



Elecosoft[®]

Interim Report 2016
for the six months ended 30 June 2016

Building on Technology[®]

Elecosoft plc is a market leading provider of software and related services to the global architectural, engineering and construction industries.

Elecosoft is a well-established and profitable software company. We deliver a strong portfolio of digital construction and Building Information Modeling (BIM) products that are used by the many participants in construction projects, covering all stages of the life-cycle from early planning through to build and facilities management.

Our award winning solutions help our customers be more successful by allowing them to improve productivity, reduce risk and drive cost efficiencies. Their trust is reflected in our long-lasting relationships, use in landmark developments and strong annuity income.

Elecosoft continues to make progress towards our long-term goal of being a preferred specialist software partner to customers in all major markets for construction.

www.elecosoft.com

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Contents

Overview

Highlights	1
Chairman's Statement	2

Financial Statements

Condensed Consolidated Income Statement	4
Condensed Consolidated Statement of Comprehensive Income	5
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Balance Sheet	7
Condensed Consolidated Statement of Cash Flows	8
Notes to the Condensed Consolidated Interim Financial Statements	9
Board of Directors	14
Company Advisors	15
Group Directory	16

Our brands

Visualisation



Project Management



CAD/Design



Engineering



Estimating



BIM



Site Management



Financial Highlights

six months to 30 June

	2016 £'000	2015 (restated*) £'000	Change £'000
Revenue	8,769	7,948	+821
Operating profit	601	557	+44
Profit before tax	557	490	+67
Earnings per share (basic)	0.6p	0.6p	–
Recurring maintenance revenue	4,102	3,642	+460
EBITDA	963	881	+82
Net cash/(borrowings)	302	(1,533)	+1,835
At constant exchange rates**			
Revenue	8,388	7,948	+440
Operating profit	561	557	+4
Profit before tax	517	490	+27

* 2015 restated for the disposal of the Swedish architectural business sold in December 2015.

** 2016 restated at 2015 average exchange rates.

Operational Highlights

six months to 30 June

- Swedish operations rebranded to Elecosoft.
- Inaugural Elecosoft user conference in the US.
- The performance in license sales accompanied by an increase in training and consultancy revenue across the group albeit at lower profit margins than license sales.
- We were pleased to welcome the State of Pennsylvania department of transport to present earlier this month at our second US software user conference, the merit of using Asta Powerproject® to manage its state road building programme.
- Asta Powerproject® is currently being used on the new football stadium for Tottenham Hotspur in north London, the BBC Television Centre and the redevelopment of Chelsea Barracks as well as on other major construction projects.
- Received a significant order for Asta Powerproject® from a Top 100 US main construction contractor.
- Our Swedish colleagues achieved the first sale in the UK of their leading Bidcon estimating software.
- Received orders for Interiormarket system from the largest home improvement retailer in Germany, the leading carpet/tile manufacturer in the US and the largest laminate flooring manufacturer in China and the world.
- The new augmented reality mobile application was approved by Apple and is now available in the iTunes store.
- Bidcon environmental module was released in Sweden following close collaboration with Tyréns, Sweden's largest construction and environmental consultancy.
- Significant improvement in the group's finances has enabled it to accelerate, where necessary, our software development activity.

Chairman's Statement

"I am pleased to announce an improved trading performance for the six months ended 30 June 2016 which leaves us in a strong position to meet market expectations. Elecosoft is now in a significantly strengthened financial position, evidenced by the declaration of an interim dividend, and I look forward to continuing to build on that position in the second half and beyond."

I believe that we have never been better placed to realise the potential and ideas generated by the close collaboration of our development teams in Sweden, the UK and Germany for the benefit of our customers, employees and shareholders.

I am also pleased to report an improved trading performance, higher unaudited profits for the six months ended 30 June 2016 and a significantly strengthened financial position. As a consequence the Board has decided to resume its previous dividend policy by declaring dividends which are well covered by earnings. Accordingly, we have declared an interim dividend of 0.15p per ordinary share for the period.

Trading performance

Unaudited Revenue for the period under review increased to £8,769,000 (2015 H1: £7,948,000) of which £5,944,000 (2015 H1: £5,557,000) was generated from overseas operations at pre-Brexit foreign exchange rates, with the exception of sales made in the last week in June. Recurring revenue for the period also increased to £4,102,000 (2015 H1: £3,642,000) and represented 47 per cent of total revenue for the period (2015 H1: 46 per cent).

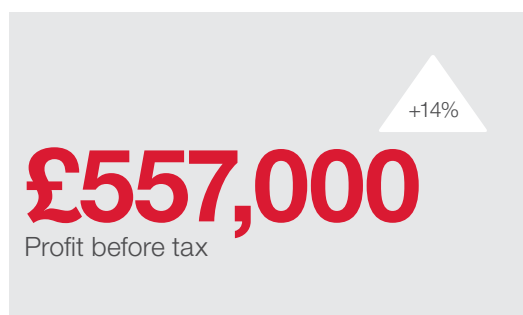
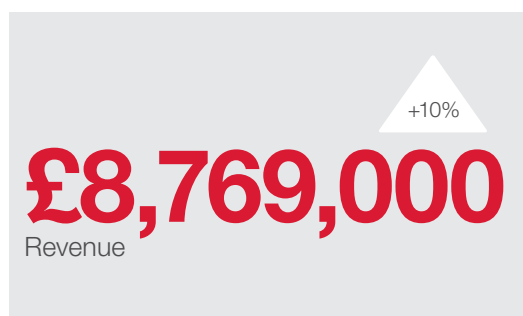
Unaudited operating profit before charging a former director's termination payment of £109,000 (2015 H1: £11,000) was £720,000 (2015 H1: £546,000). Unaudited operating profit for the period under review was £601,000 (2015 H1: £557,000). Software development expenses charged against operating profits in the period increased by £349,000 to £1,258,000 (2015 H1: £909,000).

Selling and administrative expenses were adversely impacted by currency movements during the period due to the gradual strengthening against Sterling of the Swedish Krona, Euro and US Dollar. These currencies represent the three most important overseas currencies in which the Group trades. However, the significant fall in the value of Sterling against those currencies which occurred after the Brexit vote on 23 June 2016 made little impact on the revenue or profit for the period ended 30 June 2016, although its impact on our financial position as at 30 June 2016 was beneficial and significant.

The operating profit margin in the period remained unchanged at 7.0 per cent. (2015 H1: 7.0 per cent). Profit before tax for the period was £557,000 (2015 H1: £490,000) and basic and diluted earnings per share were 0.6p (2015 H1: 0.6p).

Financial performance

The Group generated cash from operations of £1,439,000 (2015 H1: £1,201,000) which enabled us to accelerate our software development spend in the period. On 30 June 2016, partly reflecting a combination of the cash generated from operations and the positive currency impact of the Brexit vote on 23 June 2016 on our Group finances, Group net cash was £302,000 which was a considerable improvement on our net borrowing position of £1,533,000 at 30 June 2015. Of the net cash position at 30 June 2016, borrowings totalled £2.2m and cash balances totalled the equivalent of £2.5m, which were held mainly in Swedish Krona and Euros.



During the time leading up to the Referendum on 23 June 2016, the Board decided that the pattern of cash generation across the Group was such that in the absence of unforeseen circumstances, the Group would be in a position to comfortably service and repay its medium term Sterling borrowings in accordance with their terms. We also decided that our overseas interests, which were also profitable and cash generative, should retain their cash balances in their own currencies. Accordingly, when the result of the Referendum was announced, all Elecosoft's borrowings were in Sterling and all its cash balances were in the Swedish Krona, the Euro and the US Dollar, all of which strengthened significantly against Sterling.

Software Development

Software development is the life blood of our business and as mentioned above software development expenditure increased to £1,433,000 in the period (2015 H1: £1,202,000) although the amount of development spend capitalised in the period was actually lower at £175,000 (2015 H1: £293,000). We were able to finance the increased development expenditure because of the continuing improvement in our cash flow from operations. The total development spend for the period represented 16 per cent of sales (2015 H1: 15 per cent) and is consistent with our commitment to customers to maintain and enhance our software programs so that they continue to be up to date and are leading software programs in their sectors.

Business Overview

We continue to strengthen our position as an international software Group and have made considerable progress in rebranding the Group "Elecosoft". This has been very well received by both our customers and the market generally. More importantly, the rebrand has had a particularly beneficial effect on our business and image in Scandinavia, so much so that I understand that Elecosoft is now acknowledged to be a leading construction software provider in the Swedish market.

Elecosoft UK has produced a strong performance in the period under review with Asta Powerproject® software being used on landmark projects including the new football stadium for Tottenham Hotspur in north London, the BBC Television Centre and the redevelopment of Chelsea Barracks.

We continue to seek opportunities to expand our market penetration in new territories, and during the period under review we acquired an Asta Powerproject® reseller in the Netherlands, thus further strengthening our position in Benelux. We also appointed a new reseller to support sales of both Bidcon® and Asta Powerproject® in Australia and New Zealand.

In the US we hosted our inaugural user conference in the period, which attracted 89 paying delegates. A second user conference was held in Philadelphia earlier this month. Such initiatives resulted in us receiving our first significant order for Asta Powerproject® from a top 100 US main contractor.

During the period, ESIGN, our interior visualisation and marketing operation, signed significant orders for its products and services from the largest US carpet tile manufacturer, the largest home improvement retailer in Germany and the largest laminate flooring manufacturer in China and, I am given to understand, in the world. I am also very pleased to say that ESIGN has received approval from Apple of its new augmented reality mobile application, which has been very well received in the market.

Management Changes

During the period under review, we welcomed Jason Ruddle to the Board as Chief Operating Officer and Jonathan Hunter as Marketing and Business Development Director. Nick Caw has now left the Company to pursue other interests and we wish him well.

Dividend

Having regard to the financial performance in the period under review and the outlook for the remainder of the year, the Board decided to resume the payment of dividends by declaring an interim dividend of 0.15p per ordinary share (2015 H1: 0.0p), covered 4.0 times by unaudited earnings for the period of 0.60p per share. The interim dividend will be paid on 4 November 2016 to shareholders on the register at the close of business on 7 October 2016 and the ex-dividend date will be 6 October 2016.

Outlook

Elecosoft is now well financed and has been able to assemble a significant portfolio of market leading and award winning construction software applications for 5D BIM, project management, estimation, 3D architectural design and timber engineering construction, as well as a number of outstanding digital visualisation, internet and augmented reality software applications aimed at the interior marketing arena. As we move forward we will continue to invest in new technologies, to grow our customer reach, and to strengthen our position as an international provider of innovative market leading software applications in our chosen fields.

The majority of our software solutions are based on Microsoft technology and are created by our software development teams in the UK, Sweden and Germany, whose development strategies evolve essentially from the regular detailed reports which they receive from our sales, training and support colleagues who are close to their customers in the markets we serve.

Despite the uncertainties caused by the UK Referendum in June, the second half of the year has started well. However we will continue to monitor markets for any untoward developments which could impact the progress of our businesses, while striving to provide innovative market leading software solutions, high quality maintenance and dedicated training to both our new and existing customers.

John Ketteley Executive Chairman

21 September 2016

Condensed Consolidated Income Statement

for the financial period ended 30 June 2016

	Notes	six months to 30 June		
		2016 (unaudited) £'000	2015 (unaudited – restated*) £'000	Year Ended 31 December 2015 £'000
Revenue	3,4	8,769	7,948	15,260
Cost of sales		(1,179)	(925)	(1,688)
Gross profit		7,590	7,023	13,572
Operating expenses before amortisation of intangible assets and former directors' termination payments		(6,597)	(6,219)	(11,940)
Amortisation of intangible assets		(283)	(236)	(495)
Operating expenses before former directors' termination payments		(6,880)	(6,455)	(12,435)
Operating profit before former directors' termination payments		710	568	1,137
Former directors' termination payments		(109)	(11)	(11)
Selling and administrative expenses		(6,989)	(6,466)	(12,446)
Operating profit	4,5	601	557	1,126
Finance income	6	2	–	1
Finance cost	6	(46)	(67)	(121)
Profit before tax		557	490	1,006
Tax		(126)	(87)	(204)
Profit for the financial period		431	403	802
Profit for the financial period from discontinued operations		–	12	360
Profit for the financial period		431	415	1,162
Attributable to:				
Equity holders of the parent		431	415	1,162
Earnings per share – basic				
Continuing operations	7	0.6p	0.6p	1.1p
Discontinued operations	7	0.0p	0.0p	0.5p
Total operations		0.6p	0.6p	1.6p
Earnings per share – diluted				
Continuing operations	7	0.6p	0.6p	1.1p
Discontinued operations	7	0.0p	0.0p	0.5p
Total operations		0.6p	0.6p	1.6p

* 2015 restated for the disposal of the Swedish architectural business sold in December 2015.

Condensed Consolidated Statement of Comprehensive Income

for the financial period ended 30 June 2016

	six months to 30 June		
	2016 (unaudited) £'000	2015 (unaudited – restated) £'000	Year Ended 31 December 2015 £'000
Profit for the period	431	415	1,162
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss:			
Translation differences on foreign operations	76	(118)	(11)
Other comprehensive income net of tax	76	(118)	(11)
Total comprehensive income for the period	507	297	1,151
<i>Attributable to:</i>			
Equity holders of the parent	507	297	1,151

Condensed Consolidated Statement of Changes in Equity

for the financial period ended 30 June 2016

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2016	749	-	-	(172)	(338)	7,654	7,893
Share-based payments	-	-	-	-	(9)	-	(9)
Transactions with owners	-	-	-	-	(9)	-	(9)
Profit for the period	-	-	-	-	-	431	431
Other comprehensive income:							
Exchange differences on translation of net investments in foreign operations	-	-	-	76	-	-	76
Total comprehensive income for the period	-	-	-	76	-	431	507
At 30 June 2016 (unaudited)	749	-	-	(96)	(347)	8,085	8,391
	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2015	7,487	7,923	4,086	(161)	(358)	(12,255)	6,722
Share-based payments	-	-	-	-	13	-	13
Transactions with owners	-	-	-	-	13	-	13
Profit for the period	-	-	-	-	-	415	415
Other comprehensive income:							
Exchange differences on translation of net investments in foreign operations	-	-	-	(118)	-	-	(118)
Total comprehensive income for the period	-	-	-	(118)	-	415	297
At 30 June 2015 (unaudited)	7,487	7,923	4,086	(279)	(345)	(11,840)	7,032
	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2015	7,487	7,923	4,086	(161)	(358)	(12,255)	6,722
Share-based payments	-	-	-	-	20	-	20
Capitalisation of merger reserve	4,086	-	(4,086)	-	-	-	-
Capital reduction	(10,824)	(7,923)	-	-	-	18,747	-
Transactions with owners	(6,738)	(7,923)	(4,086)	-	20	18,747	20
Profit for the period	-	-	-	-	-	1,162	1,162
Other comprehensive income:							
Exchange differences on translation of net investments in foreign operations	-	-	-	(11)	-	-	(11)
Total comprehensive income for the period	-	-	-	(11)	-	1,162	1,151
At 31 December 2015	749	-	-	(172)	(338)	7,654	7,893

Condensed Consolidated Balance Sheet

at 30 June 2016

	Notes	30 June		
		2016 (unaudited) £'000	2015 (unaudited) £'000	31 December 2015 £'000
Non-current assets				
Goodwill	9	10,237	10,514	10,152
Other intangible assets	10	1,899	1,771	1,910
Property, plant and equipment		596	571	503
Total non-current assets		12,732	12,856	12,565
Current assets				
Inventories		5	10	9
Trade and other receivables		2,679	2,328	2,871
Current tax assets		213	189	173
Cash and cash equivalents		2,540	1,686	1,957
Total current assets		5,437	4,213	5,010
Total assets		18,169	17,069	17,575
Current liabilities				
Bank overdraft	11	(541)	(355)	(674)
Borrowings	11	(750)	(750)	(750)
Obligations under finance leases		(158)	(164)	(139)
Trade and other payables		(1,068)	(1,193)	(1,255)
Provisions		(116)	(142)	(203)
Current tax liabilities		(73)	–	(2)
Accruals and deferred income	12	(5,898)	(5,025)	(5,068)
Total current liabilities		(8,604)	(7,629)	(8,091)
Non-current liabilities				
Borrowings	11	(597)	(1,688)	(972)
Obligations under finance leases		(192)	(262)	(225)
Deferred tax liabilities		(218)	(203)	(242)
Non-current provisions		(167)	(220)	(139)
Other non-current liabilities		–	(35)	(13)
Total non-current liabilities		(1,174)	(2,408)	(1,591)
Total liabilities		(9,778)	(10,037)	(9,682)
Net assets		8,391	7,032	7,893
Equity				
Share capital		749	7,487	749
Share premium account		–	7,923	–
Merger reserve		–	4,086	–
Translation reserve		(96)	(279)	(172)
Other reserve		(347)	(345)	(338)
Retained earnings		8,085	(11,840)	7,654
Equity attributable to shareholders of the parent		8,391	7,032	7,893

Condensed Consolidated Statement of Cash Flows

for the financial period ended 30 June 2016

	six months to 30 June		Year Ended	
	2016 (unaudited) £'000	2015 (unaudited) £'000	31 December 2015 £'000	
	Notes			
Cash flows from operating activities				
Profit before tax (including discontinued operations)		557	502	881
Net finance costs		43	67	123
Depreciation charge		79	88	174
Amortisation charge		283	236	495
Profit on sale of property, plant and equipment		(20)	(5)	(18)
Share-based payment charge		(9)	13	20
Decrease in provisions		(60)	–	(20)
Cash generated in operations before working capital movements		873	901	1,655
Decrease in trade and other receivables		958	406	349
Decrease/(increase) in inventories and work in progress		5	(4)	(1)
Decrease in trade and other payables		(397)	(102)	(363)
Cash generated in operations		1,439	1,201	1,640
Interest paid		(50)	(87)	(153)
Interest received		2	–	1
Net income tax paid		(101)	(95)	(127)
Net cash inflow from operating activities		1,290	1,019	1,361
Investing activities				
Purchase of intangible assets		(218)	(343)	(754)
Purchase of property, plant and equipment		(128)	(33)	(58)
Acquisition of subsidiary undertakings net of cash acquired	13	(63)	–	(28)
Proceeds from sale of property, plant, equipment and intangible assets		48	70	167
Sale of businesses net of expenses		–	–	754
Net cash (outflow)/inflow from investing activities		(361)	(306)	81
Financing activities				
Repayment of bank loans		(375)	(375)	(1,091)
Repayments of obligations under finance leases		(73)	(108)	(251)
Net cash outflow from financing activities		(448)	(483)	(1,342)
Net increase in cash and cash equivalents		481	230	100
Cash and cash equivalents at beginning of period		1,283	1,198	1,198
Effects of changes in foreign exchange rates		235	(97)	(15)
Cash and cash equivalents at end of period		1,999	1,331	1,283
Cash and cash equivalents comprise:				
Cash and short term deposits		2,540	1,686	1,957
Bank overdrafts		(541)	(355)	(674)
		1,999	1,331	1,283

Notes to the Condensed Consolidated Interim Financial Statements

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 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 2015 have been filed at Companies House and 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 2016 have been prepared in accordance with the accounting policies which will be applied in the twelve month financial statements to 31 December 2016. 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 2016.

The condensed consolidated interim financial statements are unaudited and have not been subject to review. 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 as at 31 December 2015.

In accordance with IFRS 5, the prior year comparative figures for the six months to 30 June 2015 have been restated for the disposal of the Swedish architectural business sold in December 2015 and the reclassification of capital reduction expenses. Capital reduction expenses of £30,000 were reported in exceptional items in the Group's condensed consolidated financial statements for the six months to 30 June 2015. These costs were subsequently reclassified to operating expenses in the financial statements for the year to 31 December 2015.

The comparative figures for the year ended 31 December 2015 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. Thus the condensed consolidated interim financial information has been prepared on the going concern basis.

New accounting standards and interpretations are effective for the first time in the current period but have had no impact on the results or financial position of the Group. Furthermore, new standards, new interpretations and amendments to standards and interpretations that have been issued but are not effective for the current period have not been adopted early.

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 2015.

Risks and uncertainties

A summary of the Group's principal risks and uncertainties was set out on page 15 of the 2015 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 21 September 2016.

Notes to the Condensed Consolidated Interim Financial Statements continued

3. Revenue

Revenue disclosed in the income statement is analysed as follows:

	six months to 30 June		Year ended
	2016 £'000	(restated) 2015 £'000	31 December 2015 £'000
Licence sales	2,738	2,636	4,536
Recurring maintenance and support revenue	4,102	3,642	7,278
Services income	1,929	1,670	3,446
	8,769	7,948	15,260

4. Segmental information

Operating segments

The Group comprises of software business activity only and as such the information is presented in line with management information, as one segment.

	six months to 30 June		Year ended
	2016 £'000	(restated) 2015 £'000	31 December 2015 £'000
Revenue	8,769	7,948	15,260
Adjusted operating profit	2,330	1,801	3,446
Depreciation charge	(79)	(88)	(174)
Product development costs	(1,258)	(909)	(1,640)
Operating profit before amortisation of intangible assets and former directors' termination payments	993	804	1,632
Amortisation of intangible assets	(283)	(236)	(495)
Former directors' termination payments	(109)	(11)	(11)
Operating profit	601	557	1,126
Net finance cost	(44)	(67)	(120)
Segment profit before tax	557	490	1,006
Tax	(126)	(87)	(204)
Segment profit after tax	431	403	802
Development costs capitalised	(175)	(293)	(665)
Total development costs	(1,433)	(1,202)	(2,305)
Operating profit	601	557	1,126
Amortisation of intangible assets	283	236	495
Depreciation charge	79	88	174
EBITDA	963	881	1,795

Adjusted operating profit represents operating profit before expensed product development costs and intangible asset amortisation. Development project costs are expensed as incurred unless they meet the accounting policy requirements for capitalisation. The accounting policy requirements are set out on page 41 of the 2015 annual report and accounts.

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 ended
	2016 £'000	(restated) 2015 £'000	31 December 2015 £'000
UK	2,825	2,391	4,857
Scandinavia	3,451	3,175	5,950
Germany	1,425	1,201	2,308
Rest of Europe	717	604	1,359
Rest of World	351	577	786
	8,769	7,948	15,260

Revenue by product group represents revenue from external customers.

	six months to 30 June		Year ended
	2016 £'000	(restated) 2015 £'000	31 December 2015 £'000
Project management	4,272	3,988	7,493
Site management	229	199	396
Estimating	1,507	1,315	2,557
Engineering	1,389	1,161	2,373
CAD/Design	573	563	1,001
Visualisation	799	722	1,440
	8,769	7,948	15,260

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

	six months to 30 June		Year ended
	2016 £'000	(restated) 2015 £'000	31 December 2015 £'000
Direct	8,273	7,249	14,236
Reseller	496	699	1,024
	8,769	7,948	15,260

5. Operating profit

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

	six months to 30 June		Year ended
	2016 £'000	2015 £'000	31 December 2015 £'000
Software product development	1,258	909	1,640
Former director's termination payment	109	11	11
Foreign exchange (gains)/losses	(10)	31	85
	1,357	951	1,736

Notes to the Condensed Consolidated Interim Financial Statements continued

6. Net finance (cost)/income

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

	six months to 30 June		Year ended
	2016	2015	31 December
	£'000	£'000	2015
			£'000
Finance income:			
Bank and other interest receivable	2	–	1
Finance costs:			
Bank overdraft and loan interest	(41)	(60)	(107)
Finance leases and hire purchase contracts	(5)	(7)	(14)
Total net finance cost	(44)	(67)	(120)

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
	2016	2015	31 December
			2015
Continuing operations	£431,000	£403,000	£802,000
Discontinued operations	£0	£12,000	£360,000
Total profit after taxation	£431,000	£415,000	£1,162,000
Basic weighted average number of shares	73,970,534	73,970,534	73,970,534
Dilutive effect of share options	294,000	675,000	882,000
Diluted weighted average number of shares	74,264,534	74,645,534	74,852,534
Basic earnings/(loss) per share			
Continuing operations	0.6p	0.6p	1.1p
Discontinued operations	–p	–p	0.5p
Total operations	0.6p	0.6p	1.6p
Diluted earnings/(loss) per share			
Continuing operations	0.6p	0.6p	1.1p
Discontinued operations	–p	–p	0.5p
Total operations	0.6p	0.6p	1.6p

Shares held by the Employee Share Ownership Trust are excluded from the weighted average number of shares in the period.

8. Dividends

The Board have recommended the payment of an interim dividend of 0.15p per ordinary share (2015 H1: 0.0p).

9. Goodwill

The increase in goodwill since 31 December 2015 includes £18,000 of goodwill acquired on the acquisition of Elecosoft BV in the Netherlands and £67,000 of exchange gains on the revaluation of goodwill denominated in foreign currencies.

10. 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 2016 represent purchased intangible assets of £43,000 (2015: £50,000), internal development costs capitalised of £175,000 (2015: £293,000) and intangible assets acquired on the acquisition of Elecosoft BV in the Netherlands of £44,000. Internal development relates to software development projects that meet the accounting policy criteria for capitalisation.

11. Borrowings

The bank loans and overdrafts are repayable as follows:

	at 30 June 2016 £'000	at 30 June 2015 £'000	at 31 December 2015 £'000
In one year or less	1,291	1,105	1,424
Between one and two years	597	750	750
Between two and five years	–	938	222
	1,888	2,793	2,396

12. Accruals and deferred income

	at 30 June 2016 £'000	at 30 June 2015 £'000	at 31 December 2015 £'000
Accruals	1,696	1,497	1,360
Deferred income	4,202	3,528	3,708
	5,898	5,025	5,068

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.

13. Acquisitions

On 4 January 2016 the Group acquired the business and certain assets of Asta BV, of The Netherlands, enhancing its control of the Dutch market for a total consideration of £63,000. The consideration comprised the payment of £48,000 in cash from the Group's existing resources and deferred consideration of £15,000 payable on the successful collection of the annual maintenance renewals invoiced in December 2015.

An analysis of the fair value of the Asta BV net assets acquired and the fair value of the consideration paid is set out below:

	Book value £'000	Fair value adjustments £'000	Provisional fair value £'000
Customer relationships	31	–	31
Intellectual property	12	–	12
Property, plant and equipment	2	–	2
Net assets	45	–	45
Goodwill			18
Total consideration			63
Satisfied by:			
Cash			48
Deferred purchase consideration			15
			63

Goodwill contains certain intangible assets that cannot be individually, separately and reliably measured by the acquirer. These items include the value of the management and workforce together with synergies that are expected to be gained from being part of the Group.

14. 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 six months to 30 June 2016, other than a result of service agreements. An amount of £18,000 (2015: £18,000) was paid to JHB Ketteley & Co Limited under a lease for occupation by the Group of 66 Clifton Street, London, EC2A 4HB and £3,000 (2015: £3,000) for a contribution to the office costs at Burnham-on-Crouch.

An amount of £40,000 was paid to JHB Ketteley relating to deferred salary unpaid at 31 December 2015. JHB Ketteley deferred £38,000 (2015: £nil) of his salary in the six months to June 2016. The deferred salary unpaid at 30 June 2016 is £38,000. (2015: £nil)

Board of Directors

John Kettleley FCA³

Executive Chairman

Appointed Executive Chairman in 1997, John Kettleley has an investment banking background. He was formerly non-executive Chairman of BTP plc, Country Casuals plc and Prolific Income plc.

Jason Ruddle

Chief Operating Officer

Appointed as Director on 29 February 2016. Jason Ruddle has over 15 years of business development experience in the construction sector. Jason was appointed as Managing Director of Elecosoft UK Ltd in January 2015. He was previous Business Development Manager for ITW Industry, a construction products subsidiary of Illinois Tool Works Inc. Prior to this, he worked at Gang-Nail Systems and Consultec UK, both former subsidiaries of Elecosoft.

Graham Spratling ACMA

Group Finance Director

Appointed on the 8 July 2015. Graham Spratling joined Elecosoft in 2007 as Group Financial Controller, prior to which he had been a member of finance teams at Barclays Bank and Nestle UK. He then became a key member of Elecosoft's finance team supporting the Groups' transition from a building products and software Group to an international software business.

Jonathan Hunter BBus. BMm

Group Marketing and Business Development Director

Appointed on the 14 June 2016. Jonathan Hunter joined Elecosoft in 2010 as Marketing Manager for the Building Systems division. In 2011 he became General Manager of Group Marketing, in which he was responsible for planning and successfully implementing Elecosoft's re-branding programme.

Jonathan Edwards LLB ACA^{1 2 3 *}

Non-Executive Director

Appointed as a non-executive Director in April 2010. Jonathan Edwards is the senior non-executive Director and is Chairman of the Audit Committee. He was previously Managing Director of Argen Limited, a risk management consultancy and is a Director of Harpenden Sports Ground Limited.

Serena Lang MBA^{1 2 3 *}

Non-Executive Director

Appointed as a non-executive Director in December 2014. Serena Lang is Chairman of the Remuneration Committee. She was formerly a senior executive for the Operations Management division of Invensys, a global technology company with market leading software and systems for industrial and commercial sectors. Prior to working at Invensys, she was a senior executive with Castrol, the Lubricants division of BP.

* Independent Non-Executive Director 1 Member of the Audit Committee 2 Member of the Remuneration Committee 3 Member of the Nominations Committee

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