



# Elecosoft<sup>®</sup>

**Interim Report 2017**  
for the six months ended 30 June 2017

**Building on Technology<sup>®</sup>**

# 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<br>(unaudited)<br>£'000 | 2016<br>(unaudited)<br>£'000 | 31 December<br>2016<br>(restated)<br>£'000 |
| Revenue  | 3,4   | 10,010                       | 8,769                        | 17,795                                     |
| Cost of sales  |       | (1,293)                      | (1,179)                      | (2,374)                                    |
| <b>Gross profit</b>  |       | <b>8,717</b>                 | 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)                                   |
| <b>Operating profit before acquisition expenses and termination payments</b>                               |       | <b>1,059</b>                 | 710                          | 1,972                                      |
| Acquisition expenses   |       | -                            | -                            | (212)                                      |
| Former Directors' termination payments   |       | -                            | (109)                        | (166)                                      |
| Selling and administrative expenses  |       | (7,658)                      | (6,989)                      | (13,827)                                   |
| <b>Operating profit</b>  | 4,5   | <b>1,059</b>                 | 601                          | 1,594                                      |
| Finance income   | 6     | -                            | 2                            | 3  |
| Finance cost   | 6     | (52)                         | (46)                         | (93)                                       |
| <b>Profit before tax</b>   |       | <b>1,007</b>                 | 557                          | 1,504                                      |
| Tax  |       | (203)                        | (126)                        | (261)                                      |
| <b>Profit for the financial period</b>   |       | <b>804</b>                   | 431                          | 1,243                                      |
| <i>Attributable to:</i>  |       |                              |                              |  |
| Equity holders of the parent   |       | 804                          | 431                          | 1,243                                      |
| <b>Earnings per share</b>  |       |                              |                              |  |
| 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<br>(unaudited)<br>£'000 | 2016<br>(unaudited)<br>£'000 | 31 December<br>2016<br>£'000 |
| <b>Profit for the period</b>                                    | <b>804</b>                   | 431                          | 1,243                        |
| <b>Other comprehensive income:</b>                              |                              |                              |                              |
| Items that will be reclassified subsequently to profit or loss: |                              |                              |                              |
| Translation differences on foreign operations                   | (23)                         | 76                           | 92                           |
| <b>Other comprehensive income net of tax</b>                    | <b>(23)</b>                  | 76                           | 92                           |
| <b>Total comprehensive income for the period</b>                | <b>781</b>                   | 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<br>£'000 | Share premium<br>£'000 | Translation reserve<br>£'000 | Other reserve<br>£'000 | Retained earnings<br>£'000 | Total<br>£'000 |
|--|------------------------|------------------------|------------------------------|------------------------|----------------------------|----------------|
| <b>At 1 January 2017</b>   | <b>771</b>             | <b>578</b>             | <b>(80)</b>                  | <b>(339)</b>           | <b>8,786</b>               | <b>9,716</b>   |
| 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            |
| <b>At 30 June 2017 (unaudited)</b>   | <b>771</b>             | <b>578</b>             | <b>(103)</b>                 | <b>(333)</b>           | <b>9,455</b>               | <b>10,368</b>  |

|  | Share capital<br>£'000 | Share premium<br>£'000 | Translation reserve<br>£'000 | Other reserve<br>£'000 | Retained earnings<br>£'000 | Total<br>£'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<br>£'000 | Share premium<br>£'000 | Translation reserve<br>£'000 | Other reserve<br>£'000 | Retained earnings<br>£'000 | Total<br>£'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<br>2016<br>£'000 |
|--|-------|------------------------------|------------------------------|------------------------------|
|  |       | 2017<br>(unaudited)<br>£'000 | 2016<br>(unaudited)<br>£'000 |                              |
| <b>Non-current assets</b>                                |       |                              |                              |                              |
| Goodwill   |       | 11,487                       | 10,237                       | 11,469                       |
| Other intangible assets                                  | 9     | 3,434                        | 1,899                        | 3,321                        |
| Property, plant and equipment                            |       | 786                          | 596                          | 868                          |
| <b>Total non-current assets</b>                          |       | <b>15,707</b>                | 12,732                       | 15,658                       |
| <b>Current assets</b>                                    |       |                              |                              |                              |
| 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                        |
| <b>Total current assets</b>                              |       | <b>6,461</b>                 | 5,437                        | 6,328                        |
| <b>Total assets</b>                                      |       | <b>22,168</b>                | 18,169                       | 21,986                       |
| <b>Current liabilities</b>                               |       |                              |                              |                              |
| 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)                      |
| <b>Total current liabilities</b>                         |       | <b>(9,016)</b>               | (8,604)                      | (9,071)                      |
| <b>Non-current liabilities</b>                           |       |                              |                              |                              |
| 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)                         |
| <b>Total non-current liabilities</b>                     |       | <b>(2,784)</b>               | (1,174)                      | (3,199)                      |
| <b>Total liabilities</b>                                 |       | <b>(11,800)</b>              | (9,778)                      | (12,270)                     |
| <b>Net assets</b>  |       | <b>10,368</b>                | 8,391                        | 9,716                        |
| <b>Equity</b>  |       |                              |                              |                              |
| 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                        |
| <b>Equity attributable to shareholders of the parent</b> |       | <b>10,368</b>                | 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<br>31 December<br>2016<br>£'000 |
|--|------------------------------|------------------------------|--|
|  | 2017<br>(unaudited)<br>£'000 | 2016<br>(unaudited)<br>£'000 |  |
| <b>Cash flows from operating activities</b>                            |                              |                              |  |
| 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)                                       |
| <b>Cash generated in operations before working capital movements</b>   | <b>1,590</b>                 | <b>873</b>                   | <b>2,342</b>                               |
| 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)                                      |
| <b>Cash generated in operations</b>                                    | <b>2,277</b>                 | <b>1,439</b>                 | <b>2,422</b>                               |
| Interest paid  | (54)                         | (50)                         | (85)                                       |
| Interest received  | –                            | 2                            | 3  |
| Net income tax paid  | (50)                         | (101)                        | (17)                                       |
| <b>Net cash inflow from operating activities</b>                       | <b>2,173</b>                 | <b>1,290</b>                 | <b>2,323</b>                               |
| <b>Investing activities</b>  |                              |                              |  |
| 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  |
| <b>Net cash outflow from investing activities</b>                      | <b>(497)</b>                 | <b>(361)</b>                 | <b>(2,803)</b>                             |
| <b>Financing activities</b>  |                              |                              |  |
| 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)                                      |
| <b>Net cash (outflow)/inflow from financing activities</b>             | <b>(663)</b>                 | <b>(448)</b>                 | <b>1,174</b>                               |
| <b>Net increase in cash and cash equivalents</b>                       | <b>1,013</b>                 | <b>481</b>                   | <b>694</b>                                 |
| Cash and cash equivalents at beginning of period                       | 2,237                        | 1,283                        | 1,283                                      |
| Effects of changes in foreign exchange rates                           | 81                           | 235                          | 260  |
| <b>Cash and cash equivalents at end of period</b>                      | <b>3,331</b>                 | <b>1,999</b>                 | <b>2,237</b>                               |
| <b>Cash and cash equivalents comprise:</b>                             |                              |                              |  |
| Cash and short-term deposits   | 3,510                        | 2,540                        | 2,576                                      |
| Bank overdrafts  | (179)                        | (541)                        | (339)                                      |
|  | <b>3,331</b>                 | <b>1,999</b>                 | <b>2,237</b>                               |

# 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<br>31 December<br>2016<br>£'000 |
|---|-----------------------|---------------|--|
|   | 2017<br>£'000         | 2016<br>£'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                                      |
|   | <b>10,010</b>         | 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<br>£'000         | 2016<br>£'000  | 31 December<br>2016<br>(restated)<br>£'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,<br>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)                                      |
| <b>Segment profit after tax</b>   | <b>804</b>            | <b>431</b>     | <b>1,243</b>                               |
| Product development costs expensed  | (1,054)               | (1,258)        | (1,968)                                    |
| Internal development costs capitalised  | (494)                 | (175)          | (625)                                      |
| <b>Total development costs</b>  | <b>(1,548)</b>        | <b>(1,433)</b> | <b>(2,593)</b>                             |
| Operating profit  | 1,059                 | 601            | 1,594                                      |
| Amortisation of intangible assets   | 420                   | 283            | 631  |
| Depreciation charge   | 119                   | 79             | 207  |
| <b>EBITDA</b>   | <b>1,598</b>          | <b>963</b>     | <b>2,432</b>                               |

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<br>£'000         | 2016<br>£'000 | 31 December<br>2016<br>£'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                          |
|                | <b>10,010</b>         | <b>8,769</b>  | <b>17,795</b>                |

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         |
|                        | <b>10,010</b>         | 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       |
|          | <b>10,010</b>         | 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                     | <b>(52)</b>           | (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<br>31 December<br>2016 |
|---|-----------------------|------------|-----------------------------------|
|   | 2017                  | 2016       |                                   |
| Profit attributable to shareholders       | <b>£804,000</b>       | £431,000   | £1,243,000                        |
| Basic weighted average number of shares   | <b>76,192,757</b>     | 73,970,534 | 74,433,243                        |
| Dilutive effect of share options          | <b>1,028,721</b>      | 294,000    | 1,029,000                         |
| Diluted weighted average number of shares | <b>77,221,478</b>     | 74,264,534 | 75,462,243                        |
| Earnings per share                        |                       |            |                                   |
| Basic earnings per share                  | <b>1.1p</b>           | 0.6p       | 1.7p                              |
| Diluted earnings per share                | <b>1.0p</b>           | 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<br>2017<br>£'000 | at 30 June<br>2016<br>£'000 | at 31 December<br>2016<br>£'000 |
|----------------------------|-----------------------------|-----------------------------|---------------------------------|
| In one year or less        | <b>969</b>                  | 1,291                       | 1,129                           |
| Between one and two years  | <b>790</b>                  | 597                         | 790                             |
| Between two and five years | <b>1,185</b>                | –                           | 1,580                           |
|                            | <b>2,944</b>                | 1,888                       | 3,499                           |

## 11. Accruals and deferred income

|                 | at 30 June<br>2017<br>£'000 | at 30 June<br>2016<br>£'000 | at 31 December<br>2016<br>£'000 |
|-----------------|-----------------------------|-----------------------------|---------------------------------|
| Accruals        | <b>1,760</b>                | 1,696                       | 1,602                           |
| Deferred income | <b>4,638</b>                | 4,202                       | 4,401                           |
|                 | <b>6,398</b>                | 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 FCA<sup>3</sup> 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<sup>1 2 3</sup> \* 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<sup>1 2 3</sup> \* 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<sup>1 2 3</sup> \* 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

<sup>1</sup> Member of the Audit Committee

<sup>2</sup> Member of the Remuneration Committee

<sup>3</sup> Member of the Nominations Committee

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**Elecosoft<sup>®</sup>**