

The logo for ELECO, featuring the word "ELECO" in a bold, white, sans-serif font with a registered trademark symbol (®) to the upper right. The background is a dark blue with a faint, white wireframe pattern of geometric shapes.

**Eleco plc**  
**Interim report 2020**  
for the six months ended 30 June 2020

**Building on Technology®**

# Introduction

Eleco plc (AIM:ELCO) drives shareholder value by providing leading software and related services through its operating brands ElecoSoft, ActiveOnline and ESIGN from centres of excellence in the UK, Sweden, Germany, the Netherlands and the USA.

Trusted by an international customer network, the Group delivers a portfolio of software used throughout the building lifecycle from early planning stages through to construction, interior fit out and design, asset management and facilities management to support project management, estimation, visualisation, Building Information Modelling (BIM), property management and digital marketing disciplines.

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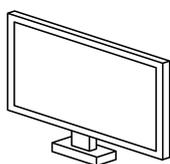
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# Highlights

six months to 30 June 2020

	Six months to 30 June		
	2020 £'000	2019 £'000	Change
<b>Financial</b>			
Revenue	<b>12,215</b>	12,711	-4%
Recurring maintenance support and subscription revenue	<b>6,953</b>	6,763	+3%
Operating profit	<b>2,071</b>	1,746	+19%
Adjusted operating profit*	<b>2,366</b>	2,138	+11%
Profit before tax	<b>1,930</b>	1,567	+23%
Basic earnings per share (pence per share)	<b>1.9</b>	1.6	+19%
Adjusted earnings per share** (pence per share)	<b>2.2</b>	2.0	+10%
Free cash flow***	<b>3,711</b>	2,111	+76%

\* Adjusted to exclude acquisition related expenses and amortisation of acquired intangible assets.

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

\*\*\* Free cashflow represents net cash inflow from operating activities less net cash outflow from investing activities.

## Operational

- ShireSystem's customer base expanded to include the food and drink manufacturing, health and social, chemical and pharmaceutical and construction sectors.
- Construction planning community offered complimentary Powerproject training to planners on furlough in the UK.
- Extended licence agreements offered to enable customers to work remotely.
- Implemented full home working across the Group to maintain support for customers.
- Virtual training and consultancy promoted to enable customers to maximise their use of the software.

# Chairman's Statement

**“Eleco has shown resilience in the period by improving operating profit and strengthening its financial position.”**

## Chairman's Statement

Eleco performed well in the first half of 2020, dealing effectively with the Covid-19 threat to its business and delivering a creditable operational and trading performance as very difficult market conditions developed in the period.

This has been made possible by the thorough planning and rapid response in dealing with the initial threat of the Covid-19 breakout by our management and I thank all our employees for adapting to their new working environment whilst continuing to provide our customers with continued excellent service. The initiatives that were taken enabled the Group to remain resilient and cash generative.

## Trading Performance

### Revenues

Revenues in the first half of 2020 were £12,215,000 (2019: £12,711,000), a decrease in turnover of 4 per cent; or 3 per cent at constant currencies. In my view, our sales, marketing and support colleagues are to be congratulated on their performance given the challenges affecting most of our markets in the period.

Revenues from recurring maintenance, support, and other subscription-based contracts amounted to £6,953,000 (2019: £6,763,000), equivalent to 57 per cent of total unaudited revenues (2019: 53 per cent).

### Profit

Operating Profit for the period was £2,071,000 (2019: £1,746,000), an increase of 19 per cent, after crediting £133,000 (2019: £nil) relating to the UK Government's Covid-19 Job Retention Scheme and the comparable schemes in Sweden and Germany and after charging £nil (2019: £97,000) of acquisition and corporate finance related costs.

Adjusted operating profit, before charging acquisition and corporate finance related expenses £nil (2019: £97,000) and amortisation of acquired intangible assets of £295,000 (2019: £295,000) was £2,366,000 (2019: £2,138,000), representing an increase of 11 per cent that reflects the continuing strength of our core business and a strong focus on cost management during the period.

Profit before tax was £1,930,000 (2019: £1,567,000), an increase of 23 per cent.

The earnings per share for the period was 1.9 pence (2019: 1.6 pence), an increase of 19 per cent.

## Software

Our software portfolio, developed by our inhouse development teams, is the lifeblood of our business. Total software development spend (both capitalised and expensed elements) in the period amounted to £1,623,000 (2019: £1,524,000) and reflect our continuing efforts to enhance our software offering to the market. Software development expenditure capitalised in the period totalled £760,000 (2019: £633,000).

## Financial Performance

We worked hard to improve the Group's already strong financial position and, as at 30 June 2020, Eleco had net cash balances of £4,435,000 (2019: £198,000 net bank debt), an amount which included £396,000 of deferred VAT payments as allowed under HMRC guidance (2019: £nil).

## Operational Highlights

While retaining existing customers, we have also noted a welcome increase in the number of new accounts that we have gained across different industries in the period. For example, ShireSystem further diversified its customer base in the UK with additions from Food and Drink Manufacturing, Health and Social Care, Chemical and Pharmaceutical and Construction.

Elecosoft supported the construction planning community during a difficult period for the industry by providing complimentary Powerproject training and temporary software licences to planners who had been placed on furlough. We also supported some of our construction customers by offering complimentary extended licence agreements to enable them to work remotely during the Covid-19 lockdown.

We held a number of well-received, complimentary webinars, which dealt with construction delays, pauses and using our software to support the reopening of construction sites.

Other varied opportunities that have enabled us to provide service to our customers include:

- ShireSystem CMMS prevented downtime for Kingspan Insulated Panels across nine sites in six countries.
- Eleco's subsidiary ESIGN launched its new Artificial Intelligence visualisation tool at Domotex, Hanover, in January 2020.
- Powerproject Vision aided the Carey Group to boost business visibility and control.
- Minsur used Powerproject 4D BIM to visualise and report on the construction of its complex tailings reprocessing plant.

- Project planning precision enabled with Powerproject at Oxford University's Beecroft physics building.
- John Sisk & Sons deployed Site Progress Mobile to deliver woodland cabins for Center Parcs.

Recent events have demonstrated the need for us to satisfy our customers' requirements to be able to work more remotely and our software developers and trainers are increasingly seeking opportunities to support our customers in achieving their goals in this regard.

### Company Name Change

The Board made the decision to reinstate the former company name, Eleco plc. We had experienced confusion by customers and shareholders between the business brand and the subsidiaries' businesses and the Company's name. There will now be a clearer distinction between the operational activities under the ElecoSoft brand, launched in 2015, and the Company itself.

### Interim Dividend

Eleco's strong trading performance and cash generation in the six months to 30 June 2020 would normally have warranted the payment of an interim dividend. However, having regard to the uncertainties created by the Covid-19 pandemic, the Board has decided to not recommend an interim dividend.

### Directorate Changes

John Ketteley, after 23 years in the role, has decided it is the right time for him to stand down as Executive Chairman of Eleco and hand the reins over as we report on the results for the 6 months to 30th June. On behalf of all our stakeholders, I would like to take this opportunity to thank John for his enormous contribution over the last 23 years in developing the ElecoSoft business and delivering the profitable and growing software business we have today. We wish him all the very best for the future.

I congratulate Jonathan Hunter, our current COO, on his appointment as Interim CEO. Having worked closely with John for the last decade, Jonathan is acutely familiar with the operations and is well placed to lead the business going forward. I very much look forward to working closely with him and the Executive team over the coming months.

### Outlook

The Board believes that there is a greater need now than ever before for our customer base to adopt technology that brings innovation and efficiency. ElecoSoft's suite of solutions continues to be focused on delivering improved efficiencies to our customers, thus enabling them to reduce their own and their customers' costs and project risk. The actions we have taken and the continuing availability of our software, training and services, will enable us to assist our customers to maintain the momentum of their businesses in the year ahead despite the prevailing difficulties they face.

The challenges for the first half of the year were significant for many companies and I am pleased to report that Eleco performed creditably during these times and that all affected staff have been taken off furlough and returned to full time work.

Continuing successfully to address the near-term challenges that the current economic conditions present and focusing on our future growth strategy will be ever more important as we continue to recover from the impact of Covid-19.

Our excellent suite of products, loyal customer base and the strength of our Executive team and employees gives me the confidence that we will be able to continue to ride the wave of the storm and address the major opportunities ahead of us.

### Serena Lang Chairman

24 September 2020

# Condensed Consolidated Income Statement

for the financial period ended 30 June 2020

	Notes	Six months to 30 June		Year ended
		2020 (unaudited) £'000	2019 (unaudited) £'000	31 December 2019 £'000
Revenue	3,4	<b>12,215</b>	12,711	25,398
Cost of sales		<b>(1,298)</b>	(1,319)	(2,647)
<b>Gross profit</b>		<b>10,917</b>	11,392	22,751
Amortisation and impairment of intangible assets		<b>(786)</b>	(653)	(1,445)
Acquisition and corporate finance related expenses		<b>–</b>	(97)	(143)
Other selling and administrative expenses		<b>(8,060)</b>	(8,896)	(17,351)
Selling and administrative expenses		<b>(8,846)</b>	(9,646)	(18,939)
<b>Operating profit</b>	4,5	<b>2,071</b>	1,746	3,812
Finance cost	6	<b>(141)</b>	(179)	(339)
<b>Profit before tax</b>		<b>1,930</b>	1,567	3,473
Tax		<b>(414)</b>	(279)	(772)
<b>Profit for the financial period</b>		<b>1,516</b>	1,288	2,701
<i>Attributable to:</i>				
Equity holders of the parent		<b>1,516</b>	1,288	2,701
<b>Earnings per share (pence per share)</b>				
Basic earnings per share	7	<b>1.9p</b>	1.6p	3.3p
Diluted earnings per share	7	<b>1.8p</b>	1.6p	3.3p

# Condensed Consolidated Statement of Comprehensive Income

for the financial period ended 30 June 2020

	Six months to 30 June		Year ended
	2020 (unaudited) £'000	2019 (unaudited) £'000	31 December 2019 £'000
<b>Profit for the period</b>	<b>1,516</b>	1,288	2,701
<b>Other comprehensive income:</b>			
Items that will be reclassified subsequently to profit or loss:			
Translation differences on foreign operations	58	8	(51)
<b>Other comprehensive income/(loss) net of tax</b>	<b>58</b>	8	(51)
<b>Total comprehensive income for the period</b>	<b>1,574</b>	1,296	2,650
<i>Attributable to:</i>			
Equity holders of the parent	<b>1,574</b>	1,296	2,650

# Condensed Consolidated Statement of Changes in Equity

for the financial period ended 30 June 2020

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 January 2020</b>	<b>822</b>	<b>2,047</b>	<b>1,002</b>	<b>(198)</b>	<b>(108)</b>	<b>14,359</b>	<b>17,924</b>
Dividends	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	(9)	-	(9)
Issue of share capital	1	15	-	-	-	-	16
Transactions with owners	1	15	-	-	(9)	-	7
Profit for the period	-	-	-	-	-	1,516	1,516
Other comprehensive income:							
Exchange differences on translation of net investments in foreign operations	-	-	-	58	-	-	58
Total comprehensive income for the period	-	-	-	58	-	1,516	1,574
<b>At 30 June 2020 (unaudited)</b>	<b>823</b>	<b>2,062</b>	<b>1,002</b>	<b>(140)</b>	<b>(117)</b>	<b>15,875</b>	<b>19,505</b>

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2019 (restated)	818	2,049	1,004	(148)	(177)	11,933	15,479
Adjustments for prior periods (IFRS 16)	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(141)	(141)
Share-based payments	-	-	-	-	12	-	12
Issue of share capital	2	-	(2)	-	-	-	-
Transactions with owners	2	-	(2)	-	12	(141)	(129)
Profit for the period	-	-	-	-	-	1,288	1,288
Other comprehensive income:							
Exchange differences on translation of net investments in foreign operations	1	-	-	8	-	-	9
Total comprehensive income for the period	1	-	-	8	-	1,288	1,297
At 30 June 2019 (restated unaudited)	821	2,049	1,002	(140)	(165)	13,080	16,647

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2019 (restated)	818	2,049	1,004	(148)	(177)	11,933	15,479
Adjustments for prior periods (IFRS 16)	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(275)	(275)
Share-based payments	-	-	-	-	70	-	70
Issue of share capital	4	(4)	-	-	-	-	-
Transactions with owners	4	(4)	-	-	70	(275)	(205)
Profit for the period	-	-	-	-	-	2,701	2,701
Other comprehensive income:							
Exchange differences on translation of net investments in foreign operations	-	-	-	(51)	-	-	(51)
Other	-	2	(2)	1	(1)	-	-
Total comprehensive income for the period	-	2	(2)	(50)	(1)	2,701	2,650
At 31 December 2019	822	2,047	1,002	(198)	(108)	14,359	17,924

# Condensed Consolidated Balance Sheet

at 30 June 2020

	Notes	30 June		
		2020 (unaudited) £'000	2019 (restated) (unaudited) £'000	31 December 2019 £'000
<b>Non-current assets</b>				
Goodwill		15,643	15,684	15,598
Other intangible assets	9	7,223	7,445	7,242
Property, plant and equipment		702	821	734
Right-of-use assets		2,033	2,151	2,048
Deferred tax assets		87	155	118
<b>Total non-current assets</b>		<b>25,688</b>	26,256	25,740
<b>Current assets</b>				
Inventories		16	85	46
Trade and other receivables		3,035	3,920	4,339
Current tax assets		82	54	105
Cash and cash equivalents		9,779	6,763	7,236
<b>Total current assets</b>		<b>12,912</b>	10,822	11,726
<b>Total assets</b>		<b>38,600</b>	37,078	37,466
<b>Current liabilities</b>				
Borrowings	10	(1,648)	(1,647)	(1,645)
Lease liabilities		(589)	(588)	(558)
Trade and other payables		(1,529)	(1,304)	(1,704)
Provisions		(142)	(144)	(142)
Current tax liabilities		(87)	(375)	(117)
Accruals and deferred income	11	(8,263)	(7,786)	(7,747)
<b>Total current liabilities</b>		<b>(12,258)</b>	(11,844)	(11,913)
<b>Non-current liabilities</b>				
Borrowings	10	(3,696)	(5,314)	(4,490)
Lease liabilities		(1,663)	(1,767)	(1,691)
Deferred tax liabilities		(1,437)	(1,465)	(1,407)
Non-current provisions		(41)	(41)	(41)
<b>Total non-current liabilities</b>		<b>(6,837)</b>	(8,587)	(7,629)
<b>Total liabilities</b>		<b>(19,095)</b>	(20,431)	(19,542)
<b>Net assets</b>		<b>19,505</b>	16,647	17,924
<b>Equity</b>				
Share capital		823	821	822
Share premium account		2,062	2,049	2,047
Merger reserve		1,002	1,002	1,002
Translation reserve		(140)	(140)	(198)
Other reserve		(117)	(165)	(108)
Retained earnings		15,875	13,080	14,359
<b>Equity attributable to shareholders of the parent</b>		<b>19,505</b>	16,647	17,924

# Condensed Consolidated Statement of Cash Flows

for the financial period ended 30 June 2020

	Six months to 30 June		Year ended
	2020 (unaudited) £'000	2019 (unaudited) £'000	31 December 2019 £'000
<b>Cash flows from operating activities</b>			
Profit before tax	1,930	1,567	3,473
Net finance costs	141	179	339
Depreciation charge	426	450	902
Amortisation charge	786	653	1,445
Profit on sale of property, plant and equipment	–	(4)	(8)
Share-based payment charge	(9)	12	70
Decrease in provisions	–	–	(2)
<b>Cash generated in operations before working capital movements</b>	<b>3,274</b>	<b>2,857</b>	<b>6,219</b>
Decrease in trade and other receivables	1,304	571	152
Decrease/(increase) in inventories and work in progress	30	(75)	(39)
Increase/(decrease) in trade and other payables and accruals and deferred income	341	(223)	337
<b>Cash generated in operations</b>	<b>4,949</b>	<b>3,130</b>	<b>6,669</b>
Interest paid	(112)	(150)	(268)
Net income tax paid	(354)	(239)	(1,052)
<b>Net cash inflow from operating activities</b>	<b>4,483</b>	<b>2,741</b>	<b>5,349</b>
<b>Investing activities</b>			
Purchase of intangible assets	(760)	(633)	(1,237)
Purchase of property, plant and equipment	(35)	(50)	(110)
Proceeds from sale of property, plant, equipment and intangible assets	23	53	67
<b>Net cash outflow from investing activities</b>	<b>(772)</b>	<b>(630)</b>	<b>(1,280)</b>
<b>Financing activities</b>			
Repayment of bank loans	(812)	(823)	(1,646)
Repayments of leasing liabilities	(375)	(392)	(755)
Issue of share capital	–	–	–
Equity dividends paid	–	(141)	(275)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(1,187)</b>	<b>(1,356)</b>	<b>(2,676)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,524</b>	<b>755</b>	<b>1,393</b>
Cash and cash equivalents at beginning of period	7,236	6,036	6,036
Effects of changes in foreign exchange rates	19	(28)	(193)
<b>Cash and cash equivalents at end of period</b>	<b>9,779</b>	<b>6,763</b>	<b>7,236</b>
<b>Cash and cash equivalents comprise:</b>			
Cash and short term deposits	9,779	6,763	7,236
Bank overdrafts	–	–	–
	<b>9,779</b>	<b>6,763</b>	<b>7,236</b>

# 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 66 Clifton Street, London, EC2A 4HB. The Company changed its name from ElecoSoft plc to Eleco plc on 17 July 2020.

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

The condensed consolidated interim financial information does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The Group's consolidated financial statements for the year ended 31 December 2019 have been filed at Companies House. The audit report was not qualified 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 2020 have been prepared in accordance with the accounting policies which will be applied in the twelve months financial statements to 31 December 2020. These accounting policies are drawn up in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and as adopted for use in the European Union that are effective at 30 June 2020.

The condensed consolidated interim financial statements are unaudited. They do not include all the information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the Group's published financial statements for the year ended 31 December 2019. The comparative figures for the year ended 31 December 2019 are not the Company's statutory accounts for that period but have been extracted from these accounts. The accounting policies applied in these interim financial statements are the same as those applied in the annual financial statements for the year ended 31 December 2019, with the addition of a Government Grant policy.

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 2019.

### Risks and uncertainties

A summary of the Group's principal risks and uncertainties was set out on page 10 of the 2019 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 24 September 2020.

## 3. Revenue

Revenue disclosed in the income statement is analysed as follows:

	Six months to 30 June		Year to
	2020	2019	31 December
	£'000	£'000	2019
			£'000
Licence sales	2,721	3,018	5,877
Recurring maintenance, support and subscription revenue	6,953	6,763	13,557
Services income	2,541	2,930	5,964
	<b>12,215</b>	12,711	25,398

The categories of revenue have been updated to include subscription-based revenue in recurring maintenance, support and subscription revenue, and prior period amounts have been adjusted to conform to the current year presentation.

# Notes to the Condensed Consolidated Interim Financial Information

## continued

### 3. Revenue continued

Revenue is recognised for each category as follows:

- Licence sales – recognised at the point of transfer (delivery) of the licence to a customer.
- 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.

For the year ended 31 December 2019, reclassification of revenue types has been made with a net effect that £878,000 has been reclassified from Recurring to Services, while £169,000 has been reclassified from Licence to Services.

### 4. Segmental information

#### Operating segments

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

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

	Six months to 30 June		Year to
	2020 £'000	2019 £'000	31 December 2019 £'000
Revenue	<b>12,215</b>	12,711	25,398
Adjusted EBITDA	<b>3,283</b>	2,946	6,302
Amortisation and impairment of purchased intangible assets	<b>(491)</b>	(358)	(855)
Depreciation	<b>(426)</b>	(450)	(902)
<b>Adjusted operating profit</b>	<b>2,366</b>	2,138	4,545
Amortisation of acquired intangible assets	<b>(295)</b>	(295)	(590)
Acquisition expenses	–	(97)	(143)
<b>Operating profit</b>	<b>2,071</b>	1,746	3,812
Net finance cost	<b>(141)</b>	(179)	(339)
<b>Segment profit before tax</b>	<b>1,930</b>	1,567	3,473
Tax	<b>(414)</b>	(279)	(772)
<b>Segment profit after tax</b>	<b>1,516</b>	1,288	2,701
Operating profit	<b>2,071</b>	1,746	3,812
Amortisation of intangible assets	<b>786</b>	653	1,445
Depreciation charge	<b>426</b>	450	902
Acquisition expenses	–	97	143
<b>Adjusted EBITDA</b>	<b>3,283</b>	2,946	6,302

#### 4. Segmental information *continued*

##### Geographical, product and sales channel information

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

	Six months to 30 June		Year to
	2020	2019	31 December
	£'000	£'000	2019
			£'000
UK	<b>4,645</b>	4,704	9,436
Scandinavia	<b>2,995</b>	3,380	6,548
Germany	<b>2,216</b>	2,206	4,487
USA	<b>438</b>	442	1,021
Rest of Europe	<b>1,750</b>	1,717	3,407
Rest of World	<b>171</b>	262	499
	<b>12,215</b>	12,711	25,398

Revenue by product Group represents revenue from external customers.

	Six months to 30 June		Year to
	2020	2019	31 December
	£'000	£'000	2019
			£'000
Project Management	<b>4,708</b>	5,104	10,090
Site Management	<b>187</b>	192	395
Estimating	<b>1,381</b>	1,403	2,737
Engineering	<b>988</b>	1,100	2,232
CAD/Design	<b>836</b>	1,037	1,969
Information Management	<b>584</b>	710	1,400
Visualisation	<b>2,205</b>	2,020	4,150
Maintenance Management	<b>1,326</b>	1,145	2,425
	<b>12,215</b>	12,711	25,398

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

	Six months to 30 June		Year to
	2020	2019	31 December
	£'000	£'000	2019
			£'000
Direct	<b>11,628</b>	12,077	24,149
Reseller	<b>587</b>	634	1,249
	<b>12,215</b>	12,711	25,398

# Notes to the Condensed Consolidated Interim Financial Information

continued

## 5. Operating profit

Operating profit for the period is after charging/(crediting) the following items:

	Six months to 30 June		Year to
	2020 £'000	2019 £'000	31 December 2019 £'000
Software product development	864	891	1,862
Depreciation of property, plant and equipment	141	158	241
Depreciation of Right-of-Use assets	285	292	661
Amortisation of acquired intangible assets	295	295	590
Amortisation of other intangible assets	491	358	855
Share based payments	(9)	12	70
Employer furlough scheme credits	(133)	–	–
Profit on disposal of property, plant and equipment	–	(4)	(8)
Foreign exchange losses / (gains)	(10)	23	110
Acquisition and corporate finance related expenses	–	97	143

## 6. Net finance cost

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

	Six months to 30 June		Year to
	2020 £'000	2019 £'000	31 December 2019 £'000
Finance costs:			
Bank overdraft and loan interest	(104)	(136)	(259)
Interest expense for leasing arrangements	(37)	(43)	(80)
Total net finance cost	(141)	(179)	(339)

## 7. Earnings per share

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

	Six months to 30 June			Year ended 31 December 2019					
	2020		EPS p	2019			Year ended 31 December 2019		
	Profit attributable to shareholders £'000	Weighted average number of shares millions		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	1,516	81.3	1.9	1,288	81.1	1.6	2,701	81.1	3.3
Diluted earnings per share	1,516	82.0	1.8	1,288	81.9	1.6	2,701	81.8	3.3
Adjusted earnings per share	1,755	81.3	2.2	1,621	81.1	2.0	3,322	81.1	4.1

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 13.

## 8. Dividends

No dividends have been paid in the six months to 30 June 2020 (2019: 0.40 pence per ordinary share).

Scrip dividends were issued in the six months to 30 June 2020 as follows:

Ordinary Shares	Six months to 30 June				Year ended 31 December	
	2020 shares issued	2020 £'000	2019 shares issued	2019 £'000	2019 shares issued	2019 £'000
<b>Declared and paid during the year</b>						
Interim - current year	-	-	-	-	171,658	133
Final - previous year	-	-	248,585	186	248,585	186
	-	-	248,585	186	420,243	319

Cash dividends of £nil (2019: £141,000) were paid in the six months to 30 June 2020 as follows:

Ordinary Shares	Six months to 30 June				Year ended 31 December	
	2020 pence per share	2020 £'000	2019 pence per share	2019 £'000	2019 pence per share	2019 £'000
<b>Declared and paid during the year</b>						
Interim - current year	-	-	-	-	0.30	134
Final - previous year	0.40	-	0.40	141	0.40	141
	0.40	-	0.40	141	0.70	275

The Directors have not recommended an interim dividend (2019: 0.30 pence per ordinary share).

## 9. Other intangible assets

Other intangible assets comprise capitalised development costs, acquired customer relationships and purchased intangible assets. Additions in the six months to 30 June 2020 represent purchased intangible assets of £nil (2019: £nil) and internal development costs capitalised of £760,000 (2019: £633,000). Internal development relates to software development projects that meet the accounting policy criteria for capitalisation.

# Notes to the Condensed Consolidated Interim Financial Information

continued

## 10. Cash and borrowings

The net cash position of the Group as at 30 June 2020 is set out below:

	At 30 June		At
	2020	2019	31 December
	£'000	(restated) £'000	(restated) 2019 £'000
Cash and cash equivalents	9,779	6,763	7,236
Bank loans	(5,344)	(6,961)	(6,135)
Bank overdrafts	-	-	-
Lease liabilities	(2,252)	(2,355)	(2,249)
	<b>2,183</b>	<b>(2,553)</b>	<b>(1,148)</b>
<b>Maturity profile of borrowings</b>			
In one year or less	(1,648)	(1,647)	(1,645)
Between one and two years	(1,648)	(1,647)	(1,648)
Between two and five years	(2,048)	(3,667)	(2,842)
	<b>(5,344)</b>	<b>(6,961)</b>	<b>(6,135)</b>

The Group's borrowings include a five-year fixed term loan of £8.0m with Barclays Bank.

The facility is repayable over five years, with equal quarterly instalments of £400,000. The interest rate has been fixed for three years at 3.768 per cent. The Group also retains its existing £1.0m overdraft facility. Security provided to the bank comprises a cross guarantee and debenture between Eleco plc and certain Group subsidiaries.

## 11. Accruals and deferred income

	At 30 June		At
	2020	2019	31 December
	£'000	£'000	2019 £'000
Accruals	2,020	1,957	1,885
Deferred income	6,243	5,829	5,862
	<b>8,263</b>	<b>7,786</b>	<b>7,747</b>

Deferred income represents income 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.

## 12. 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 year, other than a result of service agreements.

An amount of £36,667 (2019: £37,500) was paid to JHB Ketteley & Co Limited under a lease for occupation by the Group of 66 Clifton Street, London, EC2A 4HB and £2,500 (2019: £2,500) for a contribution to the office costs at Burnham-on-Crouch. JHB Ketteley is a Director of JHB Ketteley & Co Limited.

An amount of £14,400 (2019: £9,900) was paid to Political Lobbying & Media Relations Ltd (PLMR) in respect of website development costs. K Craig is a Director of PLMR.

## 13. Additional performance measures

The Group uses adjusted figures, which are not defined by generally accepted accounting principles ("GAAP") such as IFRS. 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 IFRS financial measures, in evaluating the operating performance of the Group.

	Six months to 30 June		Year to
	2020 £'000	2019 £'000	31 December 2019 £'000
Operating profit	<b>2,071</b>	1,746	3,812
Acquisition related expenses	–	97	143
Amortisation of acquired intangible assets	<b>295</b>	295	590
<b>Adjusted operating profit</b>	<b>2,366</b>	2,138	4,545
Profit before tax	<b>1,930</b>	1,567	3,473
Acquisition related expenses	–	97	143
Amortisation of acquired intangible assets	<b>295</b>	295	590
<b>Adjusted profit before tax</b>	<b>2,225</b>	1,959	4,206
Tax charge	<b>(414)</b>	(279)	(772)
Acquisition related expenses	–	–	–
Amortisation of acquired intangible assets	<b>(56)</b>	(59)	(112)
<b>Adjusted tax charge</b>	<b>(470)</b>	(338)	(884)
Profit after tax	<b>1,516</b>	1,288	2,701
Acquisition related expenses	–	97	143
Amortisation of acquired intangible assets	<b>239</b>	236	478
<b>Adjusted profit after tax</b>	<b>1,755</b>	1,621	3,322
Cash generated in operations	<b>4,949</b>	3,130	6,669
Purchase of intangible assets	<b>(760)</b>	(633)	(1,237)
Purchase of property, plant and equipment	<b>(35)</b>	(50)	(110)
Acquisition related expenses	–	72	143
<b>Adjusted operating cash flow</b>	<b>4,154</b>	2,519	5,465

# Notes to the Condensed Consolidated Interim Financial Information

## continued

### 13. Additional performance measures continued

	Six months to 30 June		Year to
	2020	2019	31 December
	£'000	£'000	£'000
Adjusted operating cash flow	<b>4,154</b>	2,519	5,465
Net interest paid	<b>(112)</b>	(150)	(268)
Tax paid	<b>(354)</b>	(239)	(1,052)
Proceeds from disposal of PPE	<b>23</b>	53	67
Acquisition expenses	<b>-</b>	(72)	(143)
<b>Free cashflow</b>	<b>3,711</b>	2,111	4,069

### 14. Exchange rates

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

	Income statement		Balance sheet		Year ended 31 December 2019	
	Six months to 30 June		At 30 June		Income Statement	Balance sheet
	2020	2019	2020	2019		
Swedish Krona to Sterling	<b>12.17</b>	11.97	<b>11.52</b>	11.79	12.06	12.39
Euro to Sterling	<b>1.15</b>	1.14	<b>1.10</b>	1.12	1.14	1.18
US Dollar to Sterling	<b>1.27</b>	1.29	<b>1.24</b>	1.27	1.28	1.33

### 15. Government Grants

Grants related to income are presented as part of the profit and loss and have been deducted against the related expense in the period.

Grants, across the Group, amounted to £133,000 during the six months ended 30 June 2020.

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