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If you have sold or otherwise transferred all of your Ordinary Shares, please immediately forward this document, together with the Notice of Annual General Meeting and other enclosures with this document, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold only part of your holding of Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

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# Elecosoft<sup>®</sup>

## ELECOSOFT PUBLIC LIMITED COMPANY

(Incorporated in England and Wales with registered number 00354915)

### SCRIP DIVIDEND SCHEME

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A copy of this document is available at the Company's website at [www.ir.elecosoft.com](http://www.ir.elecosoft.com). Neither the content of the Company's website nor any website accessible by hyperlinks to the Company's website is incorporated in, or forms part of, this document.

# LETTER FROM THE EXECUTIVE CHAIRMAN



## ELECOSOFT PUBLIC LIMITED COMPANY

(Incorporated in England and Wales with Company number 00354915)

### Directors:

John Ketteley – Executive Chairman  
Jonathan Hunter – Executive Director  
Anders Karlsson – Executive Director  
David Pearson – Executive Director  
Jason Ruddle – Executive Director  
Kevin Craig – Non-Executive Director  
Jonathan Edwards – Non-Executive Director  
Serena Lang – Non-Executive Director

Registered Office:  
Parkway House  
Pegasus Way  
Haddenham Business Park  
Haddenham  
Bucks HP17 8LJ

7 April 2017

Dear Shareholder

### **Elecosoft Public Limited Company Scrip Dividend Scheme**

Unless otherwise defined, all capitalised terms in this letter shall have the meaning given as set out in Appendix I below.

At the Annual General Meeting of the Company to be held on 4 May 2017, the Directors are seeking authority to offer Qualifying Shareholders the opportunity to elect to receive Dividends in the form of New Shares. Such authority is sought to be valid for Dividends (including interim Dividends) declared in respect of each financial year from and including the year ended 31 December 2016 up to and including the financial year ending 31 December 2020.

Subject to obtaining the requisite authority from Shareholders at the Annual General Meeting, the scrip dividend reference price for New Shares for the Final Dividend for the financial year ended 31 December 2016 will be 38.95 pence per Ordinary Share, calculated from the closing price for an Ordinary Share in the Company as derived from the Daily Official List of the London Stock Exchange during the period of five dealing days ending on 24 March 2017.

### **Expected timetable**

The expected timetable for payment of the Final Dividend for the financial year ended 31 December 2016 is as follows:

7 April 2017	Record Date
4 May 2017, 12 noon	Annual general meeting
10 May 2017, 5pm	Final date and time for receipt of Scrip Dividend Mandates
24 May 2017	Payment of Dividend and admission of New Shares to AIM

Scrip dividends are attractive to many Shareholders because they enable Shareholders to increase their holding in a Company without incurring dealing costs. To the extent that Shareholders elect to receive New Shares, the Company also derives an advantage through the retention of cash in the business.

**Further details of the Scheme and the procedure to be followed are set out in Appendices I and II. Whether or not you should elect to receive New Shares instead of cash Dividends may depend upon your own tax circumstances. Appendix II sets out some of the points you might consider. If, after reading the Appendices, you are in any doubt about what course of action to take, you should consult an independent financial adviser. Please bear in mind that the price of Ordinary Shares can go down as well as up.**

### **Scrip Dividend Election**

Shareholders, who hold their shares in certificated form, and who wish to elect to receive the Scrip Dividend should make their election online at [www.capitashareportal.com](http://www.capitashareportal.com) or contact Capita Asset Services on 0371 664 0321 to request a paper Scrip election form. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. Your attention is drawn to the terms and conditions of the Scheme, which are set out in Appendix I to this letter.

If you hold your Ordinary Shares in uncertificated form in CREST and will continue to do so at the Record Date for the relevant dividend, you can elect to participate in the Scheme by means of the CREST procedure to effect such an election. If you are a CREST Personal Member, or other CREST Sponsored Member, you should consult your CREST sponsor who will be able to take the appropriate action on your behalf. For instructions on how to use the Dividend Input Election Message, please consult your CREST Manual.

You may cancel your Scrip Dividend election at any time in accordance with the terms and conditions.

If you wish to receive Dividends in cash you need take no action and may disregard this circular.

Yours faithfully

**John Kettleley**

Executive Chairman

# Appendix I: Terms and Conditions of the Scrip Dividend Scheme

## 1. Definitions of terms used:

“Business Day”	a day other than a Saturday, Sunday or public holiday in England when banks in London are open for business;
“Capita Asset Services”	a trading name of Capita Registrars Limited, acting in its capacity as the Capita Asset Services of the Scheme;
“Company”	Elecosoft Public Limited Company, a public limited company having company no. 00354915, whose registered office address is at Parkway House Pegasus Way, Haddenham Business Park, Haddenham, Bucks, England, HP17 8LJ;
“CREST”	a paperless settlement procedure, operated by Euroclear UK & Ireland Limited (Company no. 02878738), enabling system securities to be evidenced otherwise than by written instrument;
“CREST Manual”	the rules governing the operation of CREST;
“Directors”	the board of directors of the Company from time to time;
“Dividend”	a dividend declared in respect of Ordinary Shares in the Company;
“London Stock Exchange”	London Stock Exchange PLC;
“New Share Price”	the price to be calculated in accordance with paragraph 5 of the Scheme;
“New Shares”	Ordinary Shares, credited as fully paid and allotted subject to these terms and conditions;
“Ordinary Shares”	Ordinary Shares of 1 penny each in the capital of the Company;
“Participant”	a Shareholder who validly elects to receive New Shares by completing a Scrip Dividend Mandate in the prescribed manner;
“Qualifying Shareholder”	a shareholder who, subject to paragraph 7 of the Scheme, on the relevant Record Date qualifies for either a cash Dividend or a Scrip Dividend (depending on whether or not they have validly completed a Scrip Dividend Mandate);
“Record Date”	the record date for entitlement to participation in a Dividend, as notified to shareholders from time to time;
“Return Date”	the date by which: (i) a completed Scrip Dividend Mandate must be received by Capita Asset Services in order to participate in the Scheme; or (ii) a written notice of withdrawal must be received by Capita Asset Services in order to withdraw from the Scheme, in either case in respect of the Dividend next following;
“Scheme”	the Elecosoft Public Limited Company Scrip Dividend Scheme comprising these terms and conditions;
“Scrip Dividend”	a Dividend in the form of New Shares (credited as fully paid) instead of in cash;
“Scrip Dividend Mandate”	a mandate which can be completed at <a href="http://www.capitashareportal.com">www.capitashareportal.com</a> or available in paper format from, by request only, Capita Asset Services or as submitted via a CREST Dividend Election Input Message, validly completed by a Shareholder, comprising an application to participate in the Scheme as operated by the Company from time to time until varied or revoked;
“Shareholder”	Persons holding shares in the capital of the Company from time to time and “Shareholder” shall mean any one of them; and
“terms and conditions”	the terms and conditions of the Scheme set out in this Appendix, as amended or modified from time to time.

## 2. The scheme

The Scheme gives the opportunity to a Qualifying Shareholder to receive New Shares instead of cash for any future Dividends (although a Participant will remain able, by cancelling their Scrip Dividend Mandate, to elect to receive cash in respect of any future Dividend at the time that the offer of any scrip Dividend alternative is made).

For Dividends in respect of which the Scheme operates, each certified Shareholder who has completed and not revoked a Scrip Dividend Mandate will receive New Shares in lieu of a cash Dividend in respect of their holding of Ordinary Shares recorded in the register of members of the Company on the relevant Record Date.

Notwithstanding the above paragraph, shareholders who hold Ordinary Shares through CREST are required to elect for the Scrip Dividend in accordance with the procedure set out in paragraph 13 of the Scheme below.

The operation of the Scheme is subject to the approval of the Directors (whose authority is subject to approval by the Shareholders at the Annual General Meeting of the Company to be held on 4 May 2017).

The operation of the Scheme is conditional on the middle market quotation for an Ordinary Share (as derived from the Daily Official List of the London Stock Exchange) on the Return Date exceeding a price which is 15 per cent below the price calculated for a New Share. The operation of the Scheme in relation to any Dividend is also conditional on the New Shares to be issued under the Scheme in relation to that Dividend being admitted to trading on the AIM market of the London Stock Exchange on or before the date (as notified by the Company) on which dealings in those New Shares are expected to commence.

If the operation of the Scheme is not approved as required, or if the conditions as set out in this paragraph 2 are not satisfied, the relevant Dividend will be paid in cash.

## 3. Who can join the scheme?

All Qualifying Shareholders resident in the United Kingdom can join the Scheme. For details regarding Shareholders resident outside the United Kingdom, please see paragraph 7.

For details regarding cancellation of a Scrip Dividend Mandate, please see paragraph 10.

## 4. How do I join the scheme if I hold my shares in certificated form?

If a Qualifying Shareholder holding shares in certificated form wishes to join the Scheme they should complete the Scrip Dividend Mandate at [www.capitashareportal.com](http://www.capitashareportal.com). If a Qualifying Shareholder uses the online application in respect of any joint shareholdings, they must confirm that they are the first-named Shareholder or have the consent of all other joint holders to use the service.

To obtain a paper copy of the Scrip Dividend Mandate, please contact Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

A Scrip Dividend Mandate will remain in force for all future Dividends, (subject to the Company having valid authority from its Shareholders) until cancelled by the respective Participant in writing. For further details please see paragraph 10.

Any Scrip Dividend Mandate must be received in paper form by, or submitted online to, Capita Asset Services not later than 5.00 p.m. on the date which is 10 Business Days before the Dividend payment date to be eligible for that Dividend. No acknowledgement that a Scrip Dividend Mandate has been received will be issued. Forms received after that date will be applied in time for the next Dividend.

Upon submission of a Scrip Dividend Mandate, either personally or on behalf of the relevant Shareholder, that Shareholder is deemed (in respect of himself, his heirs, successors and assigns):

- (a) to agree to participate in the Scheme pursuant to its terms; and
- (b) to authorise the Company or its agent in the case of holdings in certificated form, to send to the Participant, at the Participant's registered address, any definitive share certificate in respect of New Shares allotted on the date that dealings in the New Shares commence.

## 5. How many shares will I receive?

The number of New Shares that you will receive for each Dividend will depend upon:

- (a) the amount of the cash Dividend;
- (b) the number of Ordinary Shares registered in your name at the relevant Record Date; and
- (c) the price to be used in calculating your entitlement to New Shares.

When calculating a Participant's New Share entitlement, it is unlikely that this will give rise to an exact number of New Shares. As fractions of New Shares cannot be issued, they will be rounded down to the nearest whole number and a residual entitlement will be carried forward, without interest, and added to the Participant's next Dividend when it will be used in the calculation of their entitlement to New Shares.

If a Participant withdraws from the Scheme or sells or transfers their entire holding of Ordinary Shares or if the Company terminates the Scheme or if (not being a joint Shareholder) they die, become bankrupt, go into liquidation or suffer from mental incapacity, any residual entitlements will be paid to a charity of the Company's choice.

Shareholders who hold Ordinary Shares in CREST are required to make separate elections to receive New Ordinary Shares for each relevant Dividend. Accordingly, cash balances will not be retained by the Company for such Shareholders and any cash balance arising for any such Shareholder will be paid to that Shareholder in cash on the applicable Dividend payment date.

## **6. Scrip dividend mandates for those holding ordinary shares in certificated form.**

The Company will accept Scrip Dividend Mandates from Qualifying Shareholders holding Ordinary Shares in certificated form only in respect of the total number of Shares held by a Qualifying Shareholder at the relevant Record Date for each relevant Dividend declared. Scrip Dividend Mandates will not be accepted in respect of part only of a holding of Shares. If a Qualifying Shareholder acquires further Ordinary Shares in the same holding or disposes of some of their Ordinary Shares from the same holding, the original Scrip Dividend Mandate will continue to apply (until it is revoked, suspended or terminated) in respect of his or her modified holding.

If a Shareholder's Ordinary Shares are registered in more than one holding and that Shareholder wants to receive New Shares instead of cash Dividends, they should complete a separate Scrip Dividend Mandate Form for each holding. A Shareholder may at any time ask Capita Asset Services to combine their holdings.

For information on CREST, please see paragraph 13.

## **7. Eligibility**

In view of the securities laws of the United States of America and Canada, the Scheme is not being made to Shareholders with registered addresses in the United States of America, Canada or their respective territories or possessions. Accordingly such Shareholders will receive Dividends in cash. A Shareholder resident in other overseas territories outside the United Kingdom may not treat the Scheme as being available to them unless it would lawfully be made to them without compliance with any registration or other legal requirements. It is the responsibility of any person resident outside the United Kingdom wishing to elect to receive New Shares instead of cash Dividends to satisfy itself as to the full observance of the laws of the relevant territory, including obtaining any governmental or other consents and observing any other formalities which may be required in such territories.

## **8. Issue and admission to trading of new shares**

Application will be made to the London Stock Exchange for admission to AIM and admission to trading of all New Shares. Subject to such admission, share certificates for New Shares will be issued and posted to Participants eligible thereto, at their risk, at or about the same time as the cash Dividends are sent to Qualifying Shareholders.

Where the New Shares are issued as uncertificated shares, the Company will instruct Euroclear UK & Ireland Limited to credit the Shareholder's stock account in CREST (being the account under the same participation ID and member account ID as the Ordinary Shares from which the New Shares are derived) with the appropriate entitlement of New Shares.

The New Shares will, on issue, rank equally in all respects with existing issued Ordinary Shares and will carry the right to all Dividends subsequently declared. Where a Scrip Dividend Mandate is completed for future Dividends, the New Shares issued will be treated in the same way as other holdings of Ordinary Shares by Shareholders.

## **9. What are the tax effects?**

The tax effect of taking New Shares will depend on individual circumstances of each Shareholder. Further details are contained in Appendix II. If a Shareholder is not sure how they will be affected, it is recommended that they consult their professional adviser.

## **10. Can I cancel my instructions if I hold my shares in certificated form?**

A Participant may cancel their instructions at any time by writing to Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU and marked for the attention of the "Registrar". For a cancellation to be effective for a Dividend, it must be received at least 10 Business Days before the payment date for that Dividend. If it is received within 10 Business Days preceding a payment date, it will not apply to the first Dividend but it will apply to all subsequent Dividends. A Participant can also cancel their instructions online at [www.capitashareportal.com](http://www.capitashareportal.com).

## **11. Modification and termination by the Company**

The Scheme can be modified, suspended or terminated by the Directors at any time without notice to Participants individually. In the case of a modification, Participants will be deemed to have elected to continue under the modified Scheme unless Capita Asset Services is notified to the contrary in writing. The Directors also have the power, after an offer of New Shares under the Scheme is made, to revoke the offer generally at any time prior to the allotment of the New Shares.

The Company will use its reasonable endeavours to circulate updated versions of these terms and conditions if significant alterations are required or made pursuant to changes in tax or other legislation or regulation. However, it is the responsibility of each Participant to assess, with his, her or its appropriate professional adviser, the effect of any such change to his, her or its individual circumstances.

## **12. What if I hold my shares in CREST?**

If a Qualifying Shareholder holds their shares in uncertificated form in the CREST system, they may elect to participate in the Scheme by means of the CREST procedures that require the use of the Dividend Election Input Message in accordance with the CREST Manual. Further details of these procedures are contained below under 'CREST Procedures'. Where practicable, New Shares allotted to a Participant in respect of a holding in CREST will be allotted in uncertificated form and credited electronically to the same CREST member account as registered for that holding prior to the record date for the relevant Dividend, unless the Company is unable to do so under the provisions of the Uncertificated Securities Regulations 2001 or the facilities and requirements of CREST, in which case share certificates in respect of such New Shares will be issued in the usual way. If part of a Participant's registered holding is in CREST and the balance is represented by share certificates, a Qualifying Shareholder must complete and return a Scrip Dividend Mandate online at [www.capitashareportal.com](http://www.capitashareportal.com) to receive New Shares in respect of their non-CREST holdings and use the Dividend Election Input Message in respect of their CREST holdings.

Shareholders who hold Ordinary Shares in CREST are required to make separate elections to receive New Ordinary Shares for each relevant Dividend.

## **13. CREST Procedures**

Shareholders who hold their Ordinary Shares in CREST can only elect to receive dividends in the form of New Ordinary Shares by submitting (or, where Ordinary Shares are held in CREST via a broker or nominee, instructing their broker or nominee to submit) a CREST Dividend Election Input Message no later than the Return Date to be eligible for the next relevant Dividend. No other type of election will be accepted in respect of CREST shareholdings. You will need to make separate elections to receive New Ordinary Shares for each relevant Dividend.

The CREST Dividend Election Input Message must contain the number of Ordinary Shares relating to the election. If the number of elected Ordinary Shares is zero or left blank, the election will be rejected. If the number is greater than the Ordinary Shares held by the relevant Shareholder at the relevant Record Date, the election will be scaled back to the holding at the Record Date.

Once an election is made using the CREST Dividend Election Input Message system it cannot be amended. Therefore, if a Shareholder wishes to change their election, such Shareholder would need to cancel their previous election and submit a new election.

Elections can only be cancelled through the CREST system. A CREST notice of cancellation will take effect on its receipt and will be processed by Capita Asset Services in respect of the next relevant Dividend payable after the date of receipt of such notice. A notice of cancellation must be received by the Return Date for the relevant Dividend for it to be effective. Where Ordinary Shares are held in CREST via a broker or nominee, please contact the nominee or broker as earlier lodgement dates will apply to permit them to advise Capita Asset Service by the required date.

## **14. What is the governing law of the scheme?**

The Scheme (including any election(s) and authorisation(s) given by any shareholder) is governed by and its terms are to be construed in accordance with English law. By electing to receive New Shares the Shareholder agrees to submit to the jurisdiction of the English courts in relation to the Scheme.

## **15. What do I do if i have any questions?**

If you have any queries concerning the Scheme please contact the shareholder helpline on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Should you wish to check whether the calculation price for any Dividend has been determined please call the helpline number set out above.

If you wish to receive Dividends in cash in the usual way you should not complete a Scrip Dividend Mandate and may disregard this document.

## Appendix II: Taxation of Scrip Dividends

**The following paragraphs, which are intended as a general guide only and are based on current United Kingdom legislation and published HM Revenue & Customs practice as at the date of this document, summarise certain limited aspects of the United Kingdom taxation treatment of Shareholders receiving New Shares in lieu of a cash dividend. They relate only to the position of Shareholders who are resident in the United Kingdom for taxation purposes and who hold their Shares beneficially as an investment. Shareholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.**

### **1. Income Tax**

Individual Shareholders who receive New Shares in lieu of a cash dividend will be treated as having received dividend income of an amount which is equal to the “cash equivalent” of the New Shares. The “cash equivalent” is the amount of cash Dividend which the Shareholder would have received had they not elected to take New Shares, unless the difference between the cash-dividend alternative and the market value of the New Shares equals or exceeds 15% of that market value in which case the “cash equivalent” will be the market value of the New Shares. The market value is the market value on the earliest day on which the Company is required to issue the New Shares. Should the market value of the New Shares differ by 15% or more from the cash dividend foregone, you will be advised of the adjustment in due course.

The cash equivalent will be treated as dividend income. A new regime for the taxation of dividends was introduced with effect from 6 April 2016. Under the new regime there is a tax-free £5,000 dividend allowance for individual recipients of dividend income. Dividend income in excess of the tax-free allowance is taxed at the following rates: 7.5% for a taxpayer who, when taking into account his dividend income, is a basic rate taxpayer; 32.5% for a taxpayer who, when taking into account his dividend income, is a higher rate taxpayer; and 38.1% for a taxpayer who, when taking into account his dividend income is an additional rate taxpayer. Dividend income is treated as the top slice of an individual's income.

Following an announcement in the Spring 2017 Budget, legislation will be included in Finance Bill 2017 to reduce the amount of the dividend allowance to £2,000 for dividends received in 2018-19 and subsequent years.

### **2. Capital Gains Tax**

For capital gains tax purposes the New Shares will be treated as a separate asset acquired for an amount equal to the cash equivalent. On a subsequent sale of the New Shares a Shareholder will pay capital gains tax on any gain realised (being equal to the difference between the cash equivalent and the consideration for the sale) at 10% for basic rate taxpayers and 20% for higher or additional rate taxpayers. The capital gains tax annual exemption may be available to set off against some or all of the gain.

### **3. UK-resident Trustees**

UK-resident trustees will be taxed in a similar way to UK-resident individuals. They will be treated as having received a cash dividend equal to the cash equivalent. Trustees do not benefit from the tax-free dividend allowance and so will pay income tax on the full amount of the cash equivalent. The first £1,000 of trustee dividend income is taxed at 7.5% and the balance at 38.1%.

Trustees will be treated in the same way as UK resident individuals for capital gains tax purposes. Trustees pay capital gains tax at 20% on all gains after taking into account the capital gains tax annual exemption.

### **4. UK-resident companies**

Corporation Tax will not be chargeable on the New Shares issued in lieu of a cash Dividend. For the purposes of Corporation Tax on chargeable gains the New Shares will be treated as the same asset as the existing Shares acquired at the same time but no consideration will be treated as having been paid for the New Shares.

### **5. Cash Alternative**

If a UK shareholder receives dividends in the form of cash, the cash dividend will be treated as a conventional dividend for UK taxation purposes. For UK resident individuals or trustees they will pay tax on the dividend income at the same rates as will apply to the cash equivalent if they receive New Shares in lieu of the cash dividend. UK-resident companies are normally exempt from tax on dividends.