



# **Elecosoft®**

Interim Report 2015

for the half year ended 30 June 2015

**Building on Technology®**

# Elecsoft®

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

Elecsoft is a well established and profitable company with a strong portfolio of solutions that are used by the many participants in construction projects, covering all stages in 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 be more productive, reduce risk and drive cost efficiencies. Their trust is reflected in our long standing relationships, use in landmark developments and strong annuity income.

Our long term goal is to be the preferred specialist software partner to customers in all major markets for construction worldwide. 2015 saw us make further progress towards this goal.

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## Interim Report 2015

## Brands

### Visualisation



### CAD/Design



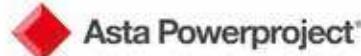
### Engineering



### Estimating



### Project Management



### Site Management



### BIM



*"I am pleased to report an overall positive performance for the six months to 30 June 2015, despite the adverse impact of exchange rate movements. Elecsoft's transformation into a specialist international provider of software to the construction industry is beginning to bear fruit."*

**John Kettleley**  
Executive Chairman

## Highlights

six months to 30 June

## Financial

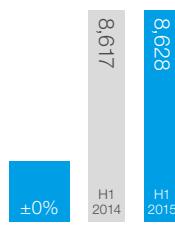
	2015 £'000	2014 (restated) £'000	Change £'000
Revenue	<b>8,628</b>	8,617	+11
Operating profit before amortisation of intangible assets and exceptional costs	<b>835</b>	921	-86
Operating profit	<b>569</b>	563	+6
Profit before tax	<b>502</b>	423	+79
Earnings per share (basic)	<b>0.6p</b>	0.5p	+0.1p
Recurring maintenance revenue	<b>3,642</b>	3,657	-15
EBITDA	<b>893</b>	909	-16
Net Borrowings	<b>(1,533)</b>	(3,814)	+2,281
<b>At constant exchange rates*</b>			
Revenue	<b>9,494</b>	8,617	+877
Operating profit	<b>599</b>	563	+36
Profit before tax	<b>533</b>	423	+110
EBITDA	<b>938</b>	909	+29

\* 2015 restated at 2014 average exchange rates.

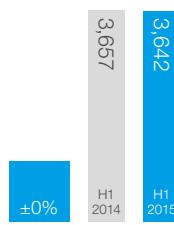
## Operational

- Core product releases including Arcon Evo, Bidcon BIM, Site Progress Mobile for web, Asta Powerproject BIM v2 and Asta Powerproject v13.
- Won a significant order for Asta Powerproject in the US and established a new sales operation in that market.
- Investment in growth with the appointment of a Bidcon Sales Manager for the UK, a Staircon Sales Manager for Europe and Channel Managers for North America and Rest of World.

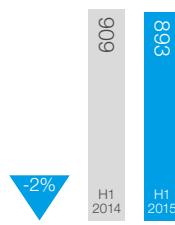
### Revenue £'000



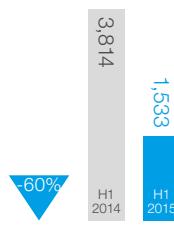
### Recurring Revenue £'000



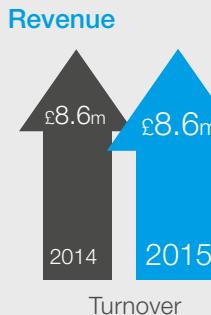
### EBITDA £'000



### Net Borrowings £'000



## Chairman's Statement



At constant exchange rates, turnover for the six months would have been

**£9.5m**  
an increase of  
**10%**

I am pleased to report an improved performance for the six months to 30 June 2015, despite continuing adverse currency movements, and that Elecsoft's transformation into an integrated international specialist provider of market leading software and related services to the construction industry is beginning to bear fruit.

Group revenue and operating profit at constant exchange rates climbed 10 per cent and 6 per cent respectively in the period compared with the same period last year. At current exchange rates, group revenue and operating profit were only slightly higher as a consequence of adverse exchange rates in the period.

Profit before tax for the period was 19 per cent higher at £502,000 (2014: £423,000), due principally to significantly lower borrowing costs. On a constant currency basis, profit before tax increased significantly to £533,000. However basic and diluted earnings per share were restricted to 2 per cent before rounding, as a consequence of the placing of ordinary shares in mid-2014.

Group borrowings at 30 June 2015 were at £1.5m, more than 25 per cent lower than borrowings at 31 December 2014.

### Business overview

We continue to add to and enhance our core software product range. During the period under review, we announced the following new software programs and enhancements of existing programs: (i) the new Arcon Evo 3D architectural visualisation program; (ii) an international version of Bidcon BIM, our new BIM estimating software program; (iii) an enhanced web version of our successful Site Progress Mobile App; (iv) Version 13 enhancement of Asta Powerproject; and finally (v) our new Asta Powerproject BIM 5D project management software program.

We also made several key appointments during the period, to support our sales teams in the sale and marketing of these significant product releases. These included the appointment of a dedicated Bidcon Sales Manager for the UK market, and Channel Managers to support our sales and marketing efforts in both North America and Rest of World. We also held successful partner conferences in Europe and the United States.

Asta Powerproject, Elecsoft's market leading project management software program used within the UK construction market, is now increasingly being marketed in overseas markets; in particular in Sweden, the Netherlands, Germany and the USA. I am also pleased to report that in the period under review, we succeeded in completing the Group's largest single order for the installation of Asta Powerproject software for a very substantial US customer.

Our Swedish colleagues released our new multi-discipline Bidcon estimation program, became a Microsoft Gold Partner and completed their largest combined order to date of our Bidcon, Sitecon and Powerproject software to a single customer in Sweden.

ESIGN, our interior visualisation and marketing operation, also demonstrated promising progress in the period signing a significant order with a large US floor manufacturer to scan its products and provide marketing and visualisation solutions.

### Financial overview

Revenue for the first half of 2015 was £8.6m (H1 2014: £8.6m) of which £6.2m (H1 2014: £6.5m) was generated from overseas operations. Currency exchange rates for the Swedish Krona and the Euro have changed materially in the last year with the average rate for both currencies weakening against the pound by 17 per cent and 12 per cent respectively. Consequently, currency headwinds also adversely impacted the Group's revenue performance in the period under review. At constant exchange rates revenue would have been £9.5m, up by 10 per cent compared with last year.

Software licence sales grew 17 per cent compared with the same period last year, principally due to gaining a significant new customer in the US. Recurring revenue for the period was £3.6m (£4.0m at constant exchange rates) compared with £3.7m last year. Recurring revenue represents 42 per cent of total sales which is unchanged from last year.

Operating profit was £569,000 compared with £563,000 last year after product development expenses of £909,000 (H1 2014: £1.1m) and non-recurring staff costs of £161,000 (H1 2014: £nil). The adverse currency impact on the Group's revenue was partly offset by the favourable impact on the Group's operating costs, of which 75 per cent were incurred overseas (2014 H1: 80 per cent). The operating margin was unchanged at 7 per cent (H1 2014: 7 per cent).

Total software development expenditure amounted to £1.2m (2014 H1: £1.4m) of which £293,000 (2014 H1: £313,000) was capitalised in the period. The total spend represents 14 per cent of sales (H1 2014: 16 per cent) and is in line with the Group's commitment to ensuring that its product offerings are expanding, well maintained and leading in their segments.

The Group generated cash from operations of £1.2m compared to £1.1m in the first half of 2014. This positive performance helped to further reduce the Group's net debt from £2.0m at 1 January 2015 to £1.5m at 30 June 2015. Investing activities in the period were largely internal capitalised development and intangible asset purchases £50,000 (2014 H1: £78,000).

Profit before tax was £502,000, up 19 per cent compared to the same period last year. At constant exchange rates profit before tax would have been £533,000, an increase of some 26 per cent. Basic earnings per share were 0.6p, up 0.1p compared with the same period last year with diluted earnings per share also at 0.6p. (2014 H1: 0.5p).

### New director

Graham Spratling joined Elecosoft in 2007 as Group Financial Controller and was actively involved in the Group's difficult transition from a Building Products and Software Group to a Specialist International Software Group. The Board was therefore delighted that he accepted the invitation to become Group Finance Director and we look forward to working with him in the continued transformation of Elecosoft.

**Profit before tax  
in the six months  
increased from  
£423,000 to  
£502,000**

### Name change

The Company completed its name change from Eleco plc to Elecosoft plc during the period. The name change is part of a planned wider, ongoing rebranding and consolidation exercise which will facilitate the promotion of Elecosoft as a specialist integrated international software group. The re-branding exercise has been well received by our customers and the market.

### Balance sheet reconstruction

The proposed balance sheet reconstruction was duly approved by the High Court and completed successfully on 1 July 2015. As a consequence, the Group is now permitted to resume the payment of dividends when the Board considers it appropriate and prudent to do so. The Board has decided not to resume the payment of dividends at the present time but will review the policy as the growth in the business accelerates and the gearing level declines further.

### Outlook

We continue to build on the foundations that were put in place following the successful refinancing exercise in 2014. Elecosoft is profitable and cash generative and is beginning to benefit from the market's response to the technical excellence of the software products created by the skill and flair of our development teams. We remain positive on the outlook for the full year and look forward to making the best of the opportunities that present themselves in the second half of 2015.

**John Kettleley**  
Executive Chairman

17 September 2015

# Condensed Consolidated Income Statement

for the financial period ended 30 June 2015

	Notes	Six months to 30 June		Year Ended 31 December 2014 £'000
		2015 (unaudited) £'000	2014 (unaudited – restated) £'000	
Revenue	3	<b>8,628</b>	8,617	16,484
Cost of sales		<b>(1,297)</b>	(1,356)	(2,715)
<b>Gross profit</b>		<b>7,331</b>	7,261	13,769
Selling and administrative expenses		<b>(6,496)</b>	(6,340)	(12,329)
<b>Operating profit before amortisation of intangible assets and exceptional items</b>		<b>835</b>	921	1,440
Amortisation of intangible assets		<b>(236)</b>	(245)	(397)
Exceptional items	5	<b>(30)</b>	(113)	(138)
<b>Operating profit</b>	4, 6	<b>569</b>	563	905
Finance income	7	<b>–</b>	2	3
Finance cost	7	<b>(67)</b>	(142)	(224)
<b>Profit before tax</b>		<b>502</b>	423	684
Tax		<b>(87)</b>	(97)	(173)
<b>Profit for the financial period from continuing operations</b>		<b>415</b>	326	511
Profit for the financial period from discontinued operations		<b>–</b>	5,911	5,556
<b>Profit for the financial period</b>		<b>415</b>	6,237	6,067
<i>Attributable to:</i>				
Equity holders of the parent		<b>415</b>	6,237	6,067
<b>Earnings per share – basic</b>				
Continuing operations	8	<b>0.6p</b>	0.5p	0.8p
Discontinued operations	8	<b>0.0p</b>	10.2p	8.3p
Total operations		<b>0.6p</b>	10.7p	9.1p
<b>Earnings per share – diluted</b>				
Continuing operations	8	<b>0.6p</b>	0.5p	0.8p
Discontinued operations	8	<b>0.0p</b>	10.2p	8.3p
Total operations		<b>0.6p</b>	10.7p	9.1p

# Condensed Consolidated Statement of Comprehensive Income

for the financial period ended 30 June 2015

	Six months to 30 June		Year Ended 31 December 2014 £'000
	2015 (unaudited) £'000	2014 (unaudited – restated) £'000	
<b>Profit for the period</b>	<b>415</b>	6,237	6,067
<b>Other comprehensive income:</b>			
Items that will be reclassified subsequently to profit or loss:			
Translation differences on foreign operations	(118)	39	60
<b>Other comprehensive income net of tax</b>	<b>(118)</b>	39	60
<b>Total comprehensive income for the period</b>	<b>297</b>	6,276	6,127
Attributable to:			
Equity holders of the parent	297	6,276	6,127

## Condensed Consolidated Statement of Changes in Equity

for the financial period ended 30 June 2015

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 January 2015</b>	<b>7,487</b>	<b>7,923</b>	<b>4,086</b>	<b>(161)</b>	<b>(358)</b>	<b>(12,255)</b>	<b>6,722</b>
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
<b>At 30 June 2015 (unaudited)</b>	<b>7,487</b>	<b>7,923</b>	<b>4,086</b>	<b>(279)</b>	<b>(358)</b>	<b>(11,827)</b>	<b>7,032</b>
	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 January 2014</b>	6,066	6,396	4,086	(221)	(358)	(18,322)	(2,353)
Issue of share capital	303	325	—	—	—	—	628
Transactions with owners	303	325	—	—	—	—	628
Profit for the period	—	—	—	—	—	6,237	6,237
Other comprehensive income:							
Exchange differences on translation of net investments in foreign operations	—	—	—	39	—	—	39
Total comprehensive income for the period	—	—	—	39	—	6,237	6,276
<b>At 30 June 2014 (unaudited)</b>	<b>6,369</b>	<b>6,721</b>	<b>4,086</b>	<b>(182)</b>	<b>(358)</b>	<b>(12,085)</b>	<b>4,551</b>
	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 January 2014</b>	6,066	6,396	4,086	(221)	(358)	(18,322)	(2,353)
Issue of share capital	1,421	1,527	—	—	—	—	2,948
Transactions with owners	1,421	1,527	—	—	—	—	2,948
Profit for the period	—	—	—	—	—	6,067	6,067
Other comprehensive income:							
Exchange differences on translation of net investments in foreign operations	—	—	—	60	—	—	60
Total comprehensive income for the period	—	—	—	60	—	6,067	6,127
<b>At 31 December 2014</b>	<b>7,487</b>	<b>7,923</b>	<b>4,086</b>	<b>(161)</b>	<b>(358)</b>	<b>(12,255)</b>	<b>6,722</b>

# Condensed Consolidated Balance Sheet

at 30 June 2015

	Notes	30 June 2015 (unaudited) £'000	2014 (unaudited) £'000	31 December 2014 £'000
<b>Non-current assets</b>				
Goodwill	9	<b>10,514</b>	10,620	10,571
Other intangible assets	9	<b>1,771</b>	1,601	1,683
Property, plant and equipment		<b>571</b>	617	575
<b>Total non-current assets</b>		<b>12,856</b>	12,838	12,829
<b>Current assets</b>				
Inventories		<b>10</b>	23	8
Trade and other receivables		<b>2,328</b>	2,592	3,110
Current tax assets		<b>189</b>	116	148
Cash and cash equivalents		<b>1,686</b>	1,127	1,198
Assets of disposal group		<b>–</b>	764	–
<b>Total current assets</b>		<b>4,213</b>	4,622	4,464
<b>Total assets</b>		<b>17,069</b>	17,460	17,293
<b>Current liabilities</b>				
Bank overdraft	10	<b>(355)</b>	(3,329)	–
Borrowings	10	<b>(750)</b>	(1,125)	(750)
Obligations under finance leases		<b>(164)</b>	(222)	(141)
Trade and other payables		<b>(1,193)</b>	(2,034)	(1,586)
Provisions		<b>(142)</b>	(302)	(142)
Current tax liabilities		<b>–</b>	(5)	–
Accruals and deferred income	11	<b>(5,025)</b>	(5,157)	(5,189)
<b>Total current liabilities</b>		<b>(7,629)</b>	(12,174)	(7,808)
<b>Non-current liabilities</b>				
Borrowings	10	<b>(1,688)</b>	–	(2,063)
Obligations under finance leases		<b>(262)</b>	(265)	(279)
Deferred tax liabilities		<b>(203)</b>	(192)	(162)
Non-current provisions		<b>(220)</b>	(177)	(220)
Other non-current liabilities		<b>(35)</b>	(101)	(39)
<b>Total non-current liabilities</b>		<b>(2,408)</b>	(735)	(2,763)
<b>Total liabilities</b>		<b>(10,037)</b>	(12,909)	(10,571)
<b>Net assets</b>		<b>7,032</b>	4,551	6,722
<b>Equity</b>				
Share capital		<b>7,487</b>	6,369	7,487
Share premium account		<b>7,923</b>	6,721	7,923
Merger reserve		<b>4,086</b>	4,086	4,086
Translation reserve		<b>(279)</b>	(182)	(161)
Other reserve		<b>(358)</b>	(358)	(358)
Retained earnings		<b>(11,827)</b>	(12,085)	(12,255)
<b>Equity attributable to shareholders of the parent</b>		<b>7,032</b>	4,551	6,722

# Condensed Consolidated Statement of Cash Flows

for the financial period ended 30 June 2015

	Six months to 30 June		Year Ended 31 December 2014 £'000
	2015 (unaudited) £'000	2014 (unaudited) £'000	
<b>Cash flows from operating activities</b>			
Profit before tax	502	306	7,788
Net finance costs	67	146	228
Depreciation charge	88	101	198
Amortisation charge	236	245	397
(Profit)/loss on sale of property, plant and equipment	(5)	3	(109)
Share based payment charge	13	—	—
Retirement benefit obligation – derecognition	—	—	(7,738)
Decrease in provisions	—	(501)	(618)
<b>Cash generated in operations before working capital movements</b>	<b>901</b>	300	146
Decrease/(increase) in trade and other receivables	406	1,019	(155)
(Increase)/decrease in inventories and work in progress	(4)	(8)	8
Decrease in trade and other payables	(102)	(172)	(244)
Net increase in discontinued operations working capital	—	(101)	(108)
<b>Cash generated/(used) in operations</b>	<b>1,201</b>	1,038	(353)
Interest paid	(87)	(174)	(240)
Interest received	—	3	3
Net income tax (paid)/received	(95)	57	(94)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1,019</b>	924	(684)
<b>Net cash (used)/generated in investing activities</b>			
Purchase of intangible assets	(343)	(391)	(637)
Purchase of property, plant and equipment	(33)	(17)	(85)
Acquisition of subsidiary undertakings net of cash acquired	—	—	(26)
Proceeds from sale of property, plant, equipment and intangible assets	70	15	1,114
Sale of businesses net of expenses	—	—	474
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(306)</b>	(393)	840
<b>Net cash (used)/generated in financing activities</b>			
Proceeds from new bank loan	—	—	3,000
Repayment of bank loans	(375)	(200)	(1,513)
Repayments of obligations under finance leases	(108)	(91)	(283)
Issue of share capital	—	628	2,948
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(483)</b>	337	4,152
<b>Net increase in cash and cash equivalents</b>	<b>230</b>	868	4,308
Cash and cash equivalents at beginning of period	1,198	(3,013)	(3,013)
Effects of changes in foreign exchange rates	(97)	(57)	(97)
<b>Cash and cash equivalents at end of period</b>	<b>1,331</b>	(2,202)	1,198
<b>Cash and cash equivalents comprise:</b>			
Cash and short term deposits	1,686	1,127	1,198
Bank overdrafts	(355)	(3,329)	—
	<b>1,331</b>	(2,202)	1,198

# 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 2014 have been filed 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 2015 have been prepared in accordance with the accounting policies which will be applied in the twelve months financial statements to 31 December 2015. 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 2015.

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 2014.

In accordance with IFRS 5, the prior year comparative figures for the six months to 30 June 2014 have been restated to reflect the reclassification of non-recurring bank fees and charges. Non recurring bank fees and charges of £113,000 were reported in discontinued operations in the Group's condensed consolidated financial statements for the six months to 30 June 2014. These costs were subsequently reclassified to exceptional items in the financial statements for the year to 31 December 2014.

The comparative figures for the year ended 31 December 2014 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 2014.

## Risks and uncertainties

A summary of the Group's principal risks and uncertainties was set out on page 17 of the 2014 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.

## 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 31 December 2014 £'000
	2015 £'000	2014 £'000	
Licence sales	<b>2,636</b>	2,246	4,008
Recurring maintenance and support revenue	<b>3,642</b>	3,657	7,351
Services income	<b>2,350</b>	2,714	5,125
	<b>8,628</b>	8,617	16,484

#### 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 31 December 2014 £'000
	2015 £'000	2014 £'000	
Revenue	<b>8,628</b>	8,617	16,484
Adjusted operating profit	<b>1,744</b>	2,001	3,464
Product development	<b>(909)</b>	(1,080)	(2,024)
Operating profit before amortisation of intangible assets and exceptional items	<b>835</b>	921	1,440
Amortisation of intangible assets	<b>(236)</b>	(245)	(397)
Exceptional items	<b>(30)</b>	(113)	(138)
Segment result	<b>569</b>	563	905
Net finance cost	<b>(67)</b>	(140)	(221)
Segment profit before tax	<b>502</b>	423	684
Tax	<b>(87)</b>	(97)	(173)
<b>Segment profit after tax</b>	<b>415</b>	326	511
Development costs capitalised	<b>(293)</b>	(313)	(553)
Total development costs	<b>(1,202)</b>	(1,393)	(2,577)
Segment result	<b>569</b>	563	905
Amortisation of intangible assets	<b>236</b>	245	397
Depreciation charge	<b>88</b>	101	198
<b>EBITDA</b>	<b>893</b>	909	1,500

Adjusted operating profit represents operating profit before expensed product development costs, intangible asset amortisation and exceptional items. 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 43 of the 2014 annual report and accounts.



### Geographical 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		31 December 2014 £'000
	2015 £'000	2014 £'000	
UK	<b>2,391</b>	2,124	4,291
Scandinavia	<b>3,855</b>	4,350	7,917
Germany	<b>1,201</b>	1,111	2,447
Rest of Europe	<b>604</b>	829	1,404
Rest of World	<b>577</b>	203	425
	<b>8,628</b>	8,617	16,484

The Group utilises Business Partners to access certain markets as resellers. Revenue by sales channel represents revenue from external customers through direct sales and resellers.

	Six months to 30 June		Year ended 31 December 2014 £'000
	2015 £'000	2014 £'000	
Direct	<b>7,929</b>	8,210	15,774
Reseller	<b>699</b>	407	710
	<b>8,628</b>	8,617	16,484

### 5. Exceptional items

Exceptional items represent income and costs considered necessary to be separately disclosed by virtue of their size or nature.

	Six months to 30 June		Year ended 31 December 2014 £'000
	2015 £'000	2014 £'000	
Restructuring costs	—	(113)	(113)
Capital reduction expenses	<b>(30)</b>	—	(25)
	<b>(30)</b>	(113)	(138)

Legal fees associated with the balance sheet reconstruction that completed on 1 July 2015 are reported under exceptional items.

## Notes to the Condensed Consolidated Interim Financial Statements

### continued

#### 6. Operating profit

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

	Six months to 30 June		Year ended 31 December 2014 £'000
	2015 £'000	2014 £'000	
Non-recurring staff costs	161	—	102
Foreign exchange losses	31	15	58
	<b>192</b>	15	160

Non-recurring staff costs principally relates to the reduction in head office personnel that are not expected to be replaced and changes to a Directors' employment contract during the period.

#### 7. Net finance (cost)/income

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

	Six months to 30 June		Year ended 31 December 2014 £'000
	2015 £'000	2014 £'000	
Finance income			
Bank and other interest receivable	—	2	3
Finance costs			
Bank overdraft and loan interest	(60)	(134)	(209)
Finance leases and hire purchase contracts	(7)	(8)	(15)
Total net finance cost	<b>(67)</b>	(140)	(221)

## 8. Earnings per share

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

	Six months to 30 June	Year ended 31 December	
	2015	2014	
Continuing operations	<b>£415,000</b>	£326,000	£511,000
Discontinued operations before exceptionals	<b>£0</b>	£(117,000)	£(634,000)
Discontinued operations exceptionals	<b>£0</b>	£6,190,000	£6,190,000
Discontinued operations	<b>£0</b>	£6,073,000	£5,556,000
<b>Total operations profit after taxation</b>	<b>£415,000</b>	£6,399,000	£6,067,000
Basic weighted average number of shares	<b>73,970,534</b>	59,812,119	66,610,703
Dilutive effect of share options	<b>675,000</b>	–	–
<b>Diluted weighted average number of shares</b>	<b>74,645,534</b>	59,812,119	66,610,703
<b>Earnings/(loss) per share – basic</b>			
Continuing operations	<b>0.6p</b>	0.5p	0.8p
Discontinued operations before exceptionals	–	(0.2)p	(1.0)p
Discontinued operations exceptionals	–	10.4p	9.3p
Discontinued operations	–	10.2p	8.3p
Total operations	<b>0.6p</b>	10.7p	9.1p
<b>Earnings/(loss) per share – diluted</b>			
Continuing operations	<b>0.6p</b>	0.5p	0.8p
Discontinued operations before exceptionals	–	(0.2)p	(1.0)p
Discontinued operations exceptionals	–	10.4p	9.3p
Discontinued operations	–	10.2p	8.3p
Total operations	<b>0.6p</b>	10.7p	9.1p

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

# Notes to the Condensed Consolidated Interim Financial Statements

## continued

### 9. Goodwill and other intangible assets

The decrease in goodwill since 31 December 2014 of £57,000 relates to exchange losses on the revaluation of goodwill denominated in foreign currencies. Other intangible assets comprise capitalised development costs, acquired customer relationships and purchased intangible assets.

### 10. Borrowings

The bank loans and overdrafts are repayable as follows:

	At 30 June 2015 £'000	At 30 June 2014 £'000	At 31 December 2014 £'000
In one year or less	<b>1,105</b>	4,454	750
Between one and two years	<b>750</b>	–	750
Between two and five years	<b>938</b>	–	1,313
More than five years	–	–	–
	<b>2,793</b>	4,454	2,813

### 11. Accruals and deferred income

	At 30 June 2015 £'000	At 30 June 2014 £'000	At 31 December 2014 £'000
Accruals	1,497	1,813	1,743
Deferred income	3,528	3,344	3,446
	<b>5,025</b>	5,157	5,189

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 2015, other than a result of service agreements. An amount of £18,000 (2014: £18,000) was paid to JHB Kettleley & Co Limited under a lease for occupation by the Group of 66 Clifton Street, London, EC2A 4HB and £3,000 (2014: £3,000) for a contribution to the office costs at Burnham-on-Crouch. An amount of £20,000 was paid to The Boardroom Partnership for recruitment services during the period of which J Cohen (resigned 8 June 2015) is a Director.

### 13. Post Balance Sheet Events

On 1 July 2015 the High Court issued an order confirming the capital reduction of Elecsoft plc. As a consequence of the Capital Reduction, the Company's share premium account and share capital reduction shares issued pursuant to the capitalisation of the Company's merger reserve and share based payment reserve have been cancelled, and the nominal share capital of each Ordinary Share has reduced from 10 pence to 1 pence each. Application has been made for the new Ordinary Shares of 1 pence each to be admitted to AIM and admission of the 74,867,127 new Ordinary Shares was effective on 2 July 2015.

# Board of Directors

## John Ketteley FCA<sup>3</sup>

### **Executive Chairman**

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

## Nick Caw

### **Chief Executive Officer**

Nick Caw joined ELECO as CEO in 2014. He has spent most of his career in the IT industry, joining us from Microsoft UK where he worked since 2007.

## Graham Spratling ACMA

### **Group Finance Director**

Graham Spratling joined Elecsoft 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 Elecsoft's finance team supporting the Group's transition from a Building products and Software Group to a Software only business.

## Jonathan Edwards LLB ACA<sup>1 2 3</sup>

### **Non-Executive Director**

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

## Serena Lang MBA<sup>1 2 3</sup>

### **Non-Executive Director**

Appointed as a non-executive Director on the 1 December 2014. Serena 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 within Castrol, the Lubricants division of BP.

1 Member of the Audit Committee  
 2 Member of the Remuneration Committee  
 3 Member of the Nominations Committee

## Company Advisors

### Secretary

Andrew Courts FCCA

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### Bankers

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# Group Directory

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