

The logo for Elecosoft, featuring the word "Elecosoft" in a bold, red, sans-serif font with a registered trademark symbol (®) at the end. The background of the page is white with a geometric pattern of thin grey lines and large red and grey triangular shapes.

Interim Report 2017
for the six months ended 30 June 2017

Building on Technology®

Elecosoft® plc is a market-leading provider of integrated software applications and related services to the international construction and property management industries.

Elecosoft plc is a well-established and profitable AIM listed software company with interests based principally in Sweden, Germany, Benelux, US and the UK. Elecosoft delivers a strong portfolio of software for project management, estimation, visualisation, Building Information Modelling (BIM), information management and digital marketing disciplines. Elecosoft's software and services are used during early planning stages through to construction and property management, driving the performance and day-to-day operations of its customers' businesses.

Elecosoft's software has been used on high-profile construction projects; to name a few, The Shard in London, Hong Kong International Airport, The Reichstag Dome in Berlin, Warsaw Metro in Poland and The Jumeirah Park in Dubai, Tottenham Hotspur Football Stadium in London, and widely used on infrastructure projects by the Pennsylvania Department of Transportation.

Elecosoft has had a positive start in 2017 and continues to grow in all markets.

Our Products

Visualisation



Project Management



Engineering



Site Management



Estimating



CAD/Design



Information Management



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Highlights

six months to 30 June 2017

Operational Highlights

- Introduced Powerproject® Software as a Service (SaaS) in the UK.
- Introduced Staircon® into the Canadian and Australian markets.
- Continued progress with cross-selling Powerproject® to new and existing customers in Sweden.
- Development of the Icon®VR surveying service with its first client adoption in August 2017.
- Elecosoft's total product portfolio showcased at Europe's largest construction exhibition, BAU Munich in Germany in January 2017.
- Increased investment in the period in both existing and new software products, including new SaaS web applications.
- New Board appointments included Anders Karlsson, Executive Director; Kevin Craig, Non-Executive Director; and Serena Lang as Non-Executive Deputy Chairman.

Financial Highlights

Revenue (£'000)

10,010 **+1,241**

2016: 8,769

At constant exchange rates:* 2017: 9,504 +735

Operating profit (£'000)

1,059 **+458**

2016: 601

At constant exchange rates:* 2017: 990 +389

Profit before tax (£'000)

1,007 **+450**

2016: 557

At constant exchange rates:* 2017: 938 +381

Earnings per share (basic) (p)

1.1 **+0.5**

2016: 0.6

Recurring maintenance revenue (£'000)

4,847 **+745**

2016: 4,102

EBITDA (£'000)

1,598 **+635**

2016: 963

Cash generated (£'000)

2,277 **+838**

2016: 1,439

Net cash/(borrowings) (£'000)

259 **-43**

2016: 302

* 2017 restated at 2016 average exchange rates.

Chairman's Statement

"I am pleased to report an improved trading performance for the six months ended 30 June 2017. Elecosoft's unaudited profits before tax in respect of the period were significantly higher than those achieved in the same period last year; and it also increased its cash generation from operations and strengthened its financial position in the period under review. As a consequence, the Board has declared a significantly increased interim scrip dividend with a cash alternative."

Revenue (£'000)

10,010 **+14%**

Profit before tax (£'000)

1,007 **+81%**

Trading Performance

Unaudited Group revenue in the period increased by 14 per cent to £10,010,000 (2016: £8,769,000); 33 per cent of Group revenue was generated from our UK operations, and 67 per cent from our overseas operations.

Unaudited revenue in the UK for the period amounted to £3,325,000 (2016: £2,825,000), an increase of 18 per cent. This included £419,000 generated by Icon, which was acquired by Elecosoft in October 2016. Revenue of our overseas operations for the period under review amounted to £6,685,000 (2016: £5,944,000), an increase of 12 per cent.

Licence sales in the period under review increased from £2,738,000 to £2,859,000, an increase of 4 per cent; recurring revenue in the period amounted to £4,847,000 (2016: £4,102,000), an increase of 18 per cent; and services revenue was £2,304,000 (2016: £1,929,000), growing 19 per cent.

Unaudited operating profit for the period under review was £1,059,000, (2016: £601,000), an increase of 76 per cent after charging software development costs and amortisation totalling £1,474,000 (2016: £1,541,000) made up of £1,054,000 of development costs (2016: £1,258,000) and amortisation of intangible assets of £420,000 (2016: £283,000) for the period.

EBITDA for the period under review was £1,598,000, (2016: £963,000), an increase of 66 per cent.

Unaudited profit before tax for the period was £1,007,000, (2016: £557,000), an increase of 81 per cent. Unaudited earnings for the period were £804,000 (2016: £431,000), equivalent to basic unaudited earnings per share of 1.1p, which compare with unaudited earnings for the same period last year of £431,000, and basic unaudited earnings per share of 0.6p.

Financial Performance

The Group generated cash from operations in the period under review of £2,277,000 compared with £1,439,000 of cash generated in the same period last year. This improvement in our financial position has facilitated our continuing investment in our software development activities in the period.

The Group had net cash at 30 June 2017 of £259,000 after financing the acquisition of Icon in October 2016 compared to £302,000 at 30 June 2016. Our net cash position at 30 June 2017, comprised Sterling Borrowings of £2.9m, finance lease obligations of £0.3m, more than offset by cash balances totalling £3.5m held principally in Swedish Krona, Euros and US Dollars.

Our Sterling borrowings at 30 June 2017 included £2,765,000 of medium-term Sterling borrowings, which were raised from Barclays Bank as part of the financing of the acquisition of Icon in May 2016. The Directors consider 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.

Software Development

The volume, quality and innovation in the output of the software produced by our software teams located in the UK, Sweden and Germany have been major factors in the growth of Elecosoft in recent years into a profitable international provider of outstanding market leading construction software.

Software development expenditure in the period under review increased to £1,548,000 (2016: £1,433,000) and represents the equivalent of 15 per cent of sales in the period (2016: 16 per cent). Our commitment to the continuing enhancement of our current market-leading construction software portfolio reflects Elecosoft's policy commitment to our customers to maintain and enhance our software offering worldwide under the strong Elecosoft brand.

Development expenditure capitalised in the period was £494,000 (2016: £175,000). The capitalised development projects are spread across Germany, Sweden and the UK, with the majority of our latest investment programmes involving the introduction of SaaS web applications, which will enhance our project management and site management offerings.

Trading Highlights

We continued to make progress in the period, with the integration of Icon following the acquisition in October 2016. I am therefore pleased to report that Elecosoft's IconSystem®, which is the market-leading Property Information Management system in the retail sector, is now becoming recognised in other property management sectors. It gives us pleasure to mention that McCarthy & Stone, the UK's leading retirement housebuilder, has pioneered the use of IconSystem® to improve its planning, design, fabrication, construction regimes and also to improve the co-ordination of its build process and I would like to take this opportunity to congratulate McCarthy & Stone on its achievement in winning the prestigious 'Digital Construction Award', which was presented at the recent Construction Excellence Awards.

In the UK, we focused on sales and support efforts to our existing customers by concentrating on the provision to them of software tools fully scoped for their businesses and, as a consequence, we noted that our Powerproject BIM and Site Progress Mobile programs gained more acceptance in the construction industry. We successfully launched our SaaS offering of Powerproject® in the UK in the period. Product updates in Powerproject® and BIM were also demonstrated and well received by our client base in the UK at eight national user forums, which attracted more than 300 attendees.

Our Swedish colleagues also succeeded in securing major orders in Australia and Canada for the sale of Staircon®, Elecosoft's leading staircase design and manufacturing software.

Management Changes

Graham Spratling resigned as Finance Director of Elecosoft in January after ten years of service with the Group and, we wish him well. His successor, David Pearson, who joined the Group in February 2017 left the Group in August 2017, and we have taken steps to recruit a new Finance Director as his replacement. Our Nominations Committee is currently undertaking a search for a new Finance Director and will announce his or her appointment in due course.

I would like to welcome Kevin Craig's appointment as a Non-Executive Director on 27 March 2017. Kevin Craig, aged 45, is Founder and CEO of PLMR, which is one of the UK's top communication firms. Kevin has spent his career across the public and private sector advising a whole range of clients from political lobbying, PR to crisis management. Most recently Kevin has been involved with a number of significant transactions across the healthcare and infrastructure sectors.

Also, I am pleased to announce the appointment of Anders Karlsson as an Executive Director on 27 March 2017. Per Erik Anders Karlsson (Anders), aged 52, has over 23 years' experience across the software development, digital and industrials sectors, and has held numerous Chief Executive and board level positions during his career. Anders is CEO of the Company's wholly owned subsidiary, Consultec Elecosoft AB, overseeing the successful expansion phase of the company's life-cycle. Previously he held similar senior roles within the software development and digital space, including CEO of Zone Systems between 2010 and 2014 and Managing Director at Consultec Byggprogram AB between 2005 and 2010. Anders has also held a board position at Visit Skellefteå.

Dividend

Having regards to Elecosoft's strong trading performance and cash generation in the period under review and a good start to the second half, the Board has decided to declare an increased scrip dividend of 0.20p per ordinary share or alternative cash dividend of 0.20p per ordinary share (2016: cash dividend 0.15p), an increase of 33%, covered 5.5 times by unaudited earnings for the period of 1.1p per ordinary share.

The scrip reference price is 43.25p, calculated from the average of the closing price for an ordinary share of the company as derived from the daily official list of the London Stock Exchange during the period of five dealing days ending 22 September 2017. The interim dividend will be paid on 6 November 2017 to shareholders on the register at the close of business on 6 October 2017 and the ex-dividend date will be 5 October 2017.

Outlook

Elecosoft delivered a positive performance in the first six months of 2017, with growth in all geographic regions, and we have enjoyed an excellent start to the second half. However, we are not complacent, and we will remain focused and we will make every effort to meet any challenging and uncertain conditions that may arise in the markets we serve. In doing so, we will continue to concentrate our efforts on the development of the market-leading software programs that our customers require, and in doing so, I am confident that as we do so, we shall be able to rely, as we always do, on the close co-operation of our customers, for which we thank them.

I am confident that our decision to unify all our software brands under the Elecosoft brand will facilitate the cross-selling of our present product range to the construction industry in the markets we serve. It will also assist us to accelerate the implementation of the marketing and communications strategies in markets other than the construction markets in which we have concentrated our efforts thus far. Thus, we regard the adoption of Elecosoft as our unifying brand as a momentous and positive step for Elecosoft plc, which will benefit our customers, our employees and our shareholders, and we look forward to the future with confidence.

John Ketteley
Executive Chairman
22 September 2017

Condensed Consolidated Income Statement

for the financial period ended 30 June 2017

	Notes	six months to 30 June		Year ended
		2017 (unaudited) £'000	2016 (unaudited) £'000	31 December 2016 (restated) £'000
Revenue	3,4	10,010	8,769	17,795
Cost of sales		(1,293)	(1,179)	(2,374)
Gross profit		8,717	7,590	15,421
Operating expenses before amortisation of intangible assets, acquisition expenses and termination payments		(7,238)	(6,597)	(12,818)
Amortisation of intangible assets		(420)	(283)	(631)
Operating expenses before acquisition expenses and termination payments		(7,658)	(6,880)	(13,449)
Operating profit before acquisition expenses and termination payments		1,059	710	1,972
Acquisition expenses		–	–	(212)
Former Directors' termination payments		–	(109)	(166)
Selling and administrative expenses		(7,658)	(6,989)	(13,827)
Operating profit	4,5	1,059	601	1,594
Finance income	6	–	2	3
Finance cost	6	(52)	(46)	(93)
Profit before tax		1,007	557	1,504
Tax		(203)	(126)	(261)
Profit for the financial period		804	431	1,243
<i>Attributable to:</i>				
Equity holders of the parent		804	431	1,243
Earnings per share				
Basic earnings per share	7	1.1p	0.6p	1.7p
Diluted earnings per share	7	1.0p	0.6p	1.6p

Condensed Consolidated Statement of Comprehensive Income

for the financial period ended 30 June 2017

	six months to 30 June		Year ended
	2017 (unaudited) £'000	2016 (unaudited) £'000	31 December 2016 £'000
Profit for the period	804	431	1,243
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss:			
Translation differences on foreign operations	(23)	76	92
Other comprehensive income net of tax	(23)	76	92
Total comprehensive income for the period	781	507	1,335
<i>Attributable to:</i>			
Equity holders of the parent	781	507	1,335

Condensed Consolidated Statement of Changes in Equity

for the financial period ended 30 June 2017

	Share capital £'000	Share premium £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2017	771	578	(80)	(339)	8,786	9,716
Dividends	–	–	–	–	(135)	(135)
Share-based payments	–	–	–	6	–	6
Transactions with owners	–	–	–	6	(135)	(129)
Profit for the period	–	–	–	–	804	804
Other comprehensive income:						
Exchange differences on translation of net investments in foreign operations	–	–	(23)	–	–	(23)
Total comprehensive income for the period	–	–	(23)	–	788	765
At 30 June 2017 (unaudited)	771	578	(103)	(333)	9,455	10,368

	Share capital £'000	Share premium £'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	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2016	749	–	(172)	(338)	7,654	7,893
Dividends	–	–	–	–	(111)	(111)
Share-based payments	–	–	–	13	–	13
Elimination of cancelled share-based payments	–	–	–	(14)	–	(14)
Issue of share capital	22	578	–	–	–	600
Transactions with owners	22	578	–	(1)	(111)	488
Profit for the period	–	–	–	–	1,243	1,243
Other comprehensive income:						
Exchange differences on translation of net investments in foreign operations	–	–	92	–	–	92
Total comprehensive income for the period	–	–	92	–	1,243	1,335
At 31 December 2016	771	578	(80W)	(339)	8,786	9,716

Condensed Consolidated Balance Sheet

at 30 June 2017

	Notes	30 June		31 December 2016 £'000
		2017 (unaudited) £'000	2016 (unaudited) £'000	
Non-current assets				
Goodwill		11,487	10,237	11,469
Other intangible assets	9	3,434	1,899	3,321
Property, plant and equipment		786	596	868
Total non-current assets		15,707	12,732	15,658
Current assets				
Inventories		3	5	11
Trade and other receivables		2,871	2,679	3,674
Current tax assets		77	213	67
Cash and cash equivalents		3,510	2,540	2,576
Total current assets		6,461	5,437	6,328
Total assets		22,168	18,169	21,986
Current liabilities				
Bank overdraft	10	(179)	(541)	(339)
Borrowings	10	(790)	(750)	(790)
Obligations under finance leases		(123)	(158)	(163)
Trade and other payables		(1,050)	(1,068)	(1,459)
Provisions		(243)	(116)	(228)
Current tax liabilities		(233)	(73)	(89)
Accruals and deferred income	11	(6,398)	(5,898)	(6,003)
Total current liabilities		(9,016)	(8,604)	(9,071)
Non-current liabilities				
Borrowings	10	(1,975)	(597)	(2,370)
Obligations under finance leases		(184)	(192)	(218)
Deferred tax liabilities		(584)	(218)	(570)
Non-current provisions		(41)	(167)	(41)
Total non-current liabilities		(2,784)	(1,174)	(3,199)
Total liabilities		(11,800)	(9,778)	(12,270)
Net assets		10,368	8,391	9,716
Equity				
Share capital		771	749	771
Share premium account		578	–	578
Translation reserve		(103)	(96)	(80)
Other reserve		(333)	(347)	(339)
Retained earnings		9,455	8,085	8,786
Equity attributable to shareholders of the parent		10,368	8,391	9,716

Condensed Consolidated Statement of Cash Flows

for the financial period ended 30 June 2017

	six months to 30 June		Year ended 31 December 2016 £'000
	2017 (unaudited) £'000	2016 (unaudited) £'000	
Cash flows from operating activities			
Profit before tax	1,007	557	1,504
Net finance costs	52	43	90
Depreciation charge	119	79	207
Amortisation charge	420	283	631
Profit on sale of property, plant and equipment	(8)	(20)	(28)
Share-based payment charge	6	(9)	13
Decrease in provisions	(5)	(60)	(75)
Cash generated in operations before working capital movements	1,590	873	2,342
Decrease in trade and other receivables	890	958	403
Decrease/(increase) in inventories and work in progress	8	5	(1)
Decrease in trade and other payables	(212)	(397)	(322)
Cash generated in operations	2,277	1,439	2,422
Interest paid	(54)	(50)	(85)
Interest received	–	2	3
Net income tax paid	(50)	(101)	(17)
Net cash inflow from operating activities	2,173	1,290	2,323
Investing activities			
Purchase of intangible assets	(531)	(218)	(754)
Purchase of property, plant and equipment	(62)	(128)	(449)
Acquisition of subsidiary undertakings net of cash acquired	–	(63)	(1,700)
Proceeds from sale of property, plant, equipment and intangible assets	96	48	100
Net cash outflow from investing activities	(497)	(361)	(2,803)
Financing activities			
Proceeds from new bank loan	–	–	3,160
Repayment of bank loans	(395)	(375)	(1,722)
Repayments of obligations under finance leases	(133)	(73)	(153)
Equity dividends paid	(135)	–	(111)
Net cash (outflow)/inflow from financing activities	(663)	(448)	1,174
Net increase in cash and cash equivalents	1,013	481	694
Cash and cash equivalents at beginning of period	2,237	1,283	1,283
Effects of changes in foreign exchange rates	81	235	260
Cash and cash equivalents at end of period	3,331	1,999	2,237
Cash and cash equivalents comprise:			
Cash and short-term deposits	3,510	2,540	2,576
Bank overdrafts	(179)	(541)	(339)
	3,331	1,999	2,237

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 2016 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 2017 have been prepared in accordance with the accounting policies which will be applied in the twelve months financial statements to 31 December 2017. 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 2017.

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 2016. The comparative figures for the year ended 31 December 2016 are not the Company's statutory accounts for that period but have been extracted from these accounts.

The condensed consolidated interim income statement for 2016 was restated for the reclassification of a Director's termination that was accrued in December 2016. These costs were reclassified to Directors' termination payments in the income statement.

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.

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 2016.

Risks and uncertainties

A summary of the Group's principal risks and uncertainties was set out on page 21 of the 2016 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 20 September 2017.

3. Revenue

Revenue disclosed in the income statement is analysed as follows:

	six months to 30 June		Year ended 31 December 2016 £'000
	2017 £'000	2016 £'000	
Licence sales	2,859	2,738	4,955
Recurring maintenance and support revenue	4,847	4,102	8,622
Services income	2,304	1,929	4,218
	10,010	8,769	17,795

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
	2017	2016	31 December
	£'000	£'000	2016 (restated) £'000
Revenue	10,010	8,769	17,795
Adjusted operating profit	2,652	2,330	4,778
Depreciation charge	(119)	(79)	(207)
Product development costs	(1,054)	(1,258)	(1,968)
Operating profit before amortisation of intangible assets, acquisition expenses and termination payments	1,479	993	2,603
Amortisation of intangible assets	(420)	(283)	(631)
Acquisition expenses	–	–	(212)
Former Directors' termination payments	–	(109)	(166)
Operating profit	1,059	601	1,594
Net finance cost	(52)	(44)	(90)
Segment profit before tax	1,007	557	1,504
Tax	(203)	(126)	(261)
Segment profit after tax	804	431	1,243
Product development costs expensed	(1,054)	(1,258)	(1,968)
Internal development costs capitalised	(494)	(175)	(625)
Total development costs	(1,548)	(1,433)	(2,593)
Operating profit	1,059	601	1,594
Amortisation of intangible assets	420	283	631
Depreciation charge	119	79	207
EBITDA	1,598	963	2,432

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 projects capitalised in the six months to 30 June 2017 are explained in the Chairman's Statement and the accounting policy requirements are set out on page 47 of the 2016 annual report and accounts.

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
	2017	2016	31 December
	£'000	£'000	2016 £'000
UK	3,325	2,825	5,498
Scandinavia	3,638	3,451	6,745
Germany	1,565	1,425	2,982
USA	350	236	601
Rest of Europe	999	717	1,653
Rest of World	133	115	316
	10,010	8,769	17,795

Revenue by product group represents revenue from external customers.

	six months to 30 June		Year ended
	2017	2016	31 December
	£'000	£'000	2016
			£'000
Project management	4,559	4,272	8,452
Site management	225	229	474
Estimating	1,521	1,507	2,964
Engineering	1,672	1,389	2,827
CAD/Design	562	573	1,137
Visualisation	979	799	1,821
Information management	492	–	120
	10,010	8,769	17,795

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

	six months to 30 June		Year ended
	2017	2016	31 December
	£'000	£'000	2016
			£'000
Direct	9,398	8,273	16,674
Reseller	612	496	1,121
	10,010	8,769	17,795

5. Operating profit

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

	six months to 30 June		Year ended
	2017	2016	31 December
	£'000	£'000	2016
			£'000
Software product development	1,054	1,258	1,968
Depreciation of property, plant and equipment	119	79	207
Amortisation of intangible assets acquired	255	173	389
Amortisation of capitalised development costs	165	110	242
Profit on disposal of property, plant and equipment	(8)	(20)	(28)
Foreign exchange (gains)/losses	13	(10)	(73)
Acquisition expenses	–	–	212
Directors' termination payments	–	109	166

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
	2017	2016	31 December
	£'000	£'000	2016
			£'000
Finance income:			
Bank and other interest receivable	–	2	3
Finance costs:			
Bank overdraft and loan interest	(49)	(41)	(84)
Finance leases and hire purchase contracts	(3)	(5)	(9)
Total net finance cost	(52)	(44)	(90)

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 2016
	2017	2016	
Profit attributable to shareholders	£804,000	£431,000	£1,243,000
Basic weighted average number of shares	76,192,757	73,970,534	74,433,243
Dilutive effect of share options	1,028,721	294,000	1,029,000
Diluted weighted average number of shares	77,221,478	74,264,534	75,462,243
Earnings per share			
Basic earnings per share	1.1p	0.6p	1.7p
Diluted earnings per share	1.0p	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 scrip dividend of 0.20p per ordinary share or cash dividend alternative of 0.20p per ordinary share (2016 H1: cash dividend 0.15p). Dividends of £134,000 (2016 H1: £nil) were paid during the six months to June 2017.

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 2017 represent purchased intangible assets of £37,000 (2016: £43,000) and internal development costs capitalised of £494,000 (2016: £175,000). Internal development relates to software development projects that meet the accounting policy criteria for capitalisation.

10. Borrowings

The bank loans and overdrafts are repayable as follows:

	at 30 June 2017 £'000	at 30 June 2016 £'000	at 31 December 2016 £'000
In one year or less	969	1,291	1,129
Between one and two years	790	597	790
Between two and five years	1,185	–	1,580
	2,944	1,888	3,499

11. Accruals and deferred income

	at 30 June 2017 £'000	at 30 June 2016 £'000	at 31 December 2016 £'000
Accruals	1,760	1,696	1,602
Deferred income	4,638	4,202	4,401
	6,398	5,898	6,003

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 six months to 30 June 2017, other than a result of service agreements. An amount of £3,000 (2016: £3,000) was paid to JHB Kettleley & Co Limited for a contribution to the office costs at Burnham-on-Crouch.

Board of Directors

John Ketteley FCA³ Executive Chairman

Appointed Executive Chairman in 1997, John Ketteley has an investment banking background as an Executive Director of SG Warburg & Co Ltd, Managing Director of Rea Brothers plc and Executive Director of Barclays De Zoete Wedd. He was formerly Non-Executive Chairman of BTP plc, Country Casuals plc and Prolific Income plc.

Jonathan Hunter BBus. BMm Group Marketing and Business Development Director

Appointed on 14 June 2016, Jonathan is responsible for Marketing and Business Development. In this capacity, he became Chairman of the Group Lead Developer Community, which consists of the Group's leading software developers. Jonathan also played a major part in the successful acquisition of Icon, he identified the potential of Icon's software and SaaS technology in collaboration with Elecosoft's construction software portfolio and is currently responsible for the product integration. Jonathan joined Elecosoft in 2010 as a Marketing Manager for the Building Systems division and in 2011 he became General Manager of Group Marketing.

Jason Ruddle Managing Director of Elecosoft UK Limited

Appointed as Director on 29 February 2015, Jason Ruddle has over 15 years of business development experience in the construction sector. Jason was appointed as Managing Director of Elecosoft UK Limited 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.

Anders Karlsson MSc Managing Director of Elecosoft Consultec AB

Appointed in March 2017, Anders has over 20 years of business development experience from various companies in different management positions. He was initially appointed as Managing

Director of Consultec Byggprogram AB in August 2005 and then re-joined the Group again as the Managing Director of Elecosoft Consultec AB in November 2014 after a four-year session as the CEO of an international digital signage company.

Serena Lang MBA^{1 2 3} * Non-Executive Deputy Chairman

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 BP.

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. A barrister and chartered accountant, he was previously Managing Director of Argen Limited, a risk management consultancy and is Chairman of the Caythorpe & Ancaster Medical Equipment Trust.

Kevin Craig^{1 2 3} * Non-Executive Director

Appointed as a Non-Executive Director in March 2017, Kevin Craig is Founder and CEO of the Political Lobbying and Media Relations Ltd (PLMR) communications agency. He has served over 11 years to date as a Councillor in London local government and formerly worked for Saatchi and Saatchi (Rowland Company) and DLA Piper. He is also a Non-Executive Director of Company Shop the UK's leading food and surplus redistribution company.

* 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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