is continually reviewed to ensure that we are generating sufficient revenue or gaining a competitive advantage to justify the investment. This has been extended to include the use of AI within our own product solution roadmaps, and resourcing this. Additionally, we have entered a partnership with Nodes & Links to further embrace the use of AI.	⊕ The Company also puts stringent quality assurance measures in place to mitigate against software failure and any downstream impacts that would arise ⊖
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.	External ↗	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 mitigates these risks. Eleco uses a multitude of cyber defence tools, including industrial-strength email- and web-filtering services, server- and end point security suites, and hardware and software firewall protection. All third-party partners used for communication, security or hosting services are protected and certified to ISO 27001 level, which includes physical as well as cyber security precautions and safeguards to mitigate against physical and cyber-attacks. All Eleco employees receive cyber awareness training and cyber security insurance is in place to further mitigate against threats. BestOutcome and Elecosoft UK are now ISO 27001 certified.	Insurance ⊕ Training & security prevention ⊖
People Risk				
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.	External and Internal →	Eleco has won many awards for its products and has been recognised as a top performer in the market and we have obtained The 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) and benchmarking by our central HR function to build on and strengthen the arrangements that are already in place, both globally and regionally, and strike a balance between affordability, effectiveness and performance behaviours, and the desire to be a top employer within our industry. Communicating our EVP will be key to building our employer brand.	⊕ EVP, benchmarking ⊖

Principal Risks and Uncertainties continued

Description	Risk	Internal/ external change	Mitigating actions/controls	Response
People Risk continued				
Sub-optimal business performance due to siloed working and conflicting priorities	As with all international multi-product solution groups, 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.	Internal →	There are various interventions that we have already made to be strengthened: these include Group target setting and clarifying roles and responsibilities further in the matrix organisation, particularly around the key cross-cutting functions of sales and account management, marketing, product innovation and technological development and the sharing of data. In recent years, we have undertaken a number of initiatives to position the organisation for further growth including finalising the merger of our three Elecosoft UK trading entities into one Elecosoft UK Ltd entity; merging our two German CAD and Visualisation businesses into one 'Veeuze'; disposing of the unprofitable Arcon business; liquidating old dormant entities; reviewing and enhancing our policies and procedures across the Group; and adapting our matrix structure. For example, all research and development personnel matrix reporting under the CTO as well as subsidiary MDs and also similarly now in centreline product innovation for Innovation and marketing efforts in Marketing. We are in the process of implementing and rolling out one common finance system globally across our building lifecycle business to increase transparency, improve the control environment and make enhanced data more readily available. Work continues on the employee value proposition (EVP, employee offer) to include the design and implementation of 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.	⊕ Job descriptions, mergers, cross functional roles ⊖
Market Risk				
Impact of economy and financial markets	The health of domestic and global economies strongly influences elements of the built environment, such as, for example, the commercial construction business cycle. A downturn in the built environment business cycle can adversely affect Eleco's performance. Additionally, the Ukraine and Middle East conflicts and the associated energy price rises and ongoing cost of living pressures (arising from a high inflationary and interest rate environment), may impact wider economic activity.	External →	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 Ukraine conflict. Eleco has sought to mitigate this through geographic diversification, through BestOutcome entering new markets, not engaging directly with end consumers, and recovery of such cost base increases through price rises to its customers where possible.	⊕ Monitor closely at Board level ⊖

Key: Change		Key: Response	
↗ **Increase**	→ **No or little change**	⊗ **Terminate**	⊕ **Treat**
↓ **Decrease**		**Transfer**	⊖ **Tolerate**

Description	Risk	Internal/ external change	Mitigating actions/controls	Response
Market Risk continued				
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.	Internal →	Eleco takes an active role in identifying, assessing and escalating reputational risks. Our policies aim to ensure reputational risk matters are managed in a globally consistent manner and align with our strategy. Eleco governance of reputational risk is integrated with the broader risk framework. Eleco looks to mitigate these risks by taking steps to protect against data breaches; listening to customer and employee feedback to address areas of improvement and any training needs; developing strong company values and ethics and operating on them and being aware of relevant social media adverse comments from stakeholders.	⊕ Training, ethics, controls ⊖
Risks due to the acquisition and integration of companies and businesses (M&A related risks)	Irrespective of the fact that acquisitions made in the past have been successfully completed, 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 any synergy goals. Furthermore, risks are present that the longer-term understanding to the business needs to be assimilated when integrated into the Group.	External and Internal ↗	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 is for the long term positioning of the acquired business in the ecosystem of the Group.	Advisors, due diligence ⊕ Post acquisition integration ⊖
Financial Risk				
Currency	The Group earns a proportion of its revenue in currencies other than Sterling. The two largest non-UK 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.	External →	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. The Group does not engage in speculative currency trading activity.	If hedging employed ⊕ Invoicing ⊖
Legal & Compliance Risk				
Protection of Intellectual Property	Eleco's success is built upon the development of advanced software which requires continual protection from competitive businesses who may seek to copy or otherwise replicate the software.	External →	Eleco uses a variety of licensing technologies and defines the rights of customers in licence agreements. In addition, the Group seeks to ensure its intellectual property rights are protected by appropriate means and fully defends its rights wherever practicable.	Trademark and domain registrations ⊕ Contractual ⊖
Regulatory, legal and tax compliance	Eleco operates across several territories and geographies which are each subject to their own laws, regulations and tax jurisdictions. There is a risk of non-compliance which could result in fines, claims, and reputational damage.	External →	Eleco uses the services of professional advisors, who are experts in their field, to complement in-house knowledge. Transactions between group companies are carried out in accordance with Eleco's interpretation of tax laws, tax treaties and OECD guidelines. Eleco has many systems, processes and controls in place to ensure compliance with regulations. Intercompany transactions are conducted at arm's length and transfer pricing arrangements remain under continued review.	Use of advisors ⊕ Systems, procedures, controls ⊖

CFO Report

I continue to look to an exciting and bright future for the Eleco Group and the initiatives and growth at pace

Neil Pritchard FCA BSc (Hons)
Chief Financial Officer

As we enter the now final phase of our SaaS and subscription transition process, I continue to be delighted with the Group's performance: showing recurring revenues of nearly three quarters of total revenue at the end of 2023, when prior to the transition some three years ago they were less than half of total revenues. The decision to embark on this difficult journey predates my joining the Group, but is one that has been managed incredibly well, and I strongly endorse and build further upon it, for the future of the Group.

Introduction and overview

As a result of this journey, our product solution portfolio's revenues and earnings are more sustainable, predictable and resilient. Even more value is therefore created for our shareholders and our customers by implementing this fundamental business model change. But we do not stop there.

We are focused on strategic fit and providing value for our shareholders. After a hiatus for full and comprehensive strategic review purposes and understandable Covid-19 reasons, 2023 has seen us dispose of the non-core Arcon business and acquire BestOutcome whose project portfolio management software solution elegantly adds to our portfolio of building lifecycle solutions. And our innovation in our products continues, together with a number of enhanced go-to-market initiatives to drive organic performance in the Group. The acquisition of the Vertical Digital group of companies, announced post year end, is designed to supplement R&D capability in skills, knowledge and resources in an agile and dynamic manner and enhance our offering to our customers.

Revenue and gross margins

I am pleased to report that we increased top line revenues year-on-year, 2023 over 2022. This is despite the SaaS and subscription journey that impacts headline revenue due to the absence of one-off, upfront perpetual licence revenue recognition.

Reported revenue was £28.0m, or £28.3m in constant currency terms (2022: £26.6m). Group underlying revenue, which excludes currency movement, the end-of-life of three products discussed below, the disposal of Arcon (Eleco Software GmbH) and the acquisition of BestOutcome Limited, was up seven per cent to £26.8m (2022: £25.1m).

At the start of 2023, as part of our focus on streamlining its solution portfolio to higher margin products, we discontinued a number of Nordic-focused products. Additionally, one external product was discontinued by a third party for which we acted as reseller in the region.

Geographically speaking, the biggest revenue components of the Group remain the UK with 46 per cent (including the addition of BestOutcome Limited), followed by Scandinavia with 21 per cent (despite the impact of the end-of-life products), then Germany with 14 per cent (where we have two businesses). Group wide, we have no material customer concentration within our Reported Revenue.

From the standpoint of types of revenue, we report the split between perpetual licences, recurring revenues and services provided to assist our investors in understanding where we are on the SaaS and subscription journey. In accordance with the SaaS transition, perpetual licence sales at £1.5m in 2023 were less than half that of 2022 (2022: £3.6m); and recurring related revenues £20.7m (2022: £16.9m). Services income, more discretionary in nature and subject to macroeconomic pressures, was lower at £5.7m (2022: £6.0m).

Adjusted EBITDA

£6.1m

2023	£6.1m
2022	£5.4m

Profit before tax

£3.4m

2023	£3.4m
2022	£2.9m

Cash

£10.9m

2023	£10.9m
2022	£12.5m

> High gross margins often signify the value added by a business and Eleco is fortunate to have both high margins, high retention rates and high cash generation, not something that all technology businesses possess.

Annualised Recurring Revenues (ARR) and Total Recurring Revenues (TRR) remain key metrics for the Group, again signalling our substantive progress in the SaaS and subscription transition. ARR is the exit rate of the year (i.e. December's recurring revenues multiplied by twelve).

ARR, arguably the best indicator on forward visibility of revenues, as at 31 December 2023, increased by 24 per cent to £22.6m (2022: £18.2m). TRR was up 22 per cent to £20.7m (2022: £16.9m) reflecting recurring revenues across the whole year, from start of 2023 to the end of 2023, and this represented 74 per cent of group revenues (2022: 64 per cent of total revenues).

The Group's high growth margins demonstrate the value we add to our customers. It should be noted that gross margins tend to be impacted by the initial phases of the SaaS journey because perpetual licences involve more upfront revenue relative to associated cost of sales. I am pleased to report that having moved further along in the financial transition that the Group gross margin has actually improved to 89.81 per cent (2022: 88.38 per cent). This reflects the focus on improving the margins of our product solution portfolio, discussed earlier, and the relative proportion of revenues from one-off services income being lower, a trend we reported on at the interims.

As another positive indicator of future growth, the level of deferred income at 31 December 2023 increased by 26 per cent to £9.8m (2022: £7.8m). This includes £1.0m of deferred income as part of the BestOutcome acquisition.

CFO Report continued

Operating expenses and R&D investment

Total selling and administrative expenses increased seven per cent to £21.9m from £20.5m in 2022. Stripping out the addition of approximately half a year's overheads from the inclusion of BestOutcome, plus one-off advisor fees and stamp duties of £0.3m (2022: £nil) but also the disposal of Arcon's costs present in the prior year, this showed an underlying increase of £1.0m or five per cent.

Within this total spend, depreciation and amortisation of intangible assets was ahead of the previous year at £2.4m (2022: £2.2m) reflecting both increased investment in R&D and our M&A activity.

Operating expenses included an adverse £0.3m swing in FX, given negative FX of £0.1m in 2023 (2022: positive FX of £0.2m).

Staff costs, excluding share-based payments, were £16.6m (2022: £15.4m), which also incorporates the addition of the BestOutcome staffing expenses. Regarding the remainder of the operating expenses, sales and marketing areas showed further uplift in activity from the increased Go-To-Market focus of our businesses.

Share option payment costs were steady at £0.2m (2022: £0.2m) year-on-year.

Total software product research and development investment before amortisation increased to £3.6m for the year (2022: £3.1m) of which £2.3m (2022: £1.6m) was capitalised. Total R&D costs represented 13 per cent of revenue (2022: twelve per cent). This has been one of the key factors which has secured the Group's leading-edge position in its markets by supporting opportunities for new innovation.

Profitability

EBITDA increased by twelve per cent to £5.8m (2022: £5.2m) and Adjusted EBITDA was up 13 per cent to £6.1m (2022: £5.4m). A reconciliation for EBITDA (adjusting earnings for interest, taxation, depreciation and amortisation and impairment of assets), space needed between adjusted EBITDA and adjusted operating profit is provided in note 26.

Due to higher revenue and gross profits, alongside a disproportionately lower increase in overheads, operating profit was higher at £3.2m (2022: £3.0m). On top of the trading operating profit, the Group registered a £0.2m gain on disposal (2022: £nil) of Eleco Software GmbH (Arcon) in 2023, adding to bottom line earnings.

Net finance income of £0.1m (2022: £nil) reflects an improved interest rate environment that has continued post year end.

Group adjusted profit before tax was up 17 per cent to £4.2m (2022: £3.6m) and reported profit before tax increased by 17 per cent to £3.4m (2022: £2.9m). Adjusted profit before tax includes acquisition related expenses and amortisation of acquired intangible assets.

The Group tax charge in the year was £0.8m (2022: £0.5m). This increased due to the higher underlying profit; a differing profit mix between the Group companies, with more relating to the UK; a lower current tax credit adjustment in respect of previous years for the UK; and a higher charge for non UK tax in respect of previous years. The underlying effective rate of 22 per cent (2022: 19 per cent) was therefore similar to the weighted rate of UK corporation tax of 23.5 per cent.

Profit after tax was therefore 13 per cent ahead at £2.7m (2021: £2.4m), generating a basic earnings per share figure of 3.2 pence per share (2022: 2.9 pence per share).

Adjusted basic earnings per share was 4.0 pence per share (2022: 3.6 pence per share). A reconciliation of diluted and adjusted basic earnings per share is provided in note 8.

Operating cash, cash and liquidity

The Group generates high gross margins from its software offerings, and with an increase in more predictable recurring revenues and excellent contract retention rates resulting from high levels of customer satisfaction, provides strong cash generation. This enables us to be resilient in tougher macroeconomic times and has allowed us to announce increased dividend payments in recent interim and year end statements.

The Group continues to have a strong cash flow. As at 31 December 2023, the Group's cash position was £10.9m (2022: £12.5m).

Cash generated from operations before working capital was £5.8m (2022: £5.4m) following on from higher profits. Overall, working capital movements have contributed a net cash inflow of £0.6m (2022: £0.9m). Net tax cash paid in 2023 in Group jurisdictions amounted to £0.5m (2022: £0.7m).

Capital expenditure on intangible assets, principally comprising the capitalisation of software product development costs, was £2.3m (2022: £1.6m). Also, broadly similar to the prior year, capital expenditure on property, plant and equipment was £0.1m (2022: £0.2m).

The biggest single outflow in investing activities outside of this was the £3.8m net outflow for the acquisition of BestOutcome Limited in July 2023. Also, in M&A activity, the Group disposed of its interest in its wholly-owned non-core subsidiary Eleco Software GmbH, the German architectural CAD business (Arcon), to FirstInVision GesmbH, an Austrian architectural software business, for a total consideration of £0.5m (€0.6m) in February 2023.

Free cash flow, taking cash generated from operations less the intangibles and tangibles additions, and net of finance and taxation, was broadly similar to the prior year at £3.8m (2022: £3.8m). This represents 117 per cent of operating profits (2022: 127 per cent).

Financing activities, consisting of consideration paid on acquisitions, lease liabilities, equity dividends and any issue of shares, resulted in net outflows of £1.6m (2022: net outflow of £1.2m). Behind this, dividends paid in 2023, relating to the 2023 interim dividend and 2022 final and special dividends amounted to £1.1m (2022: £0.5m).

Following our M&A activities in 2023, the net overall outflow of cash in the period was £1.5m (2022: inflow of £2.6m). Had the acquisition not been made in 2023, the cash figure would have increased by 18 per cent. Post year end, the acquisition of the Vertical Digital group of companies will see a cash outflow of circa £1.0m.

Dividends

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

The Board has proposed a final dividend of 0.55 pence per share, which, with the interim dividend of 0.25 pence per share, gives a total for the year of 0.80 pence per share (2022: 0.70 pence). Last year the Group also paid a special dividend in relation to the cash proceeds received from the disposal of Arcon of 0.58 pence per share as part of a further commitment to our shareholders.

The proposed final dividend will be paid on 28 June 2024 to shareholders on the share register as at 14 June 2024 with an associated ex-dividend date of 13 June 2024.

Summary

I continue to look to an exciting and bright future for the Eleco Group and the initiatives and growth at pace. We remain fortunate to have technology businesses rooted in the real world, with customers facing challenges and opportunities that we can solve and to which we can add real certainty and value. High gross margins often signify the value added by a business and Eleco is fortunate to have high margins, high retention rates and high cash generation, not something that all technology businesses possess.

Add to these characteristics our loyal, committed and hardworking staff and greater, more innovative offerings, and it is clear Eleco has strength and resilience both on and off its balance sheet. We are steadfastly focused on delivering value for our customers, a respectful culture that is enjoyed by all of our colleagues, and increasing shareholder value for our investors.

Neil Pritchard

Chief Financial Officer

22 April 2024

Board of Directors

Providing a broad balance of skills and experience

Mark Castle FRICS
Non-Executive Chairman

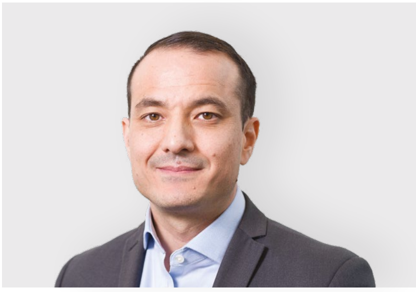
A R N E

Appointed by the Board: 2021

Experience:
- Became Interim Non-Executive Chair of Eleco plc in May 2023 and appointed as permanent Non-Executive Chair in October 2023.
- Joined the industry in 1981 as an apprentice and during his executive career held senior positions at Wates Group, StructureTone and Mace Group, the global construction and consultancy business, where he was Chief Operating Officer until 2021 having joined the business in 2005, stepping down from his position as a Non-Executive Director on the Board on 31 December 2023.
- Chairman of Build UK, the construction industry body, from 2017 – 2019.

Other current roles:
- Non-Executive Director at Taylor Wimpey plc, the FTSE 100 Housebuilder.
- Chairman of the private equity backed Triangle Fire Group.

Accreditations:
- Fellow of the Royal Institution of Chartered Surveyors.



Jonathan Hunter BBus BMm
Chief Executive Officer

E

Appointed by the Board: 2016

Responsible for devising and implementing the Group's strategy for growth.

Experience:
- Appointed Chief Executive Officer in September 2020 following three years as Chief Operating Officer with the Group.
- 15 years of investor relations and public company experience.
- At the forefront of the Group's M&A activity since the commencement of his directorship.
- Played a fundamental role in Eleco's transition to a software group during and post divestment of the Building Systems division, defining the Group's initial software portfolio strategy and more recently leading the successful transformation to a SaaS organisation.
- 20 years' industry experience and extensive understanding of Eleco's software, markets and competitors amassed through senior leadership roles with the Company including Group Marketing Manager, MD Elecosoft UK, Business Development Director and Group General Manager.
- Member of Criticaleye, the peer-to-peer board community, with regular involvement in growth company roundtables and forums.

Accreditations:
- Bachelor of Business Management, majoring in Marketing Management, Griffith University, Australia
- Bachelor of Multimedia, Griffith University, Australia

Neil Pritchard FCA BSc (Hons)
Chief Financial Officer

E

Appointed by the Board: 2022

Experience:
- A wealth of international public company experience in technology-driven businesses.
- Many merger and acquisition (M&A) transactions throughout his career.
- Chief Financial Officer (CFO) and Executive Director at Corero Network Security plc, a London listed global leader in DDoS cyber software solutions.
- Group Financial Director and Executive Director at London listed technology business CML Microsystems plc Group.
- Finance Director of the UK and Eire division of the DAX-listed group Continental AG.
- Senior financial positions with quoted companies Delta plc Group (now Valmont Industries) and Yule Catto & Co plc, renamed to Synthomer plc Group.

Other current roles:
- Independent Trustee and Director of The Magic Circle Foundation Limited since 2021.

Accreditations:
- 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.
- Economics and Politics degree from the University of Bath, UK.

Key Committee Membership

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

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

Senior Independent Non-Executive Director

A R N E

Appointed by the Board: 2021

Experience:

- 30+ years' track record in operational and advisory roles in the technology, telecoms and digital industries.
- Seven-year tenure as Non-Executive Director at AIM-listed Maintel Holdings Plc, a cloud and managed services technology company, where Dr Nabavi also chaired the Remuneration Committee.
- Involvement with the Quoted Companies Alliance (QCA), where Dr Nabavi supported the update to the Remuneration Committee Guide.
- Non-Executive Director of EFI Limited, a specialised financial services consultancy, until April 2023.
- Non-Executive Director, Remuneration Committee 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.

Other current roles:

- Non-Executive Director of iomart Group plc, a secure cloud solutions and IT managed services company, since 2023.

Accreditations:

- MA from Oxford University and a Doctorate from the University of Dijon.
- Shortlisted for The Sunday Times' Non-Executive Director Awards as AIM Director of the Year.
- Finance Director for Women in Telecoms and Technology, a Not-for-Profit organisation, and serves as a judge for the prestigious World Communications Awards.

Alyson Levett ACA, MA (Cantab)

Independent Non-Executive Director

A R N E

Appointed by the Board: 2023

Experience:

- Over 20 years of leadership experience spanning various sectors such as software, telecommunications, consumer services, FMCG, and manufacturing.
- Extensive expertise in software, technology, risk management, and cyber security to the Board.
- Previously a director and Chair of Audit Committee at AMTE Power plc.
- Alyson's most recent executive position was as Chief Financial Officer at I-Nexus Global plc, where she played a pivotal role in their strategic direction, oversaw finance operations, and guided the company through its IPO on the AIM market in 2018.

Other current roles:

- Directorship and Chair of Audit Committee at the Financial Services Compensation Scheme Limited.
- Trustee at En-Fold, a growing charitable incorporated organisation supporting information, training and support around autism.

Accreditations:

- Alyson is a qualified Chartered Accountant and holds an MA from Cambridge University.

James Pellatt MRICS BSc (Hons)

Independent Non-Executive Director

A R N E

Appointed by the Board: 2024

Experience:

- Over 30 years' experience in the design, delivery and operation of high-quality real estate in UK, Europe and North America.
- Expertise in digital transformation, innovation, Building Information Modelling (BIM), AI and ML in real estate construction and in strategic advisory roles to emerging Proptech and Contech start-ups.
- Director of Innovation at Great Portland Estates plc, delivering digital transformation of the business and leading use of Digital Twins, BIM and Proptech.
- Senior Director, Design and Construction at Tishman Speyer – delivery of a range of projects in London, Europe and New York.
- Project Executive, More London Development with responsibility for the delivery of many phases of successful development including HQs for Lawrence Graham and EY.
- Partner at Arcadis, leading the Project Management division in Central London.
- Board member of UK Proptech Association prior to merger with British Property Federation.
- Board member of British Council for Offices – research and mentoring committees.

Other current roles:

- Strategic Advisor for Laiout, Norway, supporting founders in their development of a generative AI space planning platform.

Accreditations:

- Member of the Royal Institution of Chartered Surveyors.

Corporate Governance Report

Dear Shareholder

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 colleagues.

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 and relevant.

People and Culture

Our people are our most important asset, and in the year, we conducted a survey across colleagues 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 2023, Eleco brought Alyson Levett onto the Board as an independent Non-Executive Director. Alyson brings over 20 years of leadership experience from various sectors including software, telecommunications, consumer services, FMCG and manufacturing. She has settled in quickly and taken up her role as Chair of the Audit and Risk Committee.

In April 2024 James Pellatt joined the Board as a Non-Executive Director. His profile is included on page 34.

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 move forward in the next growth phase, we are confident the current Board 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.

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-Sized 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 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. The Board is aware of the latest revisions to the QCA Code and has been considering the implications for the Company toward ensuring best practice and compliance by the implementation deadline in 2025.

Operation of the Board

The Non-Executive Chairman, along with the Senior Independent Director, the Non-Executives, Executive Directors and the Company Secretary, ensures that the Board functions effectively and has established Board processes designed for this purpose. The independent Non-Executive Directors provide scrutiny and challenge 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 13 times during the year. These meetings were held through a combination of in-person and virtual meetings. 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-saving and cost-saving opportunities. The attendance of individual directors at board meetings in 2023 is set out in the table below and committee meetings in the committee reports on pages 39 to 49.

	Board Meetings in 2023	
	Possible	Attended
Executive		
J Hunter	13	13
N Pritchard	13	13
Non-Executive		
S Lang (Chairman) (resigned 11 May 2023)	4	4
P Boughton (resigned 27 March 2023)	3	3
M Castle (as Chairman)	7	7
M Castle (as NED)	5	5
A Nabavi	13	13
A Levett (appointed 8 December 2023)	0	0

- Each regular, scheduled board meeting has an overarching theme. These include the annual budget, Group business strategy including M&A, 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; and
- monitoring of business risks, with key risks identified and reported to the Board. These risks can be identified on pages 27 to 29.

The Company undertook a thorough review of the Group Policy Framework and strengthened policies were rolled out through 2023.

The Board Evaluation Process

The performance of the 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 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. This will provide a 360° evaluation and will foster top team alignment and will influence our development as a board in future years.

Corporate Governance Report continued

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 UK Corporate Governance Code and against the QCA Code. Under the QCA Code, the Board should have an appropriate balance between Executive and Non-Executive Directors and should have at least two independent Non-Executive Directors. The Company satisfies this requirement, with their financial or commercial involvement with Eleco being their annual salaries, any publicly-disclosed shareholding, and interest in contracts. The Non-Executive Directors are considered independent and with no conflicts of interest with Eleco employees or shareholders. Any historic employment relationships are disclosed in the Board of Directors pages 34 to 35. No Non-Executive Director 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 board meetings.

Company Secretary

As part of our commitment to the highest levels of corporate governance, we have 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 109.

Mark Castle

Non-Executive Chairman

22 April 2024

Audit and Risk Committee Report

Committee Composition and Meeting Attendance in 2023

Director	Possible	Attended
P Boughton (Chair, resigned 27 March 2023)	1	1
A Levett (Chair, appointed 8 December 2023	0	0*
M Castle	3	3
A Nabavi (Interim Chair from 28 March until 7 December 2023)	3	3

* One meeting attended by invitation prior to NED formal appointment date.

Dear Shareholder

This report sets out how the Audit and Risk 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 1 June 2023.

The members of the Committee comprise the independent Non-Executive Directors. The Committee was chaired by Paul Boughton and, after he stepped down, Annette Nabavi on an interim basis until I was appointed and have taken on the chair permanently. I am a member of the Institute of Chartered Accountants in England and Wales (ICAEW) and possess the necessary relevant and recent financial expertise to fulfil the role.

The Committee met three times during the year and considered the 2023 audit plan, the audit findings report for the year end, the financial statements for the year ended 31 December 2022 and the interim report for the six months ended 30 June 2023.

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

Audit and Risk Committee Report continued

External Auditor

The Committee has engaged RSM UK Audit LLP (RSM) as the Company's external auditor and they are regularly invited to attend Committee meetings. The Committee also meets with the auditor without management in attendance.

At the 2023 AGM, RSM was reappointed as the external auditor and has been engaged to undertake the audit of the Group's financial year ended 31 December 2023. 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 2023. 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 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 2023 and had provided an appropriate level of challenge to management.

RSM has indicated its willingness to continue in office and a resolution will be proposed at the AGM to reappoint it as auditor and to determine its remuneration.

The total fees paid to the Company's Auditor in the year are shown on page 75.

The Group uses 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:

- Treatment of the acquisition accounting of BestOutcome Ltd and the disposal of Eleco Software GmbH ('Arcon');
- Revenue recognition of the components of software sales and associated revenue streams;
- The carrying values of operating companies and the need for reviewing the carrying value of goodwill and other intangibles;
- The capitalisation and amortisation of research and development (R&D) costs;
- Ongoing enhancements to the control environment and continuity of controls; and
- The planning of the Audit and the performance of the Company's Auditor.

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

Acquisition

On 16 April 2024, after the FY23 year end, the Group acquired 100 per cent of the share capital of the Vertical Digital group of companies, consisting of Vertical Digital SRL and Sons of Coding SRL. (the 'Acquisition') for a consideration of €1.3m (£1.1m). Further details of the Acquisition are provided in note 28.

Given the proximity of the acquisition to the annual report and accounts being published, and its relatively immaterial size of the acquisition relative to the Group's scale, the Group is therefore unable at this stage to reasonably estimate and determine the fair value of net assets acquired and resulting goodwill and other associated intangibles under IFRS 3 Business Combinations at the date of this report. The Group will work through the fair value exercise under IFRS 3 and provisional disclosures will be reported in the Group's 2024 interim results.

In accordance with the provisions of IAS 10 Events After the Reporting Period, the Directors consider that the acquisition is a non-adjusting post balance sheet event, meaning an event after the reporting period end that is indicative of a condition that arose after the end of the reporting period, and therefore the FY23 numbers prior to this acquisition have not been adjusted. An estimate of its financial effect is described in note 28.

Internal Audit

The Committee considers, 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 27 to 29 of the Report and Accounts.

Alyson Levett

Audit Committee Chair

22 April 2024

Nomination Committee Report

Committee Composition and Meeting Attendance in 2023

Director	Possible	Attended
S Lang (Chair, resigned 11 May 2023)	0	0
A Nabavi	1	1
M Castle (Chair from 12 May 2023)	1	1
P Boughton (resigned 27 March 2023)	0	0
A Levett (appointed 8 December 2023)	0	0

Dear Shareholder

On behalf of the Board and Committee, I am pleased to present the Nomination Committee Report for the year ended 31 December 2023.

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 appropriate 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 1 June 2023 and may be found by visiting: www.eleco.com.

Key Activities During the Year

During 2023, Paul Boughton and Serena Lang stepped down as Non-Executive Director and Chair of the Board, respectively. In December, Alyson Levett was appointed as Non-Executive Director and Chair of the Audit and Risk Committee.

In April 2024, after the year end, James Pellatt was appointed as Non-Executive Director.

The composition of board committees is monitored on an ongoing basis.

The 2023 board evaluation was carried out internally, led by the Chairman and facilitated by the Company Secretary. Appropriate discussions were held over areas including shareholder and stakeholder communication; board dynamics and composition; and risk management.

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.

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.

Mark Castle

Non-Executive Chairman

22 April 2024

Remuneration Committee Report

Committee Composition and Meeting Attendance in 2023

Director	Possible	Attended
A Nabavi (Chair)	4	4
P Boughton (resigned 27 March 2023)	1	1
M Castle	4	4
A Levett (appointed 8 December 2023)	0	0

Dear Shareholder

On behalf of the Board, I have pleasure in presenting the Report of the Remuneration Committee for the year ended 31 December 2023.

The Committee comprises three independent Non-Executive Directors: Annette Nabavi (Chair), Mark Castle and Alyson Levett. Paul Boughton served as a member of the Committee until he stepped down in March 2023.

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 2023. 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 1 June 2023 and may be found by visiting: www.eleco.com.

The primary roles and responsibilities of the Committee are:

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

This report is split into two parts. The first provides the general principles that the Board has agreed should govern executive remuneration, the second details how we intend to apply these principles in 2024 and separately, the basis for the remuneration of executive directors in 2023.

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 the Executive Directors and various members of the senior management and wider Group senior management team. The Committee believes that the overall remuneration delivered in relation to 2023 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 may 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 nine per cent of base salary.
Annual Bonus	To incentivise the achievement of the Company's short-term operational and financial goals.	Objectives and KPIs are set annually for each Executive. Normally the KPIs are weighted so that 50 per cent refer to financial targets including revenue, EBITDA, Free Cash Flow and recurring revenue growth whilst the remainder pick up KPIs which reference the Company's ESG targets and other individual targets. The maximum bonus that the CEO can receive is 100 per cent of base salary. The maximum bonus for the CFO is 70 per cent of base salary. The maximum will only be achieved if the KPIs are exceeded. A sliding scale is in place.
Long-term Incentives	To incentivise the delivery of the Company's long-term strategic objectives and provide alignment with shareholders through the use of share-based incentives.	The Company uses long-term incentives to underpin the Company's growth strategy. It 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 notice period for Non-Executive service contracts is three months and Executive Directors' notice 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 2024

2024 salary review for Executive Directors

The salary of Jonathan Hunter, Chief Executive Officer, was increased from £230,000 to £240,000 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 £190,000 to £196,000 for 2024 using the same comparisons and rationale as the increase for the Chief Executive Officer.

Performance targets for the 2024 Annual Cash Bonus

The annual bonus is based on a number of 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.

Share Option Awards to be granted in 2024

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 2023

Executive	Basic salary £'000	Bonus £'000	Fees £'000	Sub-committee fees £'000	Benefits £'000	Share options £'000	Pension £'000	**Year to 31 December 2023 £'000**	Year to 31 December 2022 £'000
J Hunter	230	178	5	–	5	124	21	**563**	396
N Pritchard[1]	190	98	–	–	5	136	10	**439**	70
R Tearle[2]	–	–	–	–	–	–	–	**–**	88
Non-Executive									
M Castle[3]	–	–	65	8	–	–	–	**73**	44
A Nabavi	–	–	42	8	–	–	–	**50**	48
A Levett[4]	–	–	3	–	–	–	–	**3**	–
S Lang[5]	–	–	76	–	–	–	–	**76**	80
P Boughton[6]	–	–	10	1	–	–	–	**11**	44

1 N Pritchard was appointed as CFO on 3 October 2022.
2 R Tearle resigned as CFO on 4 February 2022. Included in this basic salary figure was an amount for working his notice of £69,000.
3 M Castle was appointed Interim Chair on 12 May 2023 and became permanent Chair on 23 October 2023.
4 A Levett was appointed as Non-Executive Director on 8 December 2023.
5 S Lang resigned as Non-Executive Chairman on 11 May 2023. Included in the fees figure is a contractual and settlement amount of £47,000.
6 P Boughton resigned as Non-Executive Director on 27 March 2023. Included in the fees figure are three days equivalent of contractual notice.
7 J Pellatt was appointed as Non-Executive Director after the year end on 8 April 2024.

Directors' Share Options

	Directors' options in issue at year end	2023 Exercisable Issued during year	2023 Exercisable £ per share	2023 Exercisable £ total	2022 Exercisable Issued during year	2022 Exercisable £ per share	2022 Exercisable £ total
J Hunter	1,100,000	**150,000**	**0.805**	**120,750**	150,000	0.70	105,000
		100,000	**0.01**	**1,000**	100,000	0.01	1,000
N Pritchard	275,000	**200,000**	**0.805**	**161,000**	–	–	–
		75,000	**0.01**	**750**	–	–	–
	1,375,000	**525,000**			250,000		

There were no share options that vested during the year other than those for J Hunter granted on 18 May 2020 where performance targets attached were satisfied. There were no gains from exercise of options by directors during the year.

Options	Expiry date	Outstanding number of options	Criteria for vesting options
2023	10/05/2033	350,000	Market-priced options with a three-year vesting period.
2023	10/05/2033	175,000	The Option shall vest (if at all) in two 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: 50 per cent of the option grant: Recurring revenue % target by end 2025: this KPI is subject to a sliding scale. 50 per cent of the option grant: Organic revenue growth of a % target pa, from £26.6m at end 2022 to £m target, net of acquisitions, at end 2025: this KPI is subject to a sliding scale.
2022	31/07/2032	150,000	Market-priced options with a three-year vesting period.
2022	31/07/2032	100,000	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: 40 per cent of the option grant: Recurring revenue % target by end 2024: this KPI is subject to a sliding scale. 40 per cent 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. 20 per cent 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	250,000	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.

Remuneration Committee Report continued

Options	Expiry date	Outstanding number of options	Criteria for vesting options
2020	18/05/2030	250,000	Half of the options are exercisable after three years, subject to the share price being equal to or exceeding 117 pence per share for 20 consecutive dealing days between the date of issue and the 31 May 2023. (a) The basic EPS reported in the audited Accounts for the year ended 31 December 2022 is at least 7.15 pence; or (b) if target (a) is not met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 8.23 pence; or (c) if neither target (a) or (b) is met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.88 pence two thirds 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 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 one third of the option will vest, failing which the remaining half of the share options will lapse.
2017	08/08/2027	100,000	The performance target for vesting for the year ended 31 December 2019 is an EPS of at least 2.97 pence.
Total		1,375,000	

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 2023, Alyson Levett was appointed to the Board. Serena Lang and Paul Boughton stepped down from the Board in 2023.

Interest in Contracts

There have been no contracts of significance or transactions between the Company or its subsidiary companies and any of the Directors during the year.

Gender Pay Gap

Eleco plc and its UK subsidiaries had 131 employees (2022: 107) 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 32 per cent (2022: over 34 per cent) of UK employees are female.

Dr. Annette Nabavi

Remuneration Committee Chair

22 April 2024

ESG Committee Report

Committee Composition and Meeting Attendance in 2023

Director	Possible	Attended
Mark Castle (Chair)	2	2
Annette Nabavi	2	2
Serena Lang (resigned 11 May 2023)	1	1
Paul Boughton (resigned 27 March 2023)	1	1
Alyson Levett (appointed 8 December 2023)	0	0
Jonathan Hunter	2	2
Neil Pritchard	2	2

Dear Shareholder

I am pleased to share with you this year's Environmental, Social and Governance report. It provides a summary of our continued action to prioritise, develop and implement our ESG strategy.

Our ESG commitments support our purpose, mission, vision and values. These are based around a balanced scorecard of metrics capturing year-on-year performance.

This year, we have taken a deep dive into our current operations and future plans, with an aim to capture all that we are doing well, where we can improve and where we can innovate to maximise our ESG impact; both via our direct operations and indirectly through our products and services.

We recognise the significant role our world-class software can play in supporting the built environment sector to decarbonise, increase resource efficiency and integrate circular economy principles. This is an area we will be focusing on and fine tuning in coming years.

This year, Eleco has further engaged with stakeholders and worked with an external consultancy to better understand its ESG impact, set targets and put together an ESG global implementation team that, in its remit to support our ESG Committee, shapes global and local initiatives.

The members of the Committee comprise the Non-Executive Directors, CEO and CFO. The Committee, which I chair, was formed in 2021.

We continued the tracking of our balanced scorecard Key Performance Indicators (KPIs), with notable highlights for 2023 being the reduction of carbon emissions by 31 tonnes globally and 82 per cent of the Group's total kWh electricity now coming from renewable energy tariffs, as well as carbon compensating (previously referred to as offsetting) our 2022 Scope 1 and 2 emissions plus Scope 3 business mileage through Verified Carbon Standard projects. These include highland restoration in Northern Ethiopia, tropical forest protection in Cambodia and an ambitious project to restore diversity in Germany's monoculture timber forests.

We recognise that carbon compensation is not an end goal but a vital contribution to mitigate our climate impact as we implement our Net Zero strategy. We have invested in high impact projects that are assessed under a range of criteria. It is important to us that we select projects with integrity that have other co-benefits for local communities.

In 2023, we carried out an expert-led Materiality Assessment to map out our stakeholders, with the aim of identifying 'who matters' as well as highlighting material issues or 'what matters'.

This process resulted in ten key impact topics being prioritised and the highest ranked of these included our direct environmental footprint and our customers' environmental impacts.

Our materiality assessment results will be integrated into our ongoing ESG strategy evolution. It will influence stakeholder engagement plans, further development of ESG KPIs and help determine how we will embed sustainability principles throughout the organisation. This will further our efforts to improve our impact, transparency and accountability.

In 2023, a detailed Net Zero strategy was formulated, with support from external consultants. As part of this work, we have set science-based targets to align with SBTi (Science Based Targets initiative). In the UK, Eleco and Elecosoft use an external WEEE recycling supplier to enable the reuse and recycling of surplus IT equipment with full data protection and with a 'Zero to Landfill' commitment.

The new ESG global implementation team will now lead the implementation of the Net Zero strategy via various business workstreams so that we continue to meet our emissions reduction plan as we grow our business.

Furthermore, I am pleased to confirm that we have retained our Great Place To Work® accreditation for Sweden, the UK and Germany. We were greatly encouraged that the highest percentages achieved in employee feedback on the Great Place to Work Trust Index™ were Justice (91 per cent), Community (83 per cent) and Fairness (79 per cent), and we will remain focused on promoting an environment of equity and inclusivity at Eleco.

In line with best practice, Eleco policies and procedures are reviewed regularly to ensure that they comply with latest legislation. These are disseminated via an e-learning platform, where colleagues must sign to confirm that they have read and understood the terms of each policy.

Terms of Reference

The full terms of reference for the ESG Committee were reviewed on 1 June 2023 and may be found by visiting: www.eleco.com.

ESG Committee Report continued

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 2023 to 31 December 2023.

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

	Jan-Dec 2023	Jan-Dec 2022	Jan-Dec 2021	Percentage change 2022 to 2023	Reasons for change from 2022 to 2023
Total Energy consumption	**225,042 kWh**	**237,458 kWh**	**214,271 kWh**	**-5%**	Lower fuel usage for business travel (company cars) Less gas use for space heating
Emissions from combustion of gas (Scope 1)	10 tCO_2e	15 tCO_2e	17 tCO_2e	-33%	More efficient space heating
Emissions from combustion of fuel for the purposes of transport (Scope 1)	0.1 tCO_2e	0.5 tCO_2e	1 tCO_2e	-80%	Increased use of electric/hybrid vehicles
Emissions from purchased electricity (Scope 2 location based)	16 tCO_2e	14 tCO_2e	21 tCO_2e	+14%	Higher electricity use, additional location or more accurate calculations
Emissions from purchased electricity (Scope 2 market based)	5tCO_2e	10tCO_2e	17tCO_2e	-50%	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_2e	22 tCO_2e	7 tCO_2e	0%	No change
Total gross emissions (location based)	**48 tCO_2e**	**51 tCO_2e**	**46 tCO_2e**	**-6%**	
Total gross emissions (market based)	**37 tCO_2e**	**47 tCO_2e**	**42 tCO_2e**	**-21%**	
Emissions per £m turnover*	**3.6 tCO_2e**	**4.1 tCO_2e**	**4.2* tCO_2e**	**-12%**	

* Corrected as in 2021, global turnover was used rather than UK turnover.

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	Total
	kWh	tCO_2e	kWh	tCO_2e	kWh	tCO_2e	kWh	tCO_2e	kWh	tCO_2e
Elecosoft UK Ltd	69,741	13.98	51,477	9.42	318	0.07	84,673	20.74	206,209	44.22
Eleco plc	3,803	0.76	2,063	0.54	0	0	4,112	1.00	9,979	2.30
BestOutcome Ltd	7,316	1.47	0	0	0	0	1,539	0.37	8,855	1.84

* Distance by cars from Scope 1 transport fuels company cars and Scope 3 Mileage was converted into kWh through a carbon accounting platform. The conversion methodology may vary compared to last year.

Quantification and Reporting Methodology

The carbon footprint of the reporting organisation is determined for the considered period of 1 January 2023 to 31 December 2023 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.

Eleco plc acquired BestOutcome Ltd in 2023. The emissions associated with BestOutcome Ltd's office in Gerrards Cross have been included in disclosure. Despite the acquisition of BestOutcome Ltd, this change is not deemed material enough to trigger a recalculation of Eleco plc's baseline year emissions.

Intensity Ratio

We have chosen to report our gross emissions against £m Sales Revenue. The value for the intensity ratio was 3.6 tCO_2e per £m sales revenue (2022: 4.1 tCO_2e per £m sales revenue).

Energy Efficiency Action

In the period covered by the report, office temperatures were optimised, and company cars continued to be transitioned to hybrid or fully electric.

Mark Castle

ESG Committee Chair

22 April 2024

Directors' Report

Dear Shareholder

The Directors present their report and the audited financial statements for the year ended 31 December 2023.

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. The Board has noted the Code's refresh in November 2023 and is working through the changes and their implications for the Company, to ensure compliance with the new Code by the deadline in 2025.

In accordance with section 414C of the Companies Act 2006, certain matters that would otherwise be required in the Directors' Report are included elsewhere in the financial statements as indicated in the table below and are incorporated into this report by reference.

Biographical details of the Directors	Board of Directors	Page 34
Corporate governance	Corporate Governance Report	Page 36
Directors' remuneration and interests	Remuneration Committee Report	Page 42
Independent auditor	Audit and Risk Committee Report	Page 39
Financial risk management	Review of Principal Risks and Uncertainties	Page 27
Going concern	Going Concern policy disclosure	Page 66
Group's treasury policies	Notes to the Consolidated Financial Statements	Pages 89 to 92
Research and development activities	Notes to the Consolidated Financial Statements	Page 68
Risk management	Review of Principal Risks and Uncertainties	Page 27
Share capital	Notes to the Consolidated Financial Statements	Page 85
Strategic review	Various reports - see page references	Pages 01 to 33

Results for the Year Ended 31 December 2023

The Group profit on ordinary activities before taxation was £3,417,000 (2022: £2,944,000). The detailed financial statements of the Group are set out on pages 60 to 64.

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 CEO Report on pages 6 to 10.

Key Performance Indicators

The Group is a collection of diverse software businesses for the built environment and each business with have slightly different Key Performance Indicators (KPI's) from one another. Common KPIs to all businesses are Revenue, Recurring Revenues, measures of profitability and metrics for cash flow and cash generation.

Dividends

The Directors have recommended a final dividend of 0.55 pence (2022: 0.50 pence). An interim dividend of 0.25 pence was paid on 6 October 2023 (2022: 0.20 pence).

Share Price

The middle market price of the Company's Ordinary Shares on 31 December 2023 was 81.0 pence and the range during the period under review was 68.0 pence to 91.5 pence.

Directors

The current composition of the Board of Directors is shown on pages 34 to 35. Directors who held office during the 2023 year were:

- J Hunter
- N Pritchard
- M Castle
- A Nabavi
- A Levett (Appointed 8 December 2023)
- S Lang
- P Boughton

J Pellatt was appointed as Non-Executive Director after the year end on 8 April 2024.

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 2023 were as follows:

	2023	2022
J Hunter	**28,361**	28,361
N Pritchard	**20,000**	nil
S Lang	**Retired**	77,234

Substantial Interests

As at 31 March 2024, 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	14.28
J H B Ketteley	9,130,335	10.97
J D Lee	5,462,064	6.56
IBIM2 Limited	4,542,601	5.46
Jupiter Asset Management	4,520,781	5.43
Tikvah Management	3,905,614	4.69
Hargreaves Lansdown	3,289,522	3.95
Janus Henderson Investors	3,153,443	3.79
Long Path Partners	3,081,466	3.70
P R & M J Ketteley	2,916,440	3.51

Political Donations

The Group did not make any political donations in 2023 (2022: £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. During the year, the Group capitalised £2.3m of development expenditure (2022: £1.6m).

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 66.

Directors' Report continued

Acquisition

On 16 April 2024, after the FY23 year end, the Group, through its wholly owned subsidiary Elecosoft Ltd, acquired 100 per cent of the share capital of the Vertical Digital group of companies, consisting of Vertical Digital SRL and Sons of Coding SRL. (the 'Acquisition') for a consideration of €1.3m (£1.1m). The Acquisition's completion date was therefore 16 April 2024. The Group funded the Acquisition exclusively by utilisation of its existing internal cash resources for this initial consideration. Cash and cash equivalents within the Acquisition entities at the acquisition date totalled £0.1m and the Acquisition has no debt.

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

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

The Acquisition will also provide for elastic augmentation of our internal research and development capacity which will further improve product time to value. Further details are provided in note 29 of the Accounts section of this report.

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.

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 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 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 25 to 26.

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 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 have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and pay effect of that regard, including on the principal decisions taken by the Company during the financial year.

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.

SECR Disclosures

The SECR disclosures can be found in the ESG Committee Report on pages 47 to 49.

Directors' Report Sign-Off

In accordance with Section 415D(1) of the Companies Act 2006, the Directors' Report on pages 50 to 53 is signed by order of the Board.

By order of the Board

Jonathan Hunter

Chief Executive Officer

22 April 2024

Strategic Report Sign-Off

In accordance with Section 414D(1) of the Companies Act 2006, the Strategic Report on pages 01 to 33 is signed by order of the Board.

By order of the Board

Jonathan Hunter

Chief Executive Officer

22 April 2024

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 2023 which comprise Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:
- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities[1] 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 • Impairment of Goodwill and other Intangible Assets Parent Company • None
Materiality	Group • Overall materiality: £280,000 (2022: £230,000) • Performance materiality: £210,000 (2022: £149,000) Parent Company • Overall materiality: £148,000 (2022: £109,000) • Performance materiality: £111,000 (2022: £70,800)
Scope	Our audit procedures covered 88% of revenue, 99% of total assets and 95% of profit before tax.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Goodwill and other Intangible Assets	
Key audit matter description	As at 31 December 2023, the Group had goodwill and other intangible assets of £18.5m and £9.0m respectively (2022: £15.3m and £6.6m). The balance is comprised of goodwill arising from past acquisitions and internally capitalised development costs. There is a significant degree of judgment exercised by management in supporting the carrying value of these assets given the sensitivity of their values-in-use to fluctuating growth rates, discount rates, and other macroeconomic factors. Within the financial statements, the accounting policies determining the treatment of goodwill and other intangible assets are set out on page 65, the relevant notes in the consolidated financial statements are 9 and 10 and the significant estimates performed by management have been disclosed on page 65. Given the judgment involved, the complexity of the associated estimates made by management, and the highly material nature of the balances and any potential misstatement, we have determined our work in this area to be a key audit matter.
How the matter was addressed in the audit	Our audit approach included the following: • Updating our understanding over the internal controls over the goodwill and forecasting process and assessing the implementation of these controls, documenting walkthroughs of the processes in place; • Obtaining management's model for all cash generating units (CGUs) which set out the five year discounted cash flow analysis and which determine the values in use (VIUs) for each CGU compared to the goodwill and other intangible asset balances allocated to them; • Profiling the CGUs with goodwill into two distinct categories; those which are of a higher audit interest (e.g. sensitive to revenue growth rates and/or changes in the discount rate used) and lower audit interest (those which are not sensitive to changes in revenue growth and/or have little or no goodwill allocated to the CGU); • Perform procedures over the models provided to us by management including ensuring that the overheads and revenue used in the first years of the discounted cash flow forecast (2024) are appropriate with reference to prior periods, reviewing the level of capital expenditure in each CGU, and reviewing management's historical ability to forecast; • Consult with internal specialists over the appropriateness of the discount rate used by management with reference to the geographical territory in which the CGU operates; and • Challenge the assumptions used by management in relation to revenue growth by comparing these to contrary evidence available and then performing extensive sensitivity analysis using revised growth rates, in conjunction with revised discount rates, to arrive at our conclusions.

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	£280,000 (2022: £230,000)	£148,000 (2022: £109,000)
Basis for determining overall materiality	4.9% of EBITDA (2022: 3.7% of EBITDA	1.0% of Net Assets (2022: 0.8% of Net Assets)
Rationale for benchmark applied	The most common financial information used by the users of the financial statements 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.	The key benchmark for the parent company is considered to be net assets. This is because the parent company does not disclose a separate income statement, and the users of the financial statements will review the net asset position on the parent balance sheet only.
Performance materiality	£210,000 (2022: £149,000)	£111,000 (2022: £78,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £14,000 (2022: £11,500) and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £7,400 (2022: £5,450) 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 13 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 1 component 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 1 component were undertaken by component auditors.

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	6	73%	91%	94%
Specific audit procedures	1	15%	8%	1%
Analytical review procedures	6	12%	1%	5%
Total	**13**	**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 audit procedures were performed on components which are not financially significant to the Group in order to provide sufficient coverage for the Group audit opinion in relation to significant risks identified at that level.

Component auditors were used to complete audit procedures for Swedish and German entities. The Group audit team sent group referral 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 2025, including challenging the assumptions made by management;
- Checking the arithmetic accuracy of the forecasts that form the basis of the directors' going concern assessment;
- Corroborating the cash balance that is used as the starting point for the forecasts by agreeing to bank confirmations and obtaining an updated cash position subsequent to the balance sheet date;
- Assessing the Group's ability to raise external finance as required by reviewing proposals with external finance providers and ensuring that the potential covenants and terms within such proposals are realistic; and
- Auditing the disclosures in the financial statements in respect of going concern, including assessing whether appropriate disclosures with respect to post year-end acquisition activity have been included.

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.

Independent Auditor's Report continued
to the members of Eleco plc

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 52, 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; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

All relevant laws and regulations identified at a Group level and areas susceptible to fraud that could have a material effect on the financial statements were communicated to component auditors. Any instances of non-compliance with laws and regulations identified and communicated by a component auditor were considered in our audit approach.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team and component auditors included:
IFRS/UK-adopted IAS, FRS102 and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklists to identify areas of non-compliance
Tax compliance regulations	Inspection of advice received from external tax advisors Inspection of correspondence with local tax authorities Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	Obtaining an understanding of the processes and controls around revenue recognition and how they are implemented. Transactions posted to nominal ledger codes outside of the normal revenue cycle were identified using a data analytic tool, investigated, and corroborated. Cut-off testing was performed by selecting an appropriate risk period either side of year end and checking a sample of transactions during these periods to ascertain whether they had been recognised in the correct period.
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

Senior Statutory Auditor

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

22 April 2024

Consolidated Income Statement
For the year ended 31 December 2023

Continuing operations	Note	2023 £'000	2022 £'000
Revenue	1	**28,006**	26,566
Cost of sales		**(2,855)**	(3,087)
Gross profit		**25,151**	23,479
Depreciation and amortisation of intangible assets	10,11, 22	**(2,404)**	(2,217)
Acquisition-related expenses and stamp duties	3, 27	**(279)**	–
Share-based payments		**(190)**	(201)
Other selling and administrative expenses		**(19,075)**	(18,078)
Selling and administrative expenses	3	**(21,948)**	(20,496)
Operating profit	3	**3,203**	2,983
Gain on business disposal	26	**152**	–
Finance expense	5	**(65)**	(59)
Finance income	5	**127**	20
Profit before taxation		**3,417**	2,944
Taxation	6	**(762)**	(549)
Profit after taxation for the year		**2,655**	2,395
Attributable to:			
Equity holders of the parent		**2,655**	2,395
Earnings per share – (pence per share)			
Basic earnings per share	8	**3.2p**	2.9p
Diluted earnings per share	8	**3.2p**	2.9p

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2023

	2023 £'000	2022 £'000
Profit for the year	**2,655**	2,395
Other comprehensive expense:		
Items that will be reclassified subsequently to profit or loss:		
Translation differences on foreign operations	**(124)**	(107)
Other comprehensive expense net of taxation	**(124)**	(107)
Total comprehensive income for the year	**2,531**	2,288
Attributable to:		
Equity holders of the parent	**2,531**	2,288

Consolidated Statement of Changes in Equity
For the year ended 31 December 2023

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Share options reserve £'000	Employee share ownership trust £'000	Retained earnings £'000	Total £'000
At 1 January 2022	832	2,406	1,002	(278)	352	(358)	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 (expense)/income for the year	–	–	–	(107)	–	–	2,395	2,288
At 31 December 2022	832	2,406	1,002	(385)	553	(358)	21,792	25,842
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(1,094)**	**(1,094)**
Share-based payments	**–**	**–**	**–**	**–**	**190**	**–**	**–**	**190**
Deferred tax on intrinsic value of vested options	**–**	**–**	**–**	**–**	**(122)**	**–**	**–**	**(122)**
Issue of share capital	**–**	**12**	**–**	**–**	**–**	**–**	**–**	**12**
Transactions with owners	**–**	**12**	**–**	**–**	**68**	**–**	**(1,094)**	**(1,014)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**2,655**	**2,655**
Other comprehensive expense:								
Exchange differences on translation of net investments in foreign operations	**–**	**–**	**–**	**(124)**	**–**	**–**	**–**	**(124)**
Total comprehensive (expense)/income for the year	**–**	**–**	**–**	**(124)**	**–**	**–**	**2,655**	**2,531**
At 31 December 2023	**832**	**2,418**	**1,002**	**(509)**	**621**	**(358)**	**23,353**	**27,359**

Consolidated Balance Sheet
At 31 December 2023

	Note	2023 £'000	2022 £'000
Non-current assets			
Goodwill	9	**18,544**	15,337
Other intangible assets	10	**9,000**	6,591
Property, plant and equipment	11	**766**	745
Right-of-Use assets	22	**1,274**	1,479
Deferred tax assets	19	**111**	51
Total non-current assets		**29,695**	24,203
Current assets			
Inventories	13	**113**	44
Trade and other receivables	14	**5,033**	4,057
Current tax assets		**232**	356
Assets of the disposal group held for sale	30	**–**	794
Cash and cash equivalents		**10,903**	12,137
Total current assets		**16,281**	17,388
Total assets		**45,976**	41,591
Current liabilities			
Lease liabilities	16, 22	**(542)**	(467)
Trade and other payables	15	**(1,904)**	(1,523)
Liabilities of the disposal group held for sale	30	**–**	(428)
Accruals and deferred income	18	**(12,574)**	(10,305)
Current tax liabilities		**(253)**	–
Total current liabilities		**(15,273)**	(12,723)
Non-current liabilities			
Lease liabilities	16, 22	**(918)**	(1,215)
Deferred tax liabilities	19	**(2,400)**	(1,785)
Provisions	17	**(26)**	(26)
Total non-current liabilities		**(3,344)**	(3,026)
Total liabilities		**(18,617)**	(15,749)
Net assets		**27,359**	25,842
Equity			
Share capital	20	**832**	832
Share premium		**2,418**	2,406
Merger reserve		**1,002**	1,002
Translation reserve		**(509)**	(385)
Share options reserve	21	**621**	553
Employee share ownership trust		**(358)**	(358)
Retained earnings		**23,353**	21,792
Equity attributable to shareholders of the parent		**27,359**	25,842

The financial statements of Eleco plc, registered number 00354915, on pages 60 to 96 were approved by the Board of Directors on 22 April 2024 and signed on its behalf by:

Jonathan Hunter

Chief Executive Officer

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Cash flows from operating activities			
Profit after taxation for the year		**2,655**	2,395
Income tax expense	6	**762**	549
Amortisation of intangible assets	10	**1,774**	1,596
Depreciation charge	11, 22	**630**	621
Profit on sale of property, plant and equipment		**(13)**	(24)
Finance expense	5	**65**	59
Finance income	5	**(127)**	(20)
Share-based payments expense	21	**190**	201
Gain on business disposal	26	**(152)**	–
Decrease in provisions	17	**–**	(25)
Cash generated from operations before working capital movements		**5,784**	5,352
(Increase)/decrease in trade and other receivables		**(780)**	193
Increase in inventories and work in progress		**(70)**	(27)
Increase in trade and other payables, accruals and deferred income		**1,461**	755
Cash generated from operations		**6,395**	6,273
Net taxation paid		**(501)**	(719)
Net cash inflow from operating activities		**5,894**	5,554
Investing activities			
Investment in development expenditure		**(2,256)**	(1,550)
Investment in other intangible assets		**(127)**	(81)
Purchase of property, plant and equipment		**(133)**	(158)
Acquisition of subsidiary undertakings net of cash acquired	27	**(3,838)**	–
Net proceeds on disposal of subsidiary undertakings		**510**	–
Proceeds from sale of property, plant and equipment		**37**	53
Net cash outflow from investing activities		**(5,807)**	(1,736)
Financing activities			
Finance expense	5	**(65)**	(59)
Finance income	5	**127**	32
Repayment of bank loans		**–**	(102)
Repayments of principal of lease liabilities	22	**(595)**	(556)
Equity dividends paid	7	**(1,094)**	(493)
Issue of share capital	20	**12**	–
Net cash outflow from financing activities		**(1,615)**	(1,178)
Net (decrease)/increase in cash and cash equivalents		**(1,528)**	2,640
Cash and cash equivalents at 1 January		**12,538**	10,055
Exchange losses on cash and cash equivalents		**(107)**	(157)
Cash and cash equivalents at 31 December		**10,903**	12,538
Cash and cash equivalents comprise:			
Cash and short-term deposits		**10,903**	12,137
Cash held for sale	30	**–**	401
		10,903	12,538

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 2023 comprise the Company and its subsidiaries (together referred to as the 'Group'). The consolidated and parent company financial statements were authorised for issuance on 22 April 2024.

The address of the registered office is given on page 109. The nature of the Group's operations and its principal activities are set out in the Chairman's Statement on pages 4 to 5, CEO Report on pages 6 to 10 and Directors' Report on pages 50 to 53.

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.

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.

A. Statement of compliance

The Group financial statements have been prepared in accordance with applicable law and UK-adopted International Accounting Standards. The Parent Company financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

The following amendments that affect the Group are effective for the period beginning 1 January 2023:

1) The definition of accounting estimates under IAS 8 has been updated. It clarifies that the effects of a change in an input or measurement technique are changes in accounting estimates, unless they have arisen as a result of correcting prior period misstatements.
2) The amendments to IAS 1 which replace the concept of significant accounting policies with material accounting policy information.
3) Amendments to IAS 12 where it has been clarified whether the initial recognition exemption applies to certain transactions that result in both an asset or a liability (e.g. IFRS 16).

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 the Significant Accounting Policies note.

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, unless otherwise stated.

Material accounting policy information
Application of the Group's accounting policies in conformity with generally accepted accounting principles requires judgements, estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. These judgements, estimates and assumptions 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.

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.

Significant Accounting Policies continued

B. Basis of preparation continued

Capitalisation of development costs and carrying value – Judgement continued

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.

Business combinations – Judgement and Estimates

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.

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. The fair valuation of the assets and liabilities is based on judgements and estimates provided by the Director's to an external valuation specialist in the areas of, but not limited to, forecast revenue, costs, discounted cash flows, weighted average cost of capital, royalty rates and capital expenditure.

The BestOutcome transaction included a potential deferred outflow of £0.5m by the end of the year ended 31 December 2024 with this payment being subject to the BestOutcome management team attaining specific performance targets in 2023 and 2024. This outflow was deemed to be a non-contingent consideration under IFRS 3 due to the probability of the performance targets being met.

BestOutcome's core products PM3 and PM3 Time are used to manage strategic programmes and multiple portfolio management projects. The Acquisition strengthens Eleco's Building Lifecycle portfolio, representing further progress in Eleco's growth strategy to enhance its predictable recurring revenue and to increase value to its shareholders by investing in synergistic software products and technologies, scalable and building on and with its existing Building Lifecycle portfolio. BestOutcome has a particular strength in winning public sector business, including the NHS, universities and county councils. This gives Eleco Group a greater foothold in the wider built environment, while also complementing its private sector exposure.

For the above reasons, combined with the anticipated profitability of BestOutcome's products in other Group markets, synergies arising, plus the ability to hire the assembled workforce of BestOutcome (including the founders and management team), the Group understandably paid a premium over the acquisition net assets, giving rise, aside from other valued intangibles, to goodwill. All intangible assets, in accordance with IFRS 3 Business Combinations, were recognised at their provisional fair values on acquisition date, with the residual excess over net assets being recognised as brands, customer relationships and goodwill. Intangibles arising from the acquisition consisted of brands, customer relationships, intellectual property and R&D, and have been independently valued by professional advisors.

C. Going concern

The Group has continued to monitor the effects and consequences of Russian/Ukraine conflict and the wider macroeconomic environment in 2023 going into 2024. 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 remains healthy, even after the acquisition of BestOutcome, with cash at £10.9m (2022: £12.5m). The Group has both cash and undrawn credit facilities available and headroom comprising £1.0m bank overdraft facility (2022: £1.0m) to support its business operations.

On 16 April 2024, after the 2023 year end, the Group acquired 100 per cent of the share capital of the Vertical Digital group of companies, consisting of Vertical Digital SRL and Sons of Coding SRL. (the 'Acquisition') for a consideration of €1.3m (£1.1m). Further details of the Acquisition are provided in note 29. The Group funded the Acquisition exclusively by utilisation of existing internal cash resources detailed in the paragraph above. The Board has taken into account this one-off consideration outflow post year end in exchange for a profitable and cash generative business in arriving at their opinion that the Group continues to be a Going Concern.

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 £1,008,000 at 31 December 2023 (2022: £4,665,000) these amounts are after deferred income of £9,781,000 (2022: £7,787,000) 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.

C. Going concern continued

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 74 per cent (2022: 64 per cent) of the Group's revenue is from recurring revenue contracts.

D. 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.

The table below shows the main revenue recognition differences for each performance obligation under IFRS 15:

Revenue Type	Accounting Treatment under IFRS 15:
Perpetual Licence revenues	At the point of transfer (delivery) of the licence to a customer, the customer has control and benefit of the software (right to access and right to use). There is no obligation to provide updates which are provided under maintenance contracts.
Subscription Licences	The licence does not provide the customer with the ownership of the software, nor the right to use it in perpetuity. The performance obligations associated with the software as a service are access to software, hosting of software, hosting of client data and maintaining software and client data. These performance obligations are not distinct – the obligations are highly interdependent, as a package they form a single performance obligation. The customer simultaneously receives and consumes the benefits of the contract as the Company provides the services. As these services are provided over the term of the contract, revenue is recognised over the life of the contract.
Maintenance and Support Contracts	The customer simultaneously receives and consumes the benefits of the contract as the Company provides the services. As these services are provided over the term of the contract, revenue is recognised over the life of the contract.
Hosted Services (Licence, Maintenance and Hosted Services performance obligations)	The licence is considered a separate service, and hence treated as a separate performance obligation, where the customer could have the licence installed on their own systems. For the licence element, the point of transfer (delivery or access to the hosted system) of the licence to the customer is the point to recognise revenue. For Maintenance and Hosting Services, the customer simultaneously receives and consumes the benefits of the contract as the Company provides the services. As these services are provided over the term of the contract, revenue is recognised over the life of the contract.
Consultancy	Benefits associated with consulting services are considered to have passed to the customer upon consulting hours being worked. Revenue is therefore recognised in line with delivery of consulting.
Training	Benefits associated with training services are considered to have passed to the customer upon delivery of training. Revenue is therefore recognised in line with delivery of training.
Development Consultancy	Such projects are typically small in scale and completed over a relatively short space of time. In such cases, control of the asset is assumed to pass to the customer when they obtain possession of the developed software and have accepted the software.
Scanning and rendering	The performance obligation is satisfied on delivery of images to the customers, and revenue is recognised at that point in time.

The Group recognised Deferred Income in respect of contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these as Deferred Income in the Consolidated Balance Sheet (see note 18).

Significant Accounting Policies continued

E. 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.

F. 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.

G. 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.

H. 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.

I. 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
Brands	– 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.

I. 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.

J. Property, plant and equipment

Property, plant and equipment is stated at purchase cost, together with any directly attributable costs of acquisition, and subsequently cost less accumulated depreciation and impairment. The carrying amount and useful lives of property, plant and equipment with material residual values are reviewed at each balance sheet date.

Depreciation is provided on all property, plant and equipment on a straight-line basis to write down the assets to their estimated residual value over the useful economic life of the asset as follows:

Short leasehold property	– over the term of the lease
Plant, equipment and vehicles	– two to ten years

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment. An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

K. Right-of-Use assets

A Right-of-Use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset and restoring the site or asset.

Right-of-Use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are assessed for impairment when such indicators exist or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of twelve months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Significant Accounting Policies continued

L. 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 Group 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.

M. 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.

N. 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.

O. 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.

P. 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.

Q. 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.

R. 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.

Significant Accounting Policies continued

S. 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 separately.

T. Dividends

Dividends attributable to the equity holders of the Company approved for payment during the year are recognised directly in equity.

U. 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.

V. 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.

W. 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 been applied in these financial statements were in issue but effective:

International Accounting Standards (IAS/IFRS)

The following standards, interpretations and amendments to existing standards became effective on 1 January 2023 and have not had a material impact on the Group:

– IFRS 17 Insurance Contracts, effective from 1 January 2023;
– Amendments to IAS 1: Presentation of Financial Statements, effective from 1 January 2023;
– Amendments to IFRS Practice Statement 2: Disclosure of Accounting Policies, effective from 1 January 2023;
– Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, effective from 1 January 2023; and
– Amendments to IAS 12: Income Taxes, effective from 1 January 2023.

The following other standards, interpretations and amendments to existing standards have been issued but were not mandatory for accounting periods beginning on 1 January 2023. These either have been, or are expected to be, endorsed by the UK Endorsement Board and are not expected to have a material impact on the Group:

– Amendments to IAS 1: Classification of Liabilities as Current or Non-current, effective from 1 January 2024;
– Amendments to IAS 1: Non-current Liabilities with Covenants, effective from 1 January 2024;
– Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements, effective from 1 January 2024;
– Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or joint venture; and
– Amendments to IFRS 16: Lease Liability in a Sale and Leaseback, effective from 1 January 2024.

X. 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:

	2023 £'000	2022 £'000
Perpetual licence revenue	**1,532**	3,606
Recurring maintenance, support and subscription revenue	**20,732**	16,927
Services revenue	**5,742**	6,033
Total revenue	**28,006**	26,566

Revenue is recognised for each category as follows:

- Perpetual licence revenue – 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 revenue – recognised on delivery of the service.

Revenue recorded in the year includes £7.8m (2022: £7.1m) of income that had been deferred in the balance sheet in the previous year because the associated performance obligations were not fully satisfied. The deferred income represents a timing difference between satisfaction of the performance obligation where that performance condition is in part fulfilled after a reporting period end. The majority of the Group's contracts are twelve months in length but these twelve months may span a reporting period end.

The Group has applied the practical expedient of IFRS15.121 in respect of contracts which have a duration of one year or less. Therefore, this then means that IFRS15.120 requirements have not been disclosed. 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:

	2023 £'000	2022 £'000
UK	**13,034**	10,678
Scandinavia	**5,880**	6,388
Germany	**3,950**	4,449
USA	**1,184**	1,101
Rest of Europe	**3,364**	3,393
Rest of World	**594**	557
	28,006	26,566

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

Revenue by product group is as follows:

	2023 £'000	2022 £'000
Software for:		
Building Lifecycle	**19,824**	17,248
CAD and Visualisation	**6,775**	7,432
Other – third-party software	**1,407**	1,886
	28,006	26,566

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

Notes to the Consolidated Financial Statements continued

1. Revenue continued

Geographical, Product and Sales Channel Information continued

Revenue by sales channel is as follows:

	2023 £'000	2022 £'000
Direct	**26,991**	25,317
Reseller	**1,015**	1,249
	28,006	26,566

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 perpetual software licences, software maintenance and support and related services. Consequently, the Executive Directors review the management information on the basis of this one unified segment.

	2023 Software £'000	2022 Software £'000
Group assets and liabilities		
Segment assets	**45,976**	41,591
Total Group assets	**45,976**	41,591
Segment liabilities	**18,617**	15,749
Total Group liabilities	**18,617**	15,749

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:

	2023 £'000	2022 £'000
UK	**20,434**	14,680
Scandinavia	**6,679**	6,769
Germany	**2,536**	2,706
USA	**1**	2
Rest of Europe	**43**	44
Rest of World	**2**	2
	29,695	24,203

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 (2022: below 10 per cent reporting threshold).

3. Operating profit

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

	2023 £'000	2022 £'000
Software product development expense	**1,253**	1,526
Depreciation of property, plant and equipment	**120**	147
Depreciation of right-of-use assets	**510**	474
Amortisation of acquired intangible assets	**474**	499
Amortisation of other intangible assets	**1,300**	1,097
Share-based payments	**190**	201
Profit on disposal of property, plant and equipment	**(13)**	(24)
Foreign exchange losses/(gains)	**86**	(206)
Acquisition related expenses and stamp duties	**(279)**	–
Fees payable to the Company's auditor for:		
The audit of the parent company and consolidated financial statements	**145**	134
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries	**114**	119
Other services	**10**	8

4. Employee information

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

	2023 Number	2022 Number
Sales and marketing	**57**	58
Client services	**87**	86
Software development	**77**	70
Management and administration	**38**	41
	259	255

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

	2023 £'000	2022 £'000
Wages and salaries	**13,695**	12,446
Social security	**2,162**	2,268
Pension costs	**728**	654
Share-based payments charge	**190**	201
	16,775	15,569
Less: Development staff costs capitalised	**(2,256)**	(1,550)
	14,519	14,019

Pension costs relate to contributions to defined contribution pension schemes. Development staff costs are charged to projects and capitalised if those projects meet the criteria for capitalisation. The details of the criteria for capitalisation is set out in the Significant Accounting Policies under section I.

Notes to the Consolidated Financial Statements continued

4. Employee information continued

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

	2023 £'000	2022 £'000
Short-term employee benefits	**711**	424
Post-employment benefits	**31**	28
Former Director's benefits	**–**	88
Executive Directors	**742**	540
Grant value of share options issued	**260**	–
Total remuneration in respect of key management personnel (excluding employers national insurance cost)	**1,002**	540
Fees – Non-Executive Directors	**213**	216

	2023	2022
Number of Directors exercised options	**–**	–
Number of options issued to the Directors ('000)	**525**	250
Gain made in exercise of options (£'000)	**–**	–

The emoluments of the highest paid Director totaled £563,000 (2022: £396,000. For a detailed breakdown see Remuneration Committee Report, Directors' Remuneration page 44.

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. Further details of Directors emoluments are shown on page 43 of the Remuneration Committee Report.

5. Finance income and costs

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

	2023 £'000	2022 £'000
Finance income:		
Bank and other interest receivable	**127**	20
Total finance income	**127**	20
Finance costs:		
Bank overdraft and loan interest	**(2)**	(4)
Inputted interest expense for leasing arrangements	**(63)**	(55)
Total finance costs	**(65)**	(59)
Total net finance income/(cost)	**62**	(39)

6. Taxation

(a) Taxation on profit on ordinary activities

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

	2023 £'000	2022 £'000
Current tax:		
UK corporation tax on profits of the year	508	359
Tax adjustments in respect of previous years	(54)	(104)
	454	255
Foreign tax	282	276
Tax adjustments in respect of previous years	23	–
Total current tax	759	531
Deferred tax:		
Origination and reversal of temporary differences	(80)	9
Change in tax rates	–	–
Tax adjustments in respect of previous years	83	9
Total deferred tax	3	18
Tax charge in the consolidated income statement	762	549

Income tax for the UK has been calculated at the weighted average rate of UK corporation tax of 23.5 per cent (2022: 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. This rate has been applied to determine deferred tax assets and liabilities at the Balance Sheet date.

Deferred tax positions relate primarily to investment in intangible assets and trading tax losses across international jurisdictions. There are no material uncertain tax positions as at 31 December 2023 (as at 31 December 2022: no material uncertain tax positions).

(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 23.5 per cent (2022: 19 per cent) for the period under review. The reconciliation is explained below:

	2023 £'000	2022 £'000
Profit on continuing operations before tax	3,417	2,944
Tax calculated at the average standard rate of UK corporation tax of 23.5% (2022: 19%) applied to profits before tax	803	559
Effects of:		
Expenses not deductible for tax purposes	40	45
Research & development tax relief	(127)	(64)
Losses not provided for	104	–
Prior year adjustments	52	(96)
Tax rate differences in foreign jurisdictions	(25)	131
Other differences	(85)	(26)
Continuing operations tax charge for the year	762	549

(c) Unrecognised tax losses

The Group has tax losses of £1,727,000 (2022: £1,623,000). The potential deferred tax asset not recognised in respect of losses in subsidiaries is £428,000 (2022: £406,000). 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 continued

7. Dividends

Dividends declared and to be paid

The Directors have recommended a final dividend of 0.55 pence per ordinary share (2022: final dividend of 0.50 pence per ordinary share). The dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements.

Dividends paid in the year

Dividends paid in the year were 1.33 pence per ordinary share (2022: 0.60 pence per ordinary share). Cash dividends of £1,094,000 (2022: £493,000) were paid during the year.

Ordinary Shares	**2023 pence per share**	2022 pence per share	**2023 £'000**	2022 £'000
Declared and paid during the year				
Interim – Full Year 2023	**0.25**	0.20	**206**	164
Special – Full Year 2022	**0.58**	–	**477**	–
Final – Full Year 2022	**0.50**	0.40	**411**	329
	1.33	0.60	**1,094**	493

8. Basic and diluted earnings per share

	2023			2022		
Ordinary Shares	**Net profit attributable to shareholders £'000**	**Weighted average number of shares (millions)**	**Earnings per share (pence)**	Net profit attributable to shareholders £'000	Weighted average number of shares (millions)	Earnings per share (pence)
Basic earnings per share	**2,655**	**82.3**	**3.2**	2,395	82.2	2.9
Diluted earnings per share	**2,655**	**83.7**	**3.2**	2,395	83.0	2.9
Adjusted basic earnings per share	**3,272**	**82.3**	**4.0**	2,962	82.2	3.6

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:

	2023			2022		
Ordinary Shares	**Net profit attributable to shareholders £'000**	**Weighted average number of shares (millions)**	**Earnings per share (pence)**	Net profit attributable to shareholders £'000	Weighted average number of shares (millions)	Earnings per share (pence)
Basic earnings per share	**2,655**	**82.3**	**3.2**	2,395	82.2	2.9
Dilutive effect of share options	**–**	**1.4**	**–**	–	0.8	–
Diluted earnings per share	**2,655**	**83.7**	**3.2**	2,395	83.0	2,9

8. Basic and diluted earnings per share continued

	2023			2022		
Ordinary Shares	**Net profit attributable to shareholders £'000**	**Weighted average number of shares (millions)**	**Earnings per share (pence)**	Net profit attributable to shareholders £'000	Weighted average number of shares (millions)	Earnings per share (pence)
Basic earnings per share	**2,655**	**82.3**	**3.2**	2,395	82.2	2.9
Effect of adjusted profit (note 26)	**617**	**–**	**0.8**	567	–	0.7
Adjusted basic earnings per share	**3,272**	**82.3**	**4.0**	2,962	82.2	3.6

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

	2023 £'000	2022 £'000
Cost:		
As at 1 January	**15,337**	15,593
Acquisition of business – see note 28	**3,258**	–
Assets Held for Sale	**–**	(336)
Exchange differences	**(51)**	80
As at 31 December	**18,544**	15,337
Net book value	**18,544**	15,337

There was one acquisition in the year, see note 28.

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:

	2023 £'000	2022 £'000
Elecosoft UK	**8,703**	8,703
BestOutcome	**3,258**	–
Asta Development Germany	**234**	239
Elecosoft Sweden	**4,411**	4,422
Elecosoft Netherlands	**21**	21
Veeuze Germany	**1,917**	1,952
	18,544	15,337

Notes to the Consolidated Financial Statements continued

9. Goodwill continued

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. Costs, which are primarily fixed in nature, are assumed to be based on trend rates of inflation and any other factors identified in the budgets and strategic plans of the businesses. Goodwill arising on the recent acquisition of BestOutcome Ltd derives from the purchase consideration less fair value and purchase price adjustments, including for other separable valued intangibles.

The key judgement and assumptions used in calculating each CGU value in use are shown in the table below. The market growth rates, nominal long-term growth rate and inflation rates used are in line with external sources.

The market growth rates for revenues for years one to five range from 4 to 47 per cent (2022: 8 to 20 per cent) in accordance with the underlying growth in the businesses and from 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:

	2023		2022	
CGU	**Pre-tax discount rate**	**Nominal long-term growth rate**	Pre-tax discount rate	Nominal long-term growth rate
Elecosoft UK	**10.9%**	**1.5%**	11.7%	0.4%
BestOutcome	**10.9%**	**1.5%**	–	–
Asta Development Germany	**11.7%**	**1.2%**	13.6%	1.5%
Elecosoft Sweden	**10.4%**	**1.1%**	12.1%	2.1%
Elecosoft Netherlands	**11.1%**	**1.7%**	11.4%	2.2%
Veeuze Germany	**11.7%**	**1.2%**	13.6%	1.5%

These budgets and strategic plans cover a five-year period. The growth rates used to extrapolate the cash flows beyond this period ranges between 1.1 per cent and 1.7 per cent depending on the geographical location of the CGU.

A sensitivity analysis has been performed based on changes in key assumptions considered to be reasonably possible by management: an increase in the discount rate of 1 per cent, a decrease in the compound annual growth rate for cash flow in the five-year forecast period of 1 per cent, and a decrease in the nominal long-term market growth rates of 1 per cent. The sensitivity analysis shows that no impairment charges would result from these scenarios.

The European based CGUs have lower impairment headroom in the value in use calculations and accordingly are more sensitive to changes in the discount and revenue growth rates. If the discount rate was increased by 8.5 per cent or the compound annual market growth rates and long term growth rates were both reduced by 6 per cent then the European CGUs' discounted cash flow values would equate to the value in use attributed to those European CGUs.

10. Other intangible assets

	Customer relationships £'000	Intellectual property £'000	Total £'000
Cost:			
At 1 January 2022	7,147	10,348	17,495
Additions	–	81	81
Additions – internal development	–	1,550	1,550
Assets held for sale	–	(2)	(2)
Disposals	–	(29)	(29)
Exchange differences	2	7	9
At 31 December 2022 and 1 January 2023	7,149	11,955	19,104
Additions from acquisition at fair value	897	916	1,813
Acquisition	–	114	114
Additions – internal development	–	2,256	2,256
Disposals	–	(62)	(62)
Exchange differences	(1)	1	–
At 31 December 2023	**8,045**	**15,180**	**23,225**
Accumulated amortisation and impairment:			
At 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 and 1 January 2023	4,966	7,547	12,513
Amortisation charge for the year	362	1,412	1,774
Disposals	–	(62)	(62)
Exchange differences	–	–	–
At 31 December 2023	**5,328**	**8,897**	**14,225**
Net book value:			
At 31 December 2022 and 1 January 2023	2,183	4,408	6,591
At 31 December 2023	**2,717**	**6,283**	**9,000**

Values attributed to internal development costs meet criteria as set out in section 1J of the Accounting Policies. Additions – internal development represent development within the business and differing stages of the development cycle. 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 was one acquisition in the year.

Intellectual property additions in the year represent purchased intangible assets of £916,000 at fair value (2022: £nil) and internal development costs capitalised of £2,256,000 (2022: £1,550,000). 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 CFO Report on pages 30 to 33.

Amortisation charges are shown separately on the Consolidated Statement of Cash Flows.

An impairment review of internally generated intangibles is carried out when there is indication of impairment.

Indicators of impairment include:

- External sources: include market value declines negative changes in technology, markets, economy, or laws increases in market interest rates net assets of the Company higher than market capitalisation
- Internal sources: include obsolescence or physical damage asset is idle, part of a restructuring or held for disposal worse economic performance than expected for investments

There were no indicators of impairment in the current year. An impairment charge of £nil (2022: £nil) was recorded in the year in respect of an internally developed software product following a review of their recoverable amount which was £nil at the Balance Sheet date.

Notes to the Consolidated Financial Statements continued

11. Property, plant and equipment

	Freehold buildings £'000	Plant, equipment and vehicles £'000	Total £'000
Cost:			
At 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 and 1 January 2023	600	981	1,581
Additions from acquisition at fair value	–	18	18
Additions	**–**	**133**	**133**
Disposals	**–**	**(284)**	**(284)**
Exchange differences	**(23)**	**(9)**	**(32)**
At 31 December 2023	**577**	**839**	**1,416**
Accumulated depreciation and impairment:			
At 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 and 1 January 2023	204	632	836
Depreciation charge for the year	**19**	**101**	**120**
Disposals	**–**	**(284)**	**(284)**
Exchange differences	**(15)**	**(7)**	**(22)**
At 31 December 2023	**208**	**442**	**650**
Net book value:			
At 31 December 2022 and 1 January 2023	396	349	745
At 31 December 2023	**369**	**397**	**766**

12. Capital commitments

Capital expenditure commitments of £nil (2022: £nil) have been placed with suppliers at 31 December 2023.

13. Inventories

	2023 £'000	2022 £'000
Finished goods	**113**	44
	113	44

At 31 December 2023 the Group's inventory provisions were £nil (2022: £nil).

14. Trade and other receivables

	2023 £'000	2022 £'000
Gross trade receivables	**4,273**	3,419
Provision for credit losses	**(114)**	(83)
Net trade receivables	**4,159**	3,363
Other receivables	**198**	191
Prepayments and accrued income	**676**	530
	5,033	4,057

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 46 days (2022: 31 days). No interest is charged on past due trade receivables (2022: £nil).

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

	2023 £'000	2022 £'000
Sterling	**1,836**	1,381
Euro	**1,637**	1,333
Swedish Krona	**1,288**	1,119
US Dollar	**166**	186
Other	**106**	38
	5,033	4,057

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

	2023 £'000	2022 £'000
At 1 January	**(83)**	(102)
Written off as uncollectable	**18**	31
Recovered during the period	**–**	71
Provided against during the period	**(53)**	(83)
Exchange	**4**	–
At 31 December	**(114)**	(83)

Notes to the Consolidated Financial Statements continued

15. Trade and other payables

	2023 £'000	2022 £'000
Trade payables	593	452
Other taxation and social security	1,052	706
Other payables	259	365
	1,904	1,523

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 27 days (2022: 16 days). The Directors consider that the carrying amount of trade payables approximates to their fair value.

16. Borrowings

	2023 £'000	2022 £'000
Current liabilities:		
Lease liabilities	542	467
	542	467
Non-current liabilities:		
Lease liabilities	918	1,215
	918	1,215
Total lease liabilities	1,460	1,682
Cash and cash equivalents	(10,903)	(12,538)
Net (cash)/borrowings	(9,443)	(10,856)

The UK banking facilities are with Barclays Bank plc and the Group facilities comprise a £1.0m overdraft facility, carrying an interest rate of 2.75 per cent over base rate (undrawn at 2023 and 2022).

17. Provisions

	2023 £'000	2022 £'000
At 1 January	26	51
Credit to the income statement	–	(25)
At 31 December	26	26
Non-current liabilities	26	26

The provision relates to reorganisation costs following the disposal of the former ElecoBuild businesses and the expected ongoing cost of the professional indemnity run off insurance premiums relating to the former ElecoBuild businesses.

18. Accruals and Deferred Income

	2023 £'000	2022 £'000
Accruals	2,793	2,518
Deferred income	9,781	7,787
	12,574	10,305

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

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 2022	–	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)
Acquisition of business	–	–	–	–	(428)	(5)	–	(433)
(Charge)/credit to the income statement	–	(8)	190	182	(190)	(40)	45	(185)
(Charge)/credit to the Statement of Changes in Equity			(122)	(122)	–	–	–	–
Exchange differences	–	–	–	–	–	–	3	3
At 31 December 2023	**–**	**42**	**69**	**111**	**(2,140)**	**(50)**	**(210)**	**(2,400)**

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 subsidiaries of £428,000 (2022: £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.

20. Share capital

	No. of shares	**2023 Nominal Value £'000**	No. of shares	2022 Nominal Value £'000
Authorised:				
Ordinary Shares of 1 pence each	**85,000,000**	**850**	85,000,000	850
Allotted, called up and fully paid:				
Ordinary Shares of 1 pence each at start of year	**83,154,650**	**832**	83,154,650	832
Issue of Ordinary Shares	**52,747**	**–**	–	–
Ordinary Shares of 1 pence each at end of year	**83,207,397**	**832**	83,154,650	832

In the year 52,747 ordinary 1 pence new shares were issued (2022: nil) at a premium of £12,000 (2022: £nil).

Notes to the Consolidated Financial Statements continued

21. Share-based payments

The Company operates one share scheme and options outstanding at 31 December 2023 over Ordinary Shares granted under the scheme were as follows:

Date awarded	Number of Ordinary Shares	Vesting dates Earliest	Vesting dates Latest	Weighted average remaining contractual life (years)
9 August 2017	475,000	1 May 2020	8 August 2027	3.6
18 May 2020	650,000	31 May 2023	31 May 2030	6.4
12 November 2020	250,000	31 May 2023	11 November 2030	6.9
23 February 2021	600,000	1 March 2024	22 February 2031	7.2
1 August 2022	450,000	31 July 2025	31 July 2032	8.6
11 May 2023	855,000	11 May 2026	10 May 2033	9.4
27 July 2023	60,000	27 July 2026	26 July 2033	9.6
	3,340,000			7.3

Further details of these option grants are detailed below:

915,000 options were granted during 2023 under the Company's Share Option Scheme.

Of these, 680,000 are market priced options at an exercise price of 80.5 pence per share, 60,000 options at an exercise price of 76.5 pence which have no vesting criteria other than to remain in employment by the Group and shall vest after a three-year vesting period.

175,000 are nominal cost options at an exercise price of 1.0 pence per share. The options will vest (if at all) in two parts on the third anniversary of the date of grant subject to having met the performance targets as detailed below:

50% of the option grant: Recurring revenue % target by end 2025: this KPI is subject to a sliding scale.

50% of the option grant: Organic revenue growth of a % target pa, from £26.6m at end 2022 to £m target, net of acquisitions, at end 2025: this KPI is subject to a sliding scale.

450,000 options were granted during 2022. Of these, 350,000 are market priced options at an exercise price of 70.0 pence per share, which have no vesting criteria other than to remain in employment by the Group and shall vest after a three-year vesting period. 100,000 are nominal cost options at an exercise price of 1.0 pence per share which shall vest after three years if certain performance criteria related to recurring revenue growth, overall revenue growth and share price growth are met (see Remuneration Committee Report on page 45 for further details).

600,000 options were granted during 2021 at an exercise price of 100.4 pence per share. The options will vest if the Adjusted EPS for the year ended 31 December 2024 is at least 20 per cent greater than the Adjusted Earnings per Share ('EPS') on 31 December 2020.

650,000 options at an exercise price of 74.3 pence per share and a further 250,000 options at an exercise price of 74.9 pence per share were granted during 2020.

Half of the 650,000 options granted are exercisable after three years, subject to the share price being equal to or exceeding 117 pence per share for 20 consecutive dealing days between the date of grant 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 7.1 pence; or

(b) if target (a) is not met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 8.23 pence; or

(c) if neither target (a) or (b) is met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.88 pence two thirds of the award will vest; or

(d) if none of targets (a), (b) or (c). is met but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.70 pence fifty percent of the award will vest; or

(e) if none of targets (a), (b), (c) or (d) is met but basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.53 pence one third of the option will vest, failing which the remaining half of the share options will lapse.

In the event that the employee leaves within the initial three-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.

Half of the 250,000 options granted are exercisable after three 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 7.15 pence; or

(b) if target (a) is not met, but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 8.23 pence; or

(c) if neither target (a) or (b) is met, but the basic EPS reported in the audited Accounts for the year ended 31 December 2023 is at least 7.88 pence, two thirds 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, one third of the option will vest, failing which the remaining half of the share options will lapse.

In the event that the employee leaves within the initial three-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 granted in 2017 met the vesting criteria of EPS for the twelve months ended 31 December 2019 being at least 2.97 pence.

During the year 120,000 options relating to the 2023 issue and 200,000 relating to the 2022 issue, had been forfeited and no options relating to prior issues were forfeited.

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

	2023		2022	
	Number	**Weighted average exercise price (pence)**	Number	Weighted average exercise price (pence)
Outstanding at the beginning of the year	**2,650,000**	**75.2**	2,000,000	76.9
Granted during the year	**1,035,000**	**67.2**	650,000	70.0
Exercised during the year	**(25,000)**	**48.0**	–	–
Forfeited during the year	**(320,000)**	**73.9**	–	–
Outstanding at the end of the year	**3,340,000**	**70.1**	2,650,000	75.2
Exercisable at the end of the year	**1,375,000**		475,000	

The expense recognised by the Group for share-based payments under the share options scheme in respect of employee services during the year ended 31 December 2023 was £190,000 (2022: £201,000).

The Black-Scholes valuation model is used to value the share options and the key assumptions used for the outstanding awards granted during 2023 and 2022 are shown below:

	2023	2022
Share price at grant date	**76.5-80.5p**	70.0p
Exercise price per share	**1.0-80.5p**	70.0p
Per cent expected to vest (at date of grant)	**98%**	98%
Expected life (years)	**5.0**	5.0
Dividend yield	**0.72-0.76%**	0.73%
Share price volatility	**75-77%**	81%
Fair value per option	**46.7-49.4p**	43.4p

22. Right-of-Use assets

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, motor vehicles and plant and equipment for presentation purposes.

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.

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.

Notes to the Consolidated Financial Statements continued

22. Right-of-Use assets continued

The Group elects not to recognise a lease liability for short-term leases (leases with an expected term of twelve months or less). Payments made under such leases are expensed on a straight-line basis.

The recognised right-of-use assets relate to the following types of assets:

Right-of-Use assets

	2023 £'000	2022 £'000
Properties	1,025	1,190
Motor vehicles	249	289
	1,274	1,479

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	Total £'000
At 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 and 1 January 2023	1,189	290	1,479
Reclassification	104	(104)	–
Additions and measurements	145	215	360
Disposals	(16)	(13)	(29)
Exchange difference	(21)	(5)	(26)
Depreciation charge for the year	(376)	(134)	(510)
At 31 December 2023	1,025	249	1,274

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 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 and 1 January 2023	1,360	326	(4)	1,682
Reclassification	149	(153)	4	0
Additions	140	215	–	355
Interest charge	49	14	–	63
Lease payments	(432)	(163)	–	(595)
Exchange difference	(25)	(20)	–	(45)
At 31 December 2023	1,241	219	–	1,460

22. Right-of-Use assets continued

Maturity profile of Lease liabilities

	2023 £'000	2022 £'000
Within 1 year	**542**	466
Between 2 and 5 years	**5**	27
More than 5 years	**913**	1,189
At 31 December	**1,460**	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:

	2023 £'000	2022 £'000
Financial assets at amortised cost:		
Cash and cash equivalents	**10,903**	12,538
Trade and other receivables	**4,357**	3,527
Financial assets held at amortised cost	**15,260**	16,065
Financial liabilities at amortised cost:		
Trade and other payables	**852**	1,167
Accruals	**2,793**	2,577
Lease liabilities	**1,460**	1,682
Financial liabilities held at amortised cost	**5,105**	5,426

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

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

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

	Financial liabilities		Financial assets		
	Floating rate £'000	Total £'000	Floating rate £'000	Total £'000	Net financial assets/ (liabilities) £'000
Sterling	**1,990**	**1,990**	**7,468**	**7,468**	**5,478**
Euro	**982**	**982**	**2,930**	**2,930**	**1,948**
Swedish Krona	**2,093**	**2,093**	**4,384**	**4,384**	**2,291**
US Dollar	**35**	**35**	**264**	**264**	**229**
South African Rand	**5**	**5**	**41**	**41**	**36**
Other	**–**	**–**	**172**	**172**	**172**
At 31 December 2023	**5,105**	**5,105**	**15,259**	**15,259**	**10,154**
Sterling	1,738	1,738	6,993	6,993	5,255
Euro	1,391	1,391	3,083	3,083	1,692
Swedish Krona	1,226	1,226	5,430	5,430	3,164
US Dollar	25	25	448	448	423
South African Rand	6	6	46	46	40
Other	–	–	65	65	65
At 31 December 2022	5,426	5,426	16,065	16,065	10,639

There are no fixed interest rate financial assets or liabilities.

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. The overdraft facility was unused in the year ended 31 December 2023.

Notes to the Consolidated Financial Statements continued

23. Financial instruments continued

(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	Total £'000
Sterling	**–**	**432**	**–**	**7**	**439**
Euro	**–**	**–**	**–**	**–**	**–**
Swedish Krona	**–**	**346**	**–**	**25**	**371**
At 31 December 2023	**–**	**778**	**–**	**32**	**810**
Sterling	–	299	–	177	476
Euro	–	–	–	–	–
Swedish Krona	–	291	–	27	318
At 31 December 2022	–	590	–	204	794

(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 income for the year from continuing operations was £62,000 (2022: cost of £39,000). 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 29 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 £259,000 lower (2022: £399,000 lower) if Sterling strengthened by 10 per cent and £284,000 higher (2022: £439,000 higher) if Sterling weakened by 10 per cent.

Effect of change in	Net financial (assets)/liabilities:			Profit/(loss)		Equity	
Sterling +/-10%	**2023 £'000**	**Rate +10% £'000**	**Rate -10% £'000**	**Rate +10% £'000**	**Rate -10% £'000**	**Rate +10% £'000**	**Rate -10% £'000**
Denominated in Sterling	**(5,478)**	**–**	**–**	**–**	**–**	**–**	**–**
Not denominated in Sterling	**(4,676)**	**425**	**(468)**	**(37)**	**41**	**(259)**	**284**
Total net financial liabiltiies	**(10,154)**	**425**	**(468)**	**(37)**	**41**	**(259)**	**284**

Effect of change in	Net financial (assets)/liabilities:			Profit/(loss)		Equity	
Sterling +/-10%	2022 £'000	Rate +10% £'000	Rate -10% £'000	Rate +10% £'000	Rate -10% £'000	Rate +10% £'000	Rate -10% £'000
Denominated in Sterling	(5,255)	–	–	–	–	–	–
Not denominated in Sterling	(5,384)	489	(538)	(42)	47	(399)	439
Total net financial liabiltiies	(10,639)	489	(538)	(42)	47	(399)	439

23. Financial instruments continued

(e) Market risk: sensitivities continued

(ii) Interest rates

Changes in market interest rates expose the Group to the risk of fluctuations in the cash flow relating to its financial assets and liabilities some of which attract interest at floating rates (see note 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.

	2023	Effect of increase in interest rates of 1%			Effect of decrease in interest rates of 1%		
	As reported £'000	Rate +1% £'000	Profit/(loss) £'000	Equity £'000	Rate -1% £'000	Profit/(loss) £'000	Equity £'000
Net finance income	62	21	21	21	(16)	(16)	(16)

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

(f) Liquidity risk

The Group monitors its liquidity to maintain a sufficient level of undrawn committed debt facilities together with central management of the Group's cash resources to minimise liquidity risk. The table below shows the maturity of the Group's debt:

	Fair value £'000	3 months or less £'000	3 to 6 months £'000	6 to 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Trade and other payables	1,904	1,904	–	–	–	–
Lease liabilities	1,460	16	16	510	5	913
At 31 December 2023	3,364	1,920	16	510	5	913
Trade and other payables	1,523	1,523	–	–	–	–
Lease liabilities	1,682	19	19	428	27	1,189
At 31 December 2022	3,205	1,542	19	428	27	1,189

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.

(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:

	2023 £'000	2022 £'000
UK	1,471	1,093
Germany	1,049	559
Scandinavia	1,068	910
USA	133	282
Rest of Europe	486	431
Rest of World	66	144
	4,273	3,419

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.

Notes to the Consolidated Financial Statements continued

23. Financial instruments continued

(i) Reconciliation of liabilities arising from financing activities

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

	Lease liabilities £'000
At 1 January 2023	**1,682**
Cash flows:	
– Repayment	**(595)**
– Additions	**373**
At 31 December 2023	**1,460**

	Lease liabilities £'000
At 1 January 2022	1,935
Cash flows:	
– Repayment	(474)
– Additions	221
At 31 December 2022	1,682

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 2023 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 52 of the Directors' Report.

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

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 additional relevant information in assessing the Group's performance, position and cash flows. In addition to the standard measures in the financial statements, the measures enable investors to track the core operational performance of the Group, for example by separating out items of income or expenditure relating to acquisitions, disposals and capital items. For example, one-off acquisition expenses due to advisor fees would not ordinarily be incurred in normal trading. Amortisation will vary considerably where the Group has to recognise separable purchased intangibles and amortisation on those intangibles will therefore fluctuate. Management uses these financial measures, along with UK-IAS financial measures, in evaluating the operating performance of the Group.

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Operating profit	**3,203**	2,983
Gain on business disposal	**152**	–
Amortisation of intangible assets	**1,774**	1,596
Depreciation charge	**630**	621
EBITDA	**5,759**	5,200

26. Additional performance measures continued

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
EBITDA	5.759	5,200
Gain on business disposal	(152)	–
Acquisition related expenses	279	–
Share-based payments	190	201
Adjusted EBITDA	6,076	5,401
Operating profit	3,203	2,983
Acquisition-related expenses	279	–
Amortisation of acquired intangible assets	474	499
Share-based payments	190	201
Adjusted operating profit	4,146	3,683
Profit before tax	3,417	2,944
Gain on business disposal	(152)	–
Acquisition related expenses	279	–
Amortisation of acquired intangible assets	474	499
Share-based payments	190	201
Adjusted profit before tax	4,208	3,644
Tax charge	(762)	(549)
Gain on business disposal	48	–
Acquisition related expenses	(66)	–
Amortisation of acquired intangible assets	(111)	(95)
Share-based payments	(45)	(38)
Adjusted tax charge	(936)	(682)
Profit after tax	2,655	2,395
Gain on business disposal	(104)	–
Acquisition related expenses	213	–
Amortisation of acquired intangible assets	363	404
Share-based payments	145	163
Adjusted profit after tax	3,272	2,962
Adjusted profit after tax	3,272	2,962
Weighted average number of shares	82.3	82.2
Adjusted earnings per share (pence)	4.0	3.6
Cash generated from operations	6,395	6,273
Purchase of intangible assets	(2,383)	(1,631)
Purchase of property, plant and equipment	(133)	(158)
Acquisition related expenses	279	–
Adjusted operating cash flow	4,158	4,484

Notes to the Consolidated Financial Statements continued

26. Additional performance measures continued

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Adjusted operating cash flow	**4,158**	4,484
Net interest received/(paid)	**62**	(27)
Tax paid	**(501)**	(719)
Proceeds from disposal of property, plant and equipment	**37**	53
Free cash flow	**3,756**	3,791

27. Disposal of subsidiary

The Company announced on 20th February 2023 the sale of its wholly owned subsidiary Eleco Software GesmbH, the German Arcon architectural CAD business ("Arcon"), to FirstInVision GmbH, an Austrian architectural software business, for a total consideration of £0.5m (or €0.6m), effective 1 January 2023. Following deduction of net assets, costs relating to the disposal and recycling of reserves, a pre-tax gain on disposal of £152,000 was recognised in the period. The Arcon business contributed no trading to the 2023 year.

28. Acquisition of BestOutcome Ltd

The Company announced on 27 June 2023 that it had acquired 100 per cent of Buckinghamshire-based BestOutcome Limited ('BestOutcome'), a UK provider of simple, scalable Project Portfolio Management (PPM) software, for an initial consideration of £4.825m in cash (and an adjusted value of £3.838m on a cash-and-debt-free equivalent with £1.3m of cash in the business at the time of the acquisition) ('the Acquisition'). The Acquisition was exclusively financed by the Company's internal cash resources.

BestOutcome's core products PM3 and PM3Time are used to manage strategic programmes and multiple portfolio management projects. The Acquisition strengthens Eleco's Building Lifecycle portfolio, representing further progress in Eleco's growth strategy to enhance its predictable recurring revenue and to increase value to its shareholders by investing in synergistic software products and technologies, scalable and building on and with its existing Building Lifecycle portfolio. BestOutcome has a particular strength in winning public sector business, including the NHS, universities and county councils. This gives Eleco Group a greater foothold in the wider built environment, while also complementing its private sector exposure.

For the above reasons, combined with the anticipated profitability of BestOutcome's products in other Group markets, synergies arising, plus the ability to hire the assembled workforce of BestOutcome (including the founders and management team), the Group understandably paid a premium over the acquisition net assets, giving rise, aside from other valued intangibles, to goodwill. All intangible assets, in accordance with IFRS 3 Business Combinations, were recognised at their provisional fair values on acquisition date, with the residual excess over net assets being recognised as brands, customer relationships and goodwill. Intangibles arising from the acquisition consisted of brands, customer relationships, intellectual property and R&D, and have been independently valued by professional advisors.

The following table summarises the consideration and provisional fair values of assets acquired and liabilities assumed at the date of acquisition:

	£'000
Intangible fixed assets:	
Brands	238
Customer relationships	897
Development expenditure	675
Other intangibles	3
Property, plant and equipment	18
Trade receivables and prepayments	196
Cash and cash equivalents	1,266
Trade and other payables	(161)
Deferred income	(1,047)
Corporation tax	(85)
Deferred tax liabilities	(433)
Net assets acquired	1,567
Goodwill	3,258
Acquisition cost	4,825

There are no non-controlling interests in relation to the BestOutcome acquisition. Fair values in the above table have only been determined provisionally and may be subject to change in the light of any subsequent new information becoming available in time. The review of the fair value of assets and liabilities acquired will be completed within twelve months of the acquisition date. Receivables at the acquisition date are expected to be collected in accordance with the gross contractual amounts.

28. Acquisition of BestOutcome Ltd continued

The acquisition cost was satisfied by:

	£'000
Cash	4,825
Share consideration	–
Total consideration	**4,825**

The net cash outflow arising on acquisition was:

	£'000
Cash consideration paid	4,825
Acquisition-related costs	279
Cash and cash equivalents within the BestOutcome business on acquisition	(1,266)
Total net cash outflow on acquisition	**3,838**

Other costs relating to the acquisition have not been included in the consideration cost. Directly attributable acquisition costs include external legal and accounting costs incurred in compiling the acquisition legal contracts and the performance of due diligence activity and the fair value exercise, together with stamp duty, and total £279,000. These costs have been charged in distribution and administrative expenses in the consolidated income statement.

BestOutcome, in common with other Group companies, has a 31 December calendar year end. In the preceding financial year 2022 BestOutcome generated revenue of £2.0m and net profit before taxation of £0.2m based on figures and accounting policies prior to Eleco plc Group control.

Had the acquisition taken place from the start of the Group's financial year (from 1 January 2023) and based on figures and accounting policies prior to Eleco plc Group control, management estimate that BestOutcome would have contributed revenue of £1.0m and profit before taxation of £0.1m to the Group results in this first half year of 2023.

BestOutcome contributed revenue of £1.0m and net profit before taxation of £0.1m since joining the Eleco plc Group in the second half of 2023.

29. Post-balance sheet events

On 16 April 2024, after the 2023 year end, the Group, through its wholly owned subsidiary Elecosoft Limited, acquired 100% of the share capital of the Vertical Digital group of companies, consisting of Vertical Digital SRL and Sons of Coding SRL. (the 'Acquisition') for a consideration of €1.3m (£1.1m). The Acquisition's completion date was therefore 16 April 2024. The Group funded the Acquisition exclusively by utilization of its existing internal cash resources for this initial consideration. Cash and cash equivalents within the Acquisition entities at the acquisition date totaled £0.1m and the Acquisition has no debt.

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

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

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

The transaction terms provide for a cumulative potential deferred and contingent outflow ('Earn Out') of up to €250,000 maximum for financial years ending 31 December 2024 and 31 December 2025, based on the local senior management (the former owners) attaining specific performance targets set by Eleco plc in those years. These specific performance targets are linked to achievement of revenue over those two financial years, subject to minimum gross margin and net margin thresholds. There are no non-controlling interests in relation to the Acquisition.

The Vertical Digital Group of companies, in common with other Group companies, has a 31 December calendar year end. In the year to 31 December 2023, before Eleco plc Group control, Vertical Digital delivered revenue of €1.2m (c.£1.0m) and a net profit before taxation of €0.3m (c.£0.2m) based on unaudited figures and Vertical Digital's accounting policies. Had the acquisition taken place from the start of the Group's financial year (from 1 January 2023) and based on figures and accounting policies prior to Eleco plc Group control, management estimate the contribution towards Group revenues would be of a similar quanta.

Given the proximity of the acquisition to the annual report and accounts being published, and its relatively immaterial size of the acquisition relative to the Group's scale, the Group is therefore unable at this stage to reasonably estimate and determine the fair value of net assets acquired and resulting goodwill and other associated intangibles under IFRS 3 Business Combinations at the date of this report. The Group will work through the fair value exercise under IFRS 3 and provisional disclosures will be reported in the Group's 2024 interim results.

Notes to the Consolidated Financial Statements continued

29. Post-balance sheet events continued

In accordance with the provisions of IAS 10 Events After the Reporting Period, the Directors consider that the acquisition is a non-adjusting post balance sheet event, meaning an event after the reporting period end that is indicative of a condition that arose after the end of the reporting period, and therefore the full year 2023 numbers prior to this acquisition have not been adjusted. An estimate of its financial effect is described above.

30. Exchange rates

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

	Income statement Average rate		Balance sheet Year-end rate	
	2023	2022	**2023**	2022
Swedish Krona to Sterling	**13.18**	12.46	**12.84**	12.61
Euro to Sterling	**1.15**	1.17	**1.15**	1.13
US Dollar to Sterling	**1.24**	1.24	**1.27**	1.21

31. Disposal Group Held for Sale

In line with the previously announced strategy to focus on our core customer segments and businesses, we held Eleco Software GmbH, the German Arcon architectural CAD business, for sale at the previous 2022 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 at the previous 2022 year end. There was no revaluation from reclassification required as a result of this business classification under IFRS 5. As announced on 17 February 2023, the business was disposed of to an Austrian buyer.

Assets held for sale	**At 31 December 2023 £'000**	At 31 December 2022 £'000
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 were as follows:

Liabilities held for sale	**At 31 December 2023 £'000**	At 31 December 2022 £'000
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 2023

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Share options reserve £'000	Employee share ownership trust £'000	Retained earnings £'000	Total £'000
At 1 January 2022	832	2,406	1,002	228	213	(358)	7,511	11,834
Dividends							(493)	(493)
Share-based payments					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**	**291**	**389**	**(358)**	**8,962**	**13,524**
Dividends	–	–	–	–	–	–	(1,094)	(1,094)
Share-based payments	–	–	–	–	354	–	–	354
Deferred tax on intrinsic value of vested options	–	–	–	–	(122)	–	–	(122)
Issue of share capital	–	12	–	–	–	–	–	12
Transactions with owners	–	12	–	–	232		(1,094)	(850)
Profit for the year	–	–	–	–	–	–	1,275	1,275
Exchange differences on translation of net investments in foreign operations	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	1,275	1,275
At 31 December 2023	**832**	**2,418**	**1,002**	**291**	**621**	**(358)**	**9,143**	**13,949**

Company Balance Sheet
At 31 December 2023

	Note	2023 £'000	2022 (Restated) £'000
Fixed assets			
Intangible assets	3	**372**	125
Tangible assets	4	**10**	133
Investments	5	**8,977**	6,546
Deferred tax asset		**67**	–
		9,426	6,804
Current assets			
Debtors: amounts due after more than one year	6	**22,053**	20,004
Debtors: amounts due within one year	7	**901**	1,330
Cash at bank and in hand		**753**	4,886
		23,707	26,220
Creditors: amounts falling due within one year	8	**(1,065)**	(1,498)
Provisions for liabilities	10	**(26)**	(26)
Net current assets		**22,616**	24,696
Total assets less current liabilities		**32,042**	31,500
Creditors: amounts falling due after more than one year	9	**(18,093)**	(17,976)
Net assets		**13,949**	13,524
Capital and reserves			
Called up share capital	11	**832**	832
Share premium account		**2,418**	2,406
Merger reserve		**1,002**	1,002
Translation reserve		**291**	291
Share options reserve	12	**621**	389
Employee share ownership trust	13	**(358)**	(358)
Profit and loss account		**9,143**	8,962
Shareholders' equity		**13,949**	13,524

The Parent Company's profit for the year was £1,275,000 (2022: £1,944,000) and total comprehensive income attributable to the equity shareholders was £1,275,000 (2022: £2,007,000).

The financial statements of Eleco plc, registered number 00354915, on pages 97 to 106 were approved by the Board of Directors on 22 April 2024 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.

Material accounting policy information

Application of the Group's accounting policies in conformity with generally accepted accounting principles requires judgements, estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. These judgements, estimates and assumptions 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.

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.

Intercompany 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 asset 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.

Statement of Company Accounting Policies continued

Investments in subsidiaries

Fixed asset investments are shown at cost, together with any incidental costs of acquisition, less any provision for impairment. Provisions are reviewed and adjusted annually to reflect any changes in the carrying value of the underlying subsidiary investments.

Finance and operating leases

The capital element of finance lease commitments is shown as obligations under finance leases. The capital element of finance lease rentals is applied to reduce the outstanding obligations under finance leases. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease in proportion to the reducing capital balance outstanding. Amounts payable under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

Share-based payments

The Company issues share options to employees from time to time. Under FRS 102 the equity-settled, share-based payment awards are valued at fair value at inception and this cost is recognised over the option vesting period of three years. The Board has used an appropriate model to estimate the fair value of the options. Various assumptions affect the value of the options and the Board has considered these assumptions in order to derive an appropriate charge for the cost of the options. The key assumptions used to derive the charge include the probability of performance achievement and the expected future dividend yield of the shares.

Provisions

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

Interest-bearing loans and borrowings

All loans and borrowings are recognised at proceeds received less directly attributable transaction costs. Borrowing costs are recognised as an expense over the period based on the maturity of the underlying instrument.

Intercompany loans that are not considered to be at market rate are adjusted to their fair value. The difference between the transaction value and the fair value of the intercompany loans are recorded as an investment in the Company Balance Sheet. The difference unwinds to the profit and loss as interest receivable over the period of the loan.

Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain/loss in the profit and loss account.

Taxation

Current UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at the date will result in an obligation to pay more tax or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiary undertakings only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Employee Share Ownership Trust

Equity shares in Eleco plc held by the Employee Share Ownership Trust (ESOT) are treated as a deduction from the weighted average number of shares. The consideration paid is deducted from equity 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 £1,275,000 (2022: £1,944,000).

2. Employee information

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

	2023 Number	2022 Number
Software development	1	1
Management and administration	12	13
	13	14

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

	2023 £'000	2022 £'000
Wages and salaries	1,793	1,241
Social security	201	212
Pension costs	59	52
Share-based payments	352	176
	2,405	1,681

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:

	2023 £'000	2022 £'000
Short-term employee benefits	711	424
Post-employment benefits	31	28
Former Director's benefits	–	88
Executive Directors	742	540
Grant value of share options issued	260	14
Total remuneration in respect of key management personnel (excluding employers NI)	1,002	554
Fees – Non-Executive Directors	213	216

	2023	2022
Number of Directors' exercised options	–	–
Number of options issued to the Directors ('000)	525	250
Gain made in exercise of options (£'000)	–	–

The emoluments of the highest paid Director totaled £563,000 (2022: £396,000). For a detailed breakdown see Remuneration Committee Report, Directors Remuneration page 46.

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.

Notes to the Company Financial Statements continued

3. Intangible fixed assets

	Intellectual property £'000
Cost:	
At 1 January 2022	1,378
Additions	46
Disposals	–
At 31 December 2022 and 1 January 2023	1,424
Transfer from tangible fixed assets	122
Additions	127
At 31 December 2023	**1,673**
Accumulated amortisation and impairment:	
At 1 January 2022	1,290
Amortisation charge for the year	9
At 31 December 2022 and 1 January 2023	1,299
Amortisation charge for the year	2
At 31 December 2023	**1,301**
Net book value at 31 December 2022	125
Net book value at 31 December 2023	**372**

4. Tangible fixed assets

	Plant, equipment and vehicles £'000
Cost:	
At 1 January 2022	292
Additions	12
At 31 December 2022 and 1 January 2023	304
Transfer to intangible fixed assets	(122)
Additions	3
Disposals	(163)
At 31 December 2023	**22**
Accumulated depreciation:	
At 1 January 2022	165
Depreciation charge for the year	6
At 31 December 2022 and 1 January 2023	171
Depreciation charge for the year	4
Disposals	(163)
At 31 December 2023	**12**
Net book value at 31 December 2022	133
Net book value at 31 December 2023	**10**

Included in plant, equipment and vehicles in 2022 in respect of assets under construction, was £122,000 which has been transferred to intangible fixed assets.

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 2022	21,858	728	22,586
At 31 December 2022 and 1 January 2023	21,858	728	22,586
Additions	4,831	–	4,831
Disposals	(2,400)	–	(2,400)
At 31 December 2023	**24,289**	**728**	**25,017**
Accumulated provision:			
At 1 January 2022	16,040	–	16,040
At 31 December 2022 and 1 January 2023	16,040	–	16,040
Disposals	–	–	–
At 31 December 2023	**16,040**	**–**	**16,040**
Net book value at 31 December 2022	5,818	728	6,546
Net book value at 31 December 2023	**8,249**	**728**	**8,977**

Investments include £728,000 (2022: £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 one historic loan being at below market value and consequently adjusted accordingly to an appropriate level.

The trading subsidiary undertakings are unlisted and wholly owned and set out in the table below. They are registered in England and Wales, where their operations are located in the United Kingdom. Overseas subsidiary undertakings are incorporated in their country of operations. All other subsidiary undertakings are dormant and are listed on page 108.

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
BestOutcome 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 and services
Elecosoft Limited	UK	Ordinary	100%	Holding company
Asta Group Limited	UK	Ordinary	100%	Holding company

The registered office of the UK subsidiary undertakings other than BestOutcome, is Parkway House, Haddenham Business Park, Pegasus Way, Haddenham, Buckinghamshire, England, HP17 8LJ, BestOutcome's registered office is Europa House, 11 Marshall Way, Gerrards Cross, Buckinghamshire, SL0 8BQ.

The registered office of the overseas subsidiary undertakings is shown in the Professional Advisors and Registered Offices section of the Annual Report and Accounts.

The ordinary shares in the above companies are held through an intermediate holding company except for Elecosoft Consultec AB, Veeuze GmbH, Elecosoft (Pty) Ltd and BestOutcome Limited.

Notes to the Company Financial Statements continued

6. Debtors: amounts due after more than one year

	2023 £'000	2022 (Restated)* £'000
Amounts due from subsidiary undertakings	22,053	20,004
	22,053	20,004

* See note 16 for details.

The amounts due from subsidiary undertakings comprise of interest-bearing loans. The interest rate applied to the loans was in the range of 1.6 per cent to 3.0 per cent.

7. Debtors: amounts due within one year

	2023 £'000	2022 (Restated)* £'000
Trade debtors	14	14
Other debtors	20	37
Prepayments and accrued income	110	110
Other taxation and social security	24	14
Current tax	45	56
Amounts due from subsidiary undertakings	688	1,099
	901	1,330

* See note 16 for details.

Amounts due from subsidiary undertakings comprise of trading intercompany current accounts which do not carry any interest receivable.

8. Creditors: amounts falling due within one year

	2023 £'000	2022 (Restated)* £'000
Trade creditors	242	216
Other creditors	17	69
Accruals and deferred income	751	557
Other taxation and social security	55	–
Amounts due to subsidiary undertakings	–	656
	1,065	1,498

* See note 16 for details.

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.

	2023 £'000	2022 (Restated)* £'000
Deferred tax liabilities	47	9
Amounts due to subsidiary undertakings	18,046	17,967
	18,093	17,976

* See note 16 for details.

Amounts due to subsidiary undertakings comprise of interest-bearing loans of £17,287,000 (2022: £17,208,000) and intercompany accounts of £759,000 (2022: £759,000) 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.

10. Provisions for liabilities

	2023 £'000	2022 £'000
At 1 January	**26**	51
Credit to the income statement	**–**	(25)
At 31 December	**26**	26

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

11. Called up share capital

	2023 No. of shares	2023 Nominal value £'000	2022 No. of shares	2022 Nominal value £'000
Authorised:				
Ordinary Shares of 1 pence each	**85,000,000**	**850**	85,000,000	850
Allotted, called up and fully paid:				
Ordinary shares of 1p each at the start of the year	**83,154,650**	**832**	83,154,650	832
Issue of Ordinary Shares	**52,747**	**–**	–	–
Ordinary shares of 1p each at the end of the year	**83,207,397**	**832**	83,154,650	832

In the year 52,747 ordinary 1 pence new shares were issued (2022: nil) at a premium of £12,000 (2022: £nil).

12. Share-based payments

The Company operates one share scheme and options outstanding at 31 December 2023 over Ordinary Shares granted under the scheme were as follows:

	Number of Ordinary Shares	Vesting dates Earliest	Vesting dates Latest	Weighted average remaining contractual life (years)
9 August 2017	475,000	1 May 2020	8 August 2027	3.6
18 May 2020	650,000	31 May 2023	31 May 2030	6.4
12 November 2020	250,000	31 May 2023	11 November 2030	6.9
23 February 2021	600,000	1 March 2024	22 February 2031	7.2
1 August 2022	450,000	31 July 2025	31 July 2032	8.6
11 May 2023	855,000	11 May 2026	10 May 2033	9.4
27 July 2023	60,000	27 July 2026	26 July 2033	9.6
	3,340,000			7.3

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

	2023 Number	2023 Weighted average exercise price Pence	2022 Number	2022 Weighted average exercise price Pence
Outstanding at the beginning of the year	**2,650,000**	**75.2**	2,000,000	76.9
Granted during the year	**1,035,000**	**67.2**	650,000	70.0
Exercised during the year	**(25,000)**	**48.0**	–	–
Forfeited during the year	**(320,000)**	**73.9**	–	–
Outstanding at the end of the year	**3,340,000**	**70.1**	2,650,000	75.2
Exercisable at the end of the year	**1,325,000**		475,000	

The expense recognised by the Company for share-based payments under the share option scheme in respect of employee services during the year ended 31 December 2023 was £354,000 (2022: £176,000).

Further details of the share options and the valuation model used are included in note 21 of the consolidated accounts.

Notes to the Company Financial Statements continued

13. Reserves

The Employee Share Ownership Trust held 907,849 shares at 31 December 2023 (2022: 907,849 shares) with a market value of £735,000 (2022: £622,000) 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 2023 £'000	Property 2022 £'000
Leases expiring:		
Within one year	10	58
	10	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 Group had no material transactions with the Group during the year, other than as a result of service agreements or as disclosed in the Directors' Report. Details of the Directors' remuneration is disclosed in the Remuneration Committee Report on pages 42 to 46.

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 52 of the Directors' Report.

16. Restatement of prior year balances

Amounts due from and due to subsidiary undertakings for the year ended 31 December 2022 have been reclassified between debtor amounts due within one year and amounts due after more than one year and creditors falling due within one year and falling due after more than one year on the basis of interpretative requirements.

Specifically, amounts owed by subsidiary undertakings of £1,140,000 were previously presented within debtor amounts due within one year in 2022. Given these items are not expected to be settled within the subsidiary undertakings' normal operating cycle and these amounts are expected to be used in business activity, these should have been presented in amounts due after more than one year in the prior period. Accordingly, amounts presented within debtor amounts due within one year in 2022 have been reclassified to amounts due after more than one year.

Similarly, amounts owed to subsidiary undertakings of £16,822,000 were previously presented within creditors falling due within one year in 2022. Given these items are not expected to be settled within the Company's normal operating cycle and the Company has no contractual right to demand repayment within twelve months, these should have been presented in amounts falling due after more than one year in the prior period. Accordingly, amounts presented as falling due within one year in 2022 have been reclassified to amounts falling due after more than one year.

Other than this restatement of balance classifications in the balance sheet, there is no effect to the Company's Income Statement or Statement of Changes in Equity in either 2023 or 2022.

Five-Year Summary

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Revenue	**28,006**	26,566	27,344	25,232	25,398
EBITDA	**5,795**	5,200	7,182	6,675	6,159
Adjusted EBITDA	**6,076**	5,401	7,251	7,003	6,302
Gain on business disposal	**(152)**	–	–	–	–
Amortisation and impairment of intangible assets	**(1,774)**	(1,596)	(2,361)	(1,658)	(1,445)
Depreciation	**(630)**	(621)	(722)	(866)	(902)
Operating profit	**3,203**	2,983	4,099	4,151	3,812
Gain on business disposal	**152**	–	–	–	–
Net finance income/(costs)	**62**	(39)	(173)	(262)	(339)
Profit before taxation	**3,417**	2,944	3,926	3,889	3,473
Taxation	**(762)**	(549)	(1,195)	(726)	(772)
Profit after taxation	**2,655**	2,395	2,731	3,163	2,701
Basic earnings per share (continuing operations)	**3.2p**	2.9p	3.3p	3.9p	3.3p
Shareholders' equity	**27,359**	25,842	23,846	21,524	17,924
Final dividend per share	**0.55p**	0.50p	0.40p	0.40p	0.30p

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
Consultec Group AB	Sweden	Ordinary	100%	Holding company
Elecosoft Limited	UK	Ordinary	100%	Holding company
Elecoprecast Limited	UK	Ordinary	100%	Holding company
Elecosoft (Pty) Limited	South Africa	Ordinary	100%	Dormant
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

Professional Advisors and Registered Offices

Professional Advisors

Auditor
RSM UK Audit LLP
25 Farringdon Street
London EC4A 4AB

Bankers
Barclays Bank plc
Ashton House
497 Silbury Boulevard
Milton Keynes MK9 2LD

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
Cavendish Capital Markets Limited (previously finnCap Ltd)
One Bartholomew Close
London EC1A 7BL
+44 (0) 20 7220 0500
www.cavendish.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
Wedlake Bell LLP
71 Queen Victoria Street
London EC4V 4AY
+44 (0) 20 7395 3000

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
Integrated Computing & Office Networking Limited
Shire Systems Limited
Parkway House
Haddenham Business Park
Pegasus Way
Buckinghamshire
HP17 8LJ

BestOutcome Limited
Europa House,
11 Marsham Way
Gerrards Cross SL9 8BQ

Asta Development GmbH
Egon-Eiermann-Allee 8
76187 Karlsruhe
Register Court, Mannheim HRB 706289

Veeuze GmbH
Warmbüchenstraße 17
30159 Hannover
Register Court, Hannover HRB 222415

Elecosoft Consultec AB
Storgatan 40
931 31 Skellefteå
Sweden

Elecosoft LLC
12600 Hill Country Blvd, Suite R-275
Austin
TX 78738

Elecosoft BV
Vendelier 71B
3905 PD Veenendaal
Nederland

Eleco plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Magno Satin an FSC® certified material. This document was printed by Park Communications Limited using its environmental print technology, which minimises the impact of printing on the environment. Vegetable-based inks have been used and 99% of dry waste is diverted from landfill. The printer is a CarbonNeutral® company.

Both the printer and the paper mill are registered to ISO 14001.

MIX Paper from responsible sources FSC® C022913

ELECO®

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