RNS Number : 0814M
Eleco PLC
12 September 2023

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Eleco Plc

("Eleco", the "Group" or the "Company")

Interim Results for the Six Months Ended 30 June 2023:
Recurring Revenue up 18%

Eleco plc (AIM: ELCO), the specialist software provider for the built environment, has published its results for the six months ended 30 June 2023, based on unaudited management accounts:

Financial highlights:

- Annualised Recurring Revenue (ARR)[1] up 18% to £19.7m (at 30 June 2022: £16.7m); organic ARR growth of 24%
- Total Recurring Revenue (TRR) up 18% to £9.7m (H1 2022: £8.2m), representing 72% of total revenue (H1 2022: 61% of total revenue); organic TRR growth of 21%
- Revenues slightly ahead of expectations at £13.5m (£13.6m in constant currency terms) (H1 2022: £13.4m) despite products' end-of-life, and business disposal. Excluding these, revenues were 5% ahead organically, following the effects of the SaaS transition
- EBITDA[2] of £2.2m (H1 2022: £2.8m)
- Adjusted EBITDA[3] of £2.6m (2022: £2.9m) as anticipated
- Profit Before Taxation £1.3m (H1 2022: £1.7m)
- Adjusted Profit Before Taxation[4] £1.8m (H1 2022: £2.0m)
- Basic EPS of 1.2 pence per share (H1 2022: 1.6 pence per share)
- Adjusted EPS[5] of 1.7 pence per share (H1 2022: 1.9 pence per share)
- Cash at 30 June 2023 £9.4m (£11.3m at 30 June 2022; £12.5m at 31 December 2022) after acquisition payment of £3.6m
- Interim dividend up 25% to 0.25 pence per share (H1 2022: 0.20 pence per share)

Operational highlights:

- Execution of M&A strategy:
  - Acquisition of profitable SaaS business, BestOutcome - a leading UK provider of simple, scalable Project Portfolio Management (PPM) software, to complement Building Lifecycle products and broaden Eleco's customer base
  - Profitable disposal of non-core German architectural CAD business
- Strategic partnerships announced with:
  - C-Tech Club, partnerships with innovative construction technology start-ups
  - Nodes & Links, to bring AI into the world of construction planning
- Return of Asta brand, drawing on our innovation heritage
- On-going improvements in ESG initiatives such as environmental data gathering and monitoring; enhanced scores with our Great Place to Work® certifications, and implemented training and updated group policy framework for all employees
- Elecosoft UK obtained ISO 27001 certification in continued commitment to customer data security

Jonathan Hunter, Chief Executive Officer of Eleco plc said:

"We are extremely well-positioned within our markets with an established loyal customer base, world-class technology, positive market growth trends and drivers, and a clear customer-focussed growth strategy. We are very pleased with our recent acquisition of BestOutcome, which, through its integration into the Eleco family, strengthens the existing Building Lifecycle offering and further builds our SaaS recurring revenue portfolio with a wider, more diverse customer base. We shall continue to identify appropriate acquisitions that will widen our customer base, complement our technological innovation, extend our geographic capabilities, and further enhance our recurring revenues and overall financial performance.

"Eleco is fundamentally delivering on its SaaS strategy which will bring further significant operational and financial benefits. We remain focussed on the continued growth of organic recurring revenues, supplemented by further inorganic growth opportunities. We are confident in continued progress and positive momentum for the future, underpinned by our current trading tracking in line with management's expectations for the full year."

The Company also announces that its nominated adviser and broker finnCap Ltd, has changed its name to Cavendish Capital Markets Limited.

[1] *ARR is defined as normalised annualised recurring revenues and includes revenues from subscription licences, contract values of annual support and maintenance, and SaaS contracts. Normalisation is calculated using the recurring revenue in the final month of the period, multiplied by twelve. This ARR figure is calculated prior to the inclusion of the forthcoming contribution from the BestOutcome Ltd acquisition.*

[2] *EBITDA is defined as Earnings before Interest, Taxation, Depreciation, Amortisation and Impairment of Intangible Assets. This includes the gain on disposal of the ARCON business in H1 2023. See note 14.*

[3] *Adjusted EBITDA is adjusted for acquisition related expenses and amortisation of acquired intangibles. See note 14.*

[4] *Adjusted profit before tax is adjusted for acquisition related expenses and amortisation of acquired intangibles. See note 14.*

[5] *Adjusted earnings per share represents profit after tax as adjusted for acquisition related expenses and amortisation of acquired intangibles, divided by a weighted average number of shares. See note 7 and note 14.*

[6] *Organic refers to the underlying financials after adjusting for revenues from the disposed ARCON business and for adjusting for the ending of life of several products.*

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About Eleco plc

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

The Group's software solutions are trusted by international customers and used throughout the building lifecycle from early planning and design stages to construction, interior fit out, asset management and facilities management to support project management, estimation, visualisation, Building Information Modelling (BIM) and property management.

For further information please visit www.eleco.com

Chairman's Statement

Introduction

In an era of increased global instability and macroeconomic headwinds, it is pleasing to report, in this first statement in my capacity as Interim Chair, that Eleco continues to execute on its strategy and deliver stable, more predictable and growing recurring revenues as it successfully navigates through its SaaS transition.

Eleco, alongside its customer centricity, continues to benefit from international industry trends and drivers, such as digitalisation and the incorporation of Artificial Intelligence (AI) to improve productivity, the reduction of waste and carbon footprint, efficient delivery models across the lifecycle utilising greater data collaboration and integration.

Performance and future

Recurring revenue in the first half grew by 18 per cent to £9.7m (H1 2022: £8.2m) and now accounts for 72 per cent of total revenue (H1 2022: 61 per cent of total revenue). This significant uplift in performance emphasises the benefits in our SaaS transition. Similarly, annualised recurring revenues increased by 18 per cent to £19.7m (H1 2022: £16.7m). Revenue was slightly ahead of forecast, despite the absence of revenue from a number of Swedish-based end-of-life products and a planned disposal. Profitability was in line with management's expectations.

For the full year 2023, we expect to see revenues in line with our plan and as a result of the SaaS transition, longer term sustainable growth and overall shareholder returns coming through.

Strategic progress

These organic developments and overall prospects have been supplemented by progress in other corporate activity. In February 2023, we sold the ARCON architectural CAD business, enabling increased focus on our core Building Lifecycle businesses.

In June 2023, we acquired a UK provider of easy-to-use, scalable Project Portfolio Management (PPM) software for a net consideration of £3.6m. The value enhancing addition of the BestOutcome business broadens our customer base and provides potential extended cross fertilisation of solutions to our existing customers.

Environmental, Social and Governance (ESG)

As Chair of our ESG Committee, I am keen to ensure that Eleco is at the forefront of initiatives that deliver on and fulfil our important responsibilities and ESG commitments. Having adopted a balanced scorecard approach, environmentally, we are measuring our performance against KPIs, building on the short-term objective of our Net Zero carbon offset. Internal measures continue to minimise our own footprint and we are looking at other ways to assist our customers' ability to measure and reduce their own emissions.

Socially, we have been building our Employee Value Proposition, internal management training, and Eleco's impact in the community through volunteering and wellness initiatives. We were pleased to achieve higher scoring in the Great Place to Work® certifications this year, deepening the bonds within and across the Group. Also, in Governance, new Group policies are being progressively and regularly rolled out to employees via an internal training platform.

Dividend

Having regard to both the organic and inorganic needs of the business and recent performance, the Board is increasing the interim dividend by 25 per cent to 0.25 pence per share (H1 2022: 0.20 pence per share), payable on 6th October 2023 to interim dividend by 25 per cent to 0.25 pence per share (H1 2022: 0.20 pence per share), payable on 6th October 2023 to shareholders on the Register on 22 September 2023, and the ex-dividend date will be 21st September 2023.

Employees

The key to any successful business, and our biggest asset, is our people; the management and colleagues without whom the Group cannot achieve the success it strives for. We are very fortunate in having highly dedicated, talented and hardworking colleagues across the world. On behalf of the Board, I wish to express my thanks for their continued efforts and their support.

Board updates

We are currently at an advanced stage of recruiting a new Chair and an Independent Non-Executive Director who will in turn become Chair of the Audit & Risk Committee. Announcements on these two roles are expected to be forthcoming prior to the year end.

Current trading and outlook

The Group's transformation to a high recurring revenue, SaaS driven business is now well advanced and entering a new phase that will bring further significant operational and financial benefits.

We are confident that we will continue to weather economic and market headwinds given our clearly defined and executed strategy for growth. Our technological solutions help our customers drive efficiencies in these challenging environments.

We continue to deliver organic growth and accelerate delivery of our plan via complementary acquisitions that enable us to scale up and exploit market opportunities.

We are well positioned to grow our international markets and see continued progress and positive momentum for the future with current trading in line with our internal expectations for the full year.

Mark Castle
Interim Non-Executive Chairman
11 September 2023

Chief Executive's Statement

Introduction

We are encouraged by Eleco's trading performance for the first six months of the financial year, in which we have continued to deliver on our strategy. We previously flagged that H1 2023 would be the low point of the temporary financial impact of the SaaS transition. However, we are pleased to report we have grown compared to H1 2022.

Despite continued macroeconomic pressures, which have negatively impacted revenue streams, we remain resolute in our focus on our growth strategy and delivery of business performance and in our ambition to be the world-class, global leader in software for the built environment. Building on the H1 2023 milestone of the SaaS transition, we believe we have the people, technology, know-how and culture to further execute on this successful journey.

Strategy and strategic developments

Eleco's vision is to solve the challenges of the built environment for our customers through digital transformation. We do this by providing best-of-breed software and living by our core values, such as collaboration, excellence and customer-centricity: in short, we aim to be our customers' trusted, proven technology partner. The SaaS transition is but one major change in our transformational journey. Artificial intelligence (AI) is another: AI capabilities will provide greater reliability and programme forecasting whilst improved risk management will reduce the time and cost overruns that continue to impact projects, in turn improving productivity.

The Group has a strong pedigree within an industry that is currently increasing data adoption from historically low levels. This is a long-term underlying trend to meet the demands of population growth on housing and infrastructure, environmental needs and targets, increased regulation and compliance, the need to reduce time, cost and waste, modularised formats, data sharing, 4D Building Information Modelling (BIM) demands and more. The growth strategy is therefore focussed on go-to-market initiatives to further develop the awareness of Eleco's best technical capabilities, meeting the needs of customers and accordingly delivering digital transformation.

Eleco's customer-focussed approach extends beyond simply knowing the many inputs of a project; we understand what our customers are seeking to achieve with their digital transformation and how planning, estimating and maintenance management can be adjusted to ensure they stay on course. This understanding informed strategic decision to acquire BestOutcome in June 2023, providing greater opportunities for our customers and widening our total addressable market.

BestOutcome is a profitable, high quality SaaS business and leading UK provider of easy-to-use, highly configurable, scalable Project Portfolio Management (PPM) software. It strengthens our Building Lifecyle portfolio in line with Eleco's growth strategy to enhance its predictable recurring revenue (alongside our SaaS transition) and to invest in synergistic software products and technologies. The incumbent directors and owners of BestOutcome have reinvested profits into doubling its world-class development team over the last few years, enabling a highly secure and practical solution for planning and managing programmes for customers in public and private sectors. The integration process is already progressing well.

During H1 2023, Eleco sold Eleco Software GmbH, the German 'ARCON' architectural CAD business, a non-core operation.

Business developments, operations and performance

We revisited our growth strategy in the US and reinitiated our approach to direct sales in April, targeting general contractors in the US and while our resellers commenced the SaaS transition. The customer interest and increased level of new customers provided confidence to incrementally investing in our US operation, introducing marketing and sales resources in Q2 and a finance resource in Q3.

The Group is proud to partner with the C-Tech Club - a networking group of over 386 founders and CEOs of construction technology start-ups - and in May 2023, we sponsored the C-Tech Start-Up Village at the Digital Construction Week (DCW) 'Innovation in the Built Environment' event in London's Excel Centre.

At DCW, we announced the reintroduction of the widely recognised and respected Asta product brand in response to customer feedback and in conjunction with the release of the lean planning module, Asta Connect, and Version 17 of Asta Powerproject. Asta now covers the whole suite of broader project scheduling solutions from end-to-end visibility of project changes and progress reporting across organisations and locations, to on-site task updates.

The Leadership team continued to evolve our technology roadmap to drive targeted M&A search and to continue to steer our investment in our innovative software solutions. Several product development initiatives are underway, including those focusing on document and data management, our customer portal, the Elecoverse, as well as modularisation and enhancements in our core offerings.

Though we have been using Artificial Intelligence (AI) and Machine Learning (ML) in a number of our solutions for many years, for example in our Veeuze visualisation configurators, we have entered a new phase in this development. We have recently entered into a strategic partnership with Nodes & Links where we will draw upon their cumulative AI investments to offer enhanced functionality as a next-gen enabler to our mutually held end-customers.

We are also pleased that Elecosoft has obtained the sought-after ISO 27001/27002 certifications in its continued commitment to customer data security in the UK. ISO 27001 Information Security Management standard (ISMS) details the requirements for businesses to securely manage information assets and data to an internationally recognised standard and 27002 has the detailed controls that back this up. It provides a robust approach for managing assets such as customer and 27002 has the detailed controls that back this up. It provides a robust approach for managing assets such as customer and employee details, intellectual property, financial information, third-party data, and reducing the risks of breaches and cybercrime.

As previously highlighted, many companies in SaaS transitions see significant reductions in revenues, but the Group broadly maintained revenues and in this first half of 2023, delivered a slight increase over H1 2022. Total recurring revenues increased by 18 per cent (H1 2022: 9 per cent; and against 10 per cent for 2022 as a whole). Annualised recurring revenues at 30 June also grew 18 per cent; organic growth rates for continuing operations' for the period showed a 21 per cent rise for total recurring revenue and 24 per cent increase for annualised recurring revenue.

These revenue growth levels are testament to the strength of our customer software offerings. Within this total, we have seen a reduction in service revenues due to macroeconomic market pressures, which has caused purchasing delays in particular with our CAD and Visualisation solutions. Revenues in Germany have reduced following the disposal of our non-core German ARCON business in February 2023. Furthermore there was a reduction in Scandinavian revenues from the planned impact of the end-of-life of the Group's Memmo and Sitecon products, and the announced end-of-life of a third-party product resold in Sweden.

The move by our customers from upfront and one-off perpetual licences to high-quality subscription and SaaS licences where revenues are recognised over time, set against an operating cost base subject to current inflationary factors, impacted profitability, as anticipated. Nevertheless, with the benefit of the profit on disposal of the ARCON business, Adjusted Profit Before Taxation of £1.8m, adjusted for acquisition costs and share based payments was as anticipated (H1 2022: Adjusted Profit Before Taxation of £2.0m). With a lower tax charge, Adjusted earnings per share was 1.7 pence per share (H1 2022: 1.9 pence per share).

Underlying cash generation remains strong, despite the impact of the SaaS transition, with free cash flow of £1.8m (H1 2022: £2.1m). The overall cash balance of £9.4m (£11.3m at 30 June 2022; £12.5m at 31 December 2022) is after a net cash consideration for BestOutcome of £3.5m and an increased final dividend and one-off special dividend payments made in the first half totalling £0.9m (H1 2022: £0.3m).

Appointments

We were pleased to welcome David Hughes as Regional Managing Director, UK in March of this year, with his extensive background in go-to-market and customer success through SaaS transitions, drawing on his time as Managing Director at Excitech, the former largest Autodesk reseller in the UK.

Mark Chapman also joined as Head of Innovation in April of this year, bringing with him a wealth of experience as a construction technology innovator and leader, with almost 30 years of planning and delivering civil, building, rail and marine projects internationally, as well as advising companies of all sizes on the wider adoption of digital technology.

Summary

We continue to successfully execute on our growth strategy. We are the trusted technology partner for our customers, who increasingly look to us to help them solve their challenges and provide certainty for the built environment. I am proud of our world-class team of talented colleagues, their energy, collective culture, enthusiasm and determination to drive our success into the future. Eleco is a "Great Place to Work".

Although some customers are belt-tightening due to macroeconomic pressures, we are extremely well-positioned within our markets with an established and loyal customer base, outstanding technology, positive market growth trends and drivers, and a clear customer-focussed growth strategy. We are very pleased with our recent acquisition of BestOutcome, which, through its integration into the Eleco family, strengthens the existing Building Lifecycle offering and further builds our SaaS recurring revenue portfolio with a wider, more diverse customer base. We shall continue to identify appropriate acquisitions that will strengthen our customer relationships, complement our technological innovation, extend our geographic capabilities, and further enhance our recurring revenues and overall financial performance.

Eleco is fundamentally delivering on its SaaS strategy which will bring further significant operational and financial benefits. We remain focussed on the continued growth of organic recurring revenues, supplemented by further inorganic growth opportunities. We are confident in continued progress and positive momentum for the future, underpinned by our current trading tracking in line with expectations for the full year.

Jonathan Hunter
Chief Executive Officer
11 September 2023

Condensed Consolidated Income Statement

for the financial period ended 30 June 2023

	Notes	Six months to 30 June 2023 (unaudited) £'000	2022 (unaudited) £'000	Year ended 31 December 2022 £'000
Revenue	3, 4	**13,486**	13,435	26,566
Cost of sales		**(1,440)**	(1,607)	(3,087)
Gross profit		**12,046**	11,828	23,479
Amortisation and impairment of intangible assets		**(844)**	(744)	(1,596)
Acquisition expenses and stamp duties		**(262)**	-	-
Share-based payments		**(148)**	(69)	(201)
Other selling and administrative expenses		**(9,722)**	(9,221)	(18,699)
Selling and administrative expenses		**(10,976)**	(10,034)	(20,496)
Operating profit	4, 5	**1,070**	1,794	2,983
Finance income / (expense)	6	**35**	(61)	(39)
Gain on business disposal	16	**150**	-	-
Profit before tax		**1,255**	1,733	2,944
Tax		**(236)**	(394)	(549)
Profit for the period		**1,019**	1,339	2,395
Attributable to:				
Equity holders of the parent		**1,019**	1,339	2,395

Earnings per share (pence per share)				
Basic earnings per share	7	**1.2p**	1.6p	2.9p
Diluted earnings per share	7	**1.2p**	1.6p	2.9p

Condensed Consolidated Statement of Comprehensive Income
for the financial period ended 30 June 2023

	Six months to 30 June		Year ended
	2023 (unaudited) £'000	2022 (unaudited) £'000	31 December 2022 £'000
Profit for the period	**1,019**	1,339	2,395
Other comprehensive income/(expense):			
Items that will be reclassified subsequently to profit or loss:			
Translation differences on foreign operations	**(376)**	(115)	(107)
Other comprehensive (loss) net of tax	**(376)**	(115)	(107)
Total comprehensive income for the period	**643**	1,224	2,288
Attributable to:			
Equity holders of the parent	**643**	1,224	2,288

Condensed Consolidated Statement of Changes in Equity
for the financial period ended 30 June 2023

	Share capital £000	Share Premium £000	Merger reserve £000	Translation Reserve £000	Other Reserve £000	Retained earnings £000	Total £000
At 1 January 2023	**832**	**2,406**	**1,002**	**(386)**	**196**	**21,792**	**25,842**
Dividends	-	-	-	-	-	**(889)**	**(889)**
Share-based payments	-	-	-	-	**148**	-	**148**
Elimination of exercised share-based Payments	-	-	-	-	**(6)**	**6**	-
Issue of share capital	-	**12**	-	-	-	-	**12**
Transactions with owners	-	**12**	-	-	**142**	**(883)**	**(729)**
Profit for the period	-	-	-	-	-	**1,019**	**1,019**
Other comprehensive income/(expense):							
Exchange differences on translation of net investments in foreign operations	-	-	-	**(376)**	-	-	**(376)**
Total comprehensive income for the period	-	-	-	**(376)**	-	**1,019**	**643**
At 30 June 2023 (unaudited)	**832**	**2,418**	**1,002**	**(762)**	**338**	**21,928**	**25,756**

	Share Capital £000	Share Premium £000	Merger Reserve £000	Translation Reserve £000	Other Reserve £000	Retained Earnings £000	Total
At 1 January 2022	832	2,406	1,002	(279)	(5)	19,890	23,846
Dividends	-	-	-	-	-	(329)	(329)
Share-based payments	-	-	-	-	69	-	69
Elimination of exercised share-based payments	-	-	-	-	(69)	69	-
Transactions with owners	-	-	-	-	-	(260)	(260)
Profit for the period	-	-	-	-	-	1,339	1,339
Other comprehensive income/(expense):							
Exchange differences on translation of net investments in foreign operations	-	-	-	(115)	-	-	(115)
Total comprehensive income for the period	-	-	-	(115)	-	1,339	1,224
At 30 June 2022 (unaudited)	832	2,406	1,002	(394)	(5)	20,969	24,810

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2022	832	2,406	1,002	(279)	(5)	19,890	23,846
Dividends	-	-	-	-	-	(493)	(493)
Share-based payments	-	-	-	-	201	-	201
Transactions with owners	-	-	-	-	201	(493)	(292)
Profit for the period	-	-	-	-	-	2,395	2,395
Other comprehensive income/(expense):							
Exchange differences on translation of net investments in foreign operations	-	-	-	(107)	-	-	(107)
Total comprehensive income for the period	-	-	-	(107)	-	2,395	2,288
At 31 December 2022	832	2,406	1,002	(386)	196	21,792	25,842

Condensed Consolidated Balance Sheet

at 30 June 2023

	Notes	30 June 2023 (unaudited) £'000	30 June 2022 (unaudited) £'000	31 December 2022 £'000
Non-current assets				
Goodwill		**18,834**	15,247	15,337
Other intangible assets	9	**8,188**	6,713	6,591
Property, plant and equipment		**947**	728	745
Right-of-Use assets		**982**	1,436	1,479
Deferred tax assets		**85**	85	51
Total non-current assets		**29,036**	24,209	24,203
Current assets				
Inventories		**89**	26	44
Trade and other receivables		**4,512**	3,746	4,057
Current tax assets		**288**	305	356
Assets of disposal group held for sale	10	**-**	842	794
Cash and cash equivalents		**9,410**	10,926	12,137
Total current assets		**14,299**	15,845	17,388
Total assets		**43,335**	40,054	41,591
Current liabilities				
Lease liabilities		**(467)**	(402)	(467)
Trade and other payables		**(1,788)**	(1,748)	(1,523)
Current tax liabilities		**(109)**	-	-
Liabilities of disposal group held for sale	10	**-**	(184)	(428)
Accruals and deferred income	12	**(12,025)**	(9,831)	(10,305)
Total current liabilities		**(14,389)**	(12,165)	(12,723)
Non-current liabilities				
Lease liabilities		**(1,002)**	(1,216)	(1,215)
Deferred tax liabilities		**(2,162)**	(1,837)	(1,785)
Non-current provisions		**(26)**	(26)	(26)
Total non-current liabilities		**(3,190)**	(3,079)	(3,026)
Total liabilities		**(17,579)**	(15,244)	(15,749)
Net assets		**25,756**	24,810	25,842
Equity				
Share capital		**832**	832	832
Share premium account		**2,418**	2,406	2,406
Merger reserve		**1,002**	1,002	1,002
Translation reserve		**(762)**	(394)	(386)
Other reserve		**338**	(5)	196
Retained earnings		**21,928**	20,969	21,792
Equity attributable to shareholders of the parent		**25,756**	24,810	25,842

Condensed Consolidated Statement of Cash Flows

for the financial period ended 30 June 2023

	Notes	Six months to 30 June 2023 (unaudited) £'000	Six months to 30 June 2022 (unaudited) £'000	Year ended 31 December 2022 £'000
Cash flows from operating activities				
Profit before taxation		**1,255**	1,733	2,944
Net finance costs		**(35)**	61	39
Depreciation charge		**284**	271	621
Amortisation charge		**844**	744	1,596

Profit on sale of property, plant and equipment		**(15)**	(6)	(24)
Gain on business disposal	16	**(150)**	-	-
Share-based payment charge		**148**	69	201
Acquisition expenses		**262**	-	-
Decrease in provisions		**-**	(25)	(25)
Cash generated in operations before working capital movements		**2,587**	2,847	5,352
(Increase)/Decrease in trade and other receivables		**(428)**	498	193
Increase in inventories and work in progress		**(45)**	(10)	(27)
Increase in trade and other payables and accruals and deferred income		**706**	206	755
Cash generated in operations		**2,820**	3,541	6,273
Interest received/(paid)		**73**	38	(27)
Net income tax paid		**(131)**	(470)	(719)
Net cash inflow from operating activities		**2,762**	3,109	5,527
Investing activities				
Purchase of intangible assets		**(996)**	(902)	(1,631)
Purchase of property, plant and equipment		**(35)**	(134)	(158)
Acquisition of subsidiary undertakings net of cash acquired	17	**(3,827)**	-	-
Proceeds from sale of property, plant, equipment and intangible assets		**21**	15	53
Net proceeds on disposal of subsidiary undertakings		**511**	-	-
Net cash outflow from investing activities		**(4,326)**	(1,021)	(1,736)
Financing activities				
Repayment of bank loans		-	(101)	(102)
Repayments of leasing liabilities		**(270)**	(265)	(556)
Issue of share capital		**12**	-	-
Equity dividends paid		**(889)**	(329)	(493)
Net cash (outflow) from financing activities		**(1,147)**	(695)	(1,151)
Net (decrease)/increase in cash and cash equivalents		**(2,711)**	1,393	2,640
Cash and cash equivalents at beginning of period		**12,538**	10,055	10,055
Effects of changes in foreign exchange rates		**(417)**	(110)	(157)
Cash and cash equivalents at end of period		**9,410**	11,338	12,538

Notes to the Condensed Consolidated Interim Financial Information

1. General information
The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is Dawson House, 5 Jewry Street, London, EC3N 2EX.

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

The condensed consolidated interim financial information does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The Group's consolidated financial statements for the year ended 31 December 2022 have been filed at Companies House. The audit report was not qualified and did not contain a reference to any matter to which the auditor drew attention by way of emphasis and did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006.

2. Basis of preparation
The condensed consolidated interim financial statements for the six months to 30 June 2023 have been prepared in accordance with the accounting policies which will be applied in the twelve months financial statements to 31 December 2023. These accounting policies will be drawn up in accordance with applicable law and UK-adopted International Accounting Standards (UK-IAS) that are effective at 31 December 2023.

The condensed consolidated interim financial statements are unaudited. They do not include all the information and disclosures required in the annual financial statements or for full compliance with UK-IAS, and therefore should be read in conjunction with the Group's published financial statements for the year ended 31 December 2022. The comparative figures for the year ended 31 December 2022 are not the Company's statutory accounts for that period but have been extracted from these accounts.

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

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022 with the addition of fair values acquisition accounting for BestOutcome Ltd.

Risks and uncertainties
A summary of the Group's principal risks and uncertainties was set out on pages 16 to 19 of the 2022 Annual Report and Accounts. The Board considers these risks and uncertainties are still relevant to the current financial year and the impact of changes in the UK economy is reviewed in the Chairman's statement contained in this report.

The Interim Report was approved by the Directors on 11 September 2023.

3. Revenue

Revenue disclosed in the income statement is analysed as follows:

	Six months to 30 June		Year to 31 December
	2023 £'000	2022 £'000	2022 £'000
Perpetual licences	**1,028**	2,247	3,606
[illegible]	[illegible]	[illegible]	[illegible]

Recurring revenue - other licences	**9,692**	8,204	16,927
Services income	**2,766**	2,984	6,033
	13,486	13,435	26,566

Revenue is recognised for each category as follows:

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

4. Segmental information

Operating Segments

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

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

	Six months to 30 June		Year ended 31 December
	2023 £'000	2022 £'000	2022 £'000
Revenue	**13,486**	13,435	26,566
Adjusted EBITDA	**2,608**	2,878	5,401
Share-based payments	**(148)**	(69)	(201)
Amortisation and impairment of purchased intangible assets	**(594)**	(494)	(1,097)
Depreciation	**(284)**	(271)	(621)
Adjusted operating profit	**1,582**	2,044	3,482
Amortisation of acquired intangible assets	**(250)**	(250)	(499)
Acquisition expenses and stamp duties	**(262)**	-	-
Operating profit	**1,070**	1,794	2,983
Net finance income/(cost)	**35**	(61)	(39)
Gain on business disposal	**150**	-	-
Segment profit before tax	**1,255**	1,733	2,944
Tax	**(236)**	(394)	(549)
Segment profit after tax	**1,019**	1,339	2,395
Operating profit	**1,070**	1,794	2,983
Amortisation of intangible assets	**844**	744	1,596
Depreciation charge	**284**	271	621
EBITDA	**2,198**	2,809	5,200
EBITDA	**2,198**	2,809	5,200
Acquisition expenses	**262**	-	-
Share-based payments	**148**	69	201
Adjusted EBITDA	**2,608**	2,878	5,401

Geographical, product and sales channel information

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

	Six months to 30 June		Year ended 31 December
	2023 £'000	2022 £'000	2022 £'000
UK	**5,676**	5,276	10,263
Scandinavia	**3,035**	3,354	6,388
Germany	**1,767**	2,180	4,449
USA	**570**	594	1,101
Rest of Europe	**2,123**	1,742	3,808
Rest of World	**315**	289	557
	13,486	13,435	26,566

Revenue by product group represents revenue from external customers.

	Six months to 30 June		Year ended 31 December
	2023 £'000	2022 £'000	2022 £'000
Revenue from software & related services:			
Building Lifecycle	**9,328**	8,883	17,248
CAD & Visualisation	**3,499**	3,638	7,432
Other - third party software	**659**	914	1,886

	13,486	13,435	26,566

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

	Six months to 30 June		Year ended 31 December
	2023 £'000	2022 £'000	2022 £'000
Direct	**12,958**	12,749	25,317
Reseller	**528**	686	1,249
	13,486	13,435	26,566

5. Operating profit

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

	Six months to 30 June		Year ended 31 December
	2023 £'000	2022 £'000	2022 £'000
Software product development expense	**1,030**	887	1,526
Depreciation of property, plant and equipment	**76**	98	147
Depreciation of Right-of-Use assets	**208**	173	474
Amortisation of acquired intangible assets	**250**	250	499
Amortisation of other intangible assets	**594**	494	1,097
Share-based payments	**148**	69	201
Profit on disposal of property, plant and equipment	**(15)**	(6)	(24)
Foreign exchange losses/(gains)	**39**	10	(206)
Acquisition expenses and stamp duties	**262**	-	-

6. Net finance cost

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

	Six months to 30 June		Year ended 31 December
	2023 £'000	2022 £'000	2022 £'000
Finance income:			
Bank and other interest receivable	**60**	-	20
Finance costs:			
Bank overdraft and loan interest	**-**	(1)	(4)
Inputted interest expense for leasing arrangements	**(25)**	(60)	(55)
Total net finance income/(cost)	**35**	(61)	(39)

7. Basic and diluted earnings per share

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

Six months to 30 June								
2023			2022			Year to 31 December 2022		
Profit attributable to shareholders (£'000)	**Weighted average number of shares (millions)**	**EPS (p)**	Profit attributable to shareholders (£'000)	Weighted average number of shares (millions)	EPS (p)	Profit attributable to shareholders (£'000)	Weighted average number of shares (millions)	EPS (p)

Basic earnings per share	**1,019**	**82.3**	**1.2**	1,339	82.2	1.6	2,395	82.2	2.9
Diluted earnings per share	**1,019**	**83.7**	**1.2**	1,339	82.7	1.6	2,395	83.0	2.9
Adjusted earnings per share	**1,433**	**82.3**	**1.7**	1,541	82.2	1.9	2,799	82.2	3.4

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 14.

8. Dividends

Interim dividend

The Directors have recommended an interim dividend of 0.25 pence per ordinary share (2022: interim dividend of 0.20 pence per ordinary share).

Dividends paid in the period

Dividends paid in the six months to 30 June 2023, consisting of a final and special dividend, were 1.08 pence per ordinary share (2022: 0.40 pence per ordinary share). Cash dividends of £889,000 (2022: £329,000) were paid in the six months to 30 June 2023 as follows:

	Six months to 30 June				Year to 31 December	
Ordinary Shares	**2023 per share**	**2023 £'000**	2022 per share	2022 £'000	2022 per share	2022 £'000
Declared and paid during the year						
Interim - current year	**-**	**-**			0.20	164
Special - previous year	**0.58**	**477**	-	-	-	-
Final - previous year	**0.50**	**412**	0.40	329	0.40	329
	1.08	**889**	0.40	329	0.60	493

9. Other intangible assets

Other intangible assets comprise capitalised development costs, acquired customer relationships and purchased intangible assets. Additions in the six months to 30 June 2023 represent purchased intangible assets of £1,448,000 relating to intangible assets recognised on acquisition of BestOutcome (see Note 17) (2022 half year: £164,000) and internal development costs capitalised of £996,000 (2022 half year: £738,000). Internal development relates to software development projects that meet the accounting policy criteria for capitalisation. At the year ended 31 December 2022, purchased intangible assets comprised £81,000 of additions and £1,550,000 of internal development cost additions.

10. Disposal Group held for sale

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

The table below reflects assets of the disposal group held for sale measured at the lower of carrying amount and fair value less costs to sell in the Consolidated Balance Sheet. There was no revaluation from reclassification required as a result of this business classification under IFRS 5. Effective 1 January 2023, the business was disposed of to an Austrian buyer (see note 16).

	At 30 June 2023		At 31 December
	2023	2022	2022
Assets Held for Sale	**(unaudited) £'000**	(unaudited) £'000	£'000
Goodwill	-	336	336
Other intangible assets	-	1	2
Property, plant and equipment	-	9	9
Right-of-Use assets	-	74	19
Trade and other receivables	-	10	27
Cash and cash equivalents	-	412	401
Total Assets Held for sale	-	842	794

Liabilities of disposal group held for sale

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

	Six months to 30 June		Year ended 31 December
Liabilities Held for Sale	**2023 (unaudited) £'000**	2022 (unaudited) £'000	2022 £'000
Lease liabilities	-	(76)	(19)
Trade and other payables	-	(53)	(350)
Accruals and deferred income	-	(55)	(59)
Total Liabilities Held for Sale	-	(184)	(428)

11. Cash and borrowings

The net cash position of the Group as at 30 June 2023 is set out below:

	At 30 June		At 31 December
	2023 £'000	2022 £'000	2022 £'000
Cash and cash equivalents	**9,410**	11,338	12,538
Bank loans	**-**	-	-
Lease liabilities	**(1,469)**	(1,693)	(1,682)

Lease liabilities

	7,941	9,645	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 percent over base rate (undrawn at 30 June 2023, 31 December 2023 and 30 June 2022).

12. Accruals and deferred income

	At 30 June		At 31 December
	2023 £'000	2022 £'000	2022 £'000
Accruals	**2,425**	2,570	2,518
Deferred income	**9,600**	7,261	7,787
	12,025	9,831	10,305

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

13. Related party disclosures

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

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

14. Additional performance measures

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

	Six months to 30 June		Year ended 31 December
	2023 £'000	2022 £'000	2022 £'000
Operating profit	**1,070**	1,794	2,983
Acquisition expenses and stamp duties	**262**	-	-
Amortisation of acquired intangible assets	**250**	250	499
Adjusted operating profit	**1,582**	2,044	3,482
Profit before tax	**1,255**	1,733	2,944
Acquisition expenses and stamp duties	**262**	-	-
Amortisation of acquired intangible assets	**250**	250	499
Adjusted profit before tax	**1,767**	1,983	3,443
Tax charge	**(236)**	(394)	(549)
Acquisition expenses and stamp duties	**(50)**	-	-
Amortisation of acquired intangible assets	**(48)**	(48)	(95)
Adjusted tax charge	**(334)**	(442)	(644)
Profit after tax	**1,019**	1,339	2,395
Acquisition expenses and stamp duties	**212**	-	-
Amortisation of acquired intangible assets	**202**	202	404
Adjusted profit after tax	**1,433**	1,541	2,799
Cash generated in operations	**2,820**	3,541	6,273
Purchase of intangible assets	**(996)**	(902)	(1,631)
Purchase of property, plant and equipment	**(35)**	(134)	(158)
Acquisition expenses and stamp duties	**262**	-	-
Adjusted operating cash flow	**2,051**	2,505	4,484
Adjusted operating cash flow	**2,051**	2,505	4,484
Net interest received/(paid)	**73**	38	(27)
Tax paid	**(131)**	(470)	(719)
Proceeds from disposal of PPE	**21**	15	53
Acquisition expenses and stamp duties	**(262)**	-	-
Free cashflow	**1,752**	2,088	3,791

15. Exchange rates

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

	Income Statement six months to 30 June		Balance sheet as at 30 June		Year to 31 December	
	2023	2022	**2023**	2022	Income Statement	Balance sheet

Swedish Krona to Sterling	**13.00**	12.41	**13.71**	12.45	12.46	12.61
Euro to Sterling	**1.14**	1.19	**1.16**	1.16	1.17	1.13
US Dollar to Sterling	**1.24**	1.30	**1.27**	1.22	1.24	1.21

16. Disposal of subsidiary

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

17. Acquisition of BestOutcome Ltd

The Company announced on 27 June 2023 that it has 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 initial value of £3.525m 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 is exclusively financed by the Company's internal cash resources.

The transaction includes a potential deferred outflow of £0.5m by the end of the year ended 31 December 2024 with this remuneration subject to the BestOutcome management team attaining specific performance targets in 2023 and 2024.

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 (principally values of brands), to goodwill. All intangible assets, in accordance with IFRS3 Business Combinations, were recognised at their provisional fair values on acquisition date, with the residual excess over net assets being recognised as brands and goodwill. Intangibles arising from the acquisition consist of brand values, and along with an assessment of other potential intangibles such as customer relationships, intellectual property and R&D, 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	770
Development expenditure	675
Other intangibles	3
Property, plant and equipment	18
Trade receivables and prepayments	179
Cash and cash equivalents	1,266
Trade and other payables	(162)
Deferred income	(1,047)
Corporation tax	(72)
Deferred tax liabilities	(342)
Net assets acquired	1,288
Goodwill	3,543
Acquisition cost	4,831

There are no non-controlling interests in relation to the BestOutcome Ltd 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.

The acquisition cost was satisfied by:

	£'000
Cash	4,831
Share consideration	-
Total consideration	**4,831**

The net cash outflow arising on acquisition was:

	£'000
Cash consideration paid	4,831
Acquisition related costs	262
Cash and cash equivalents within the BestOutcome business on acquisition	(1,266)
Total net cash outflow on acquisition	**3,827**

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 £262,000. These costs have been charged in distribution and administrative expenses in the consolidated income statement.

BestOutcome Ltd, in common with other Group companies, has a 31 December calendar year end. In the preceding financial year 2022 BestOutcome Ltd 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 Ltd would have contributed revenue of £1.0m and profit before taxation of £0.2m to the Group results in this first half year.