ELECO®

Annual Report & Accounts 2014

Building on technology®

ELECO

Annual Report & Accounts 2014

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

ELECO 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 stages 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. 2014 saw us make further progress towards this goal.

Contents

You can download the digital version at www.eleco.com

Brands

Visualisation	Interiormarket
CAD/Design	Arcon Evo™ o2c®
Engineering	Staircon® Statcon® Framing
Estimating	Bidcon®
Project Management	Asta Powerproject®
Site Management	Sitecon® Matrix™
BIM	Elecosoft® BIMCloud™

As part of ELECO's strategy to offer an integrated portfolio of products, we have updated our product branding, a selection is shown above, which will be implemented in 2015.

Highlights

Financial

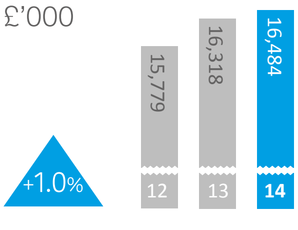
	2014 £'000	2013 £'000	Change £'000
Continuing Operations			
Revenue	**16,484**	16,318	+166
Operating profit before amortisation of intangible assets and exceptionals	**1,440**	1,357	+83
Profit before tax	**684**	624	+60
Earnings per share (continuing operations)	**0.8p**	0.8p	–p
Recurring maintenance revenue	**7,351**	7,319	+32
EBITDA	**1,500**	1,579	-79
Net Borrowings	**1,615**	4,338	-2,723
Continuing Operations at constant exchange rates*			
Revenue	**17,541**	16,318	+1,223
Operating profit before amortisation of intangible assets and exceptionals	**1,511**	1,357	+154
Profit before tax	**751**	624	+127

*2014 restated at 2013 average exchange rates.

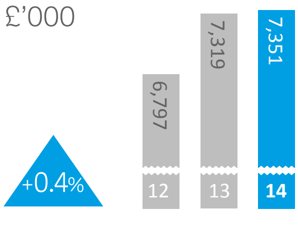
Operational

- Good progress in transitioning to a software focused business including rebanking, refinancing, organisational and operational change
- Solid underlying financial performance – revenue and profit growth
- Strong product releases including BIM, Cloud and mobile offerings brought to market
- Positive momentum with new territory and reseller network growth

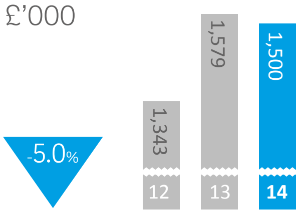
Revenue
£'000



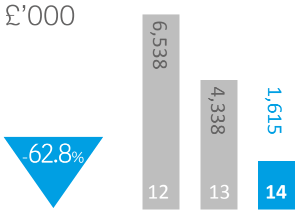
Recurring Revenue
£'000



EBITDA
£'000



Net Bank Borrowings
£'000

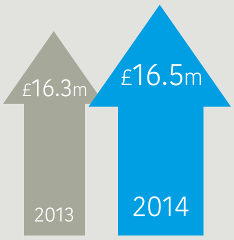


Chairman's Statement

John Ketteley
Executive Chairman

2014:
A pivotal year of transition

Revenue



Turnover

With constant exchange rates, turnover for the year would have been

£17.5m

an increase of

7%

2014 was a year of positive change for ELECO – a year in which it completed the divestment of its UK ElecoBuild interests and raised the necessary equity and bank finance to enable it to concentrate on realising the potential of its profitable software interests in the UK, Sweden, and Germany and began to implement the business strategy which we outlined in our 2013 Annual Report. We took a number of important steps in the period under review to strengthen our Board and software management; to improve and expand our sales channels; to improve the co-ordination of our software development teams and to improve our decision making processes. The implementation of these initiatives is continuing a pace across the Group to good effect.

I wish to preface my statement by thanking those shareholders who subscribed to the equity fund raising of £2.95m in July 2014 at a placing price that was broadly in line with the market price at the time. We also very much appreciate the decision of Barclays Bank to provide the necessary banking facilities on reasonable terms, which enabled us to complete the successful refinancing of the Group.

2015 has begun well and I believe that the equity raising and the decision to re-bank with Barclays will prove to have been the foundation for a significant and I hope sustained recovery in ELECO's fortunes. In this connection, I am delighted that Nick Caw joined us as CEO from Microsoft UK in July 2014. I also welcome the appointment in February 2015 of Andrew Greenwood, who has spent most of his career in the software industry, as Finance Director. I have been impressed to see the effort and commitment that they have put into their respective roles since joining the Group.

Shareholders will be aware that the situation in which we found ourselves prior to the equity raise and re-banking had been extremely challenging and it is a matter of great regret that this resulted in the loss of employment of a significant number of our UK based employees in the year under review.

Performance

Given the substantial combined Sterling weighting of ELECO's former ElecoBuild interests and its UK software interests, ELECO has not hitherto expressed its financial performance in both Sterling terms and in terms in constant currency. However, following the divestment of our ElecoBuild interests, we have decided that given the size of the currency exposure of our software interests to the Euro, Swedish Krona and latterly the US Dollar, we should provide constant currency estimates in our published accounts in future in order to illustrate the impact of currency fluctuations on our reported performance.

ELECO's turnover for 2014 was £16.5m (2013: £16.3m), a rise of only 1% in Sterling terms due to the weakness of the Euro and the Swedish Krona against Sterling. At constant exchange rates, turnover for 2014 would have been £17.5m, an increase of £1.2m or 7%. EBITDA for 2014 was £1.5m (2013: £1.6m) and, at constant currency would have been £1.6m (2013: £1.6m). Profit before tax before charging non-recurring exceptional items and staff costs of £0.2m was £0.9m, and profit before tax was £0.7m (2013: £0.6m), which at constant currency would have been £0.8m (2013: £0.6m). The improvement in profit before tax compared with the previous year was due to improved operating margins and lower finance costs.

Arcon Evo™ allows users to quickly draw a 3D house and also multi-storey housing estates.

ELECO's development spend in 2014 was £2.6m, of which £553,000 was required to be capitalised pursuant to the provisions of IFRS Section 38. Software assets amortised in the year amounted to £397,000 (2013: £376,000). ELECO Group Net Bank Borrowings as at 31 December 2014 were £1.6m, (31 December 2013: £4.3m), a reduction of £2.7m.

The above figures and comments thereon relate only to our Software interests. I have not commented on the performance of our former ElecoBuild interests. The figures relating to the latter are shown separately in the Consolidated Income Statement under the heading "Discontinued Operations".

Refinancing and Re-banking

The equity capital raising to which I referred above consisted of a placing of 14.2m new ordinary Shares of ELECO in July 2014 at a price of 20.75p each, which raised £2.95m. These proceeds were used to reduce UK bank borrowings and in turn, supported ELECO's decision to change its UK banking relationship to Barclays Bank, for the reasons stated above. The Board consider that the Group's current bank facilities provide adequate working capital for its present requirements. The terms on which our current banking facilities were made available by Barclays enabled ELECO to significantly reduce its cost of borrowings in the second half of 2014.

Proposed restructuring of the Company's Balance Sheet and Reserves, Future Dividend Policy and potential resumption of the purchase of its own shares by the Company.

Shareholders will have received with this Report and Accounts a Circular setting out proposals for a scheme to restructure the Company's Balance Sheet and Reserves, together with a Notice of the Annual General Meeting and Proxy Card. The Proxy Card refers, inter alia, to a resolution relating to proposals for a Scheme to restructure the Company's Balance Sheet and Reserves for their consideration ("the Scheme"). Approval of the Scheme by the necessary majority of Shareholders at a General Meeting and its subsequent approval by the Court would permit the resumption of dividend payments as and when considered appropriate by the Directors. The Scheme would also permit the Company to resume the purchase of its own shares in the market, if the Directors consider it appropriate for the Company to do so. Accordingly the Proxy Card also refers to a resolution to give authority to the Directors to approve the purchase by the Company of its own shares in accordance with terms set out in the resolution.

On the assumption that the Scheme were approved by the necessary majority of Shareholders and also by the Court, it would be the intention of the Board to adopt a dividend policy which would require the Company to conduct business in an appropriately cash generating manner, so that the payment of dividends would not hinder the growth of the business for lack of cash resources. It would be the Board's intention to resume the payment of dividends only when it is satisfied that dividend payments would be well covered by earnings and positive cash flow.

Profit before tax in the year increased from £0.6m to £0.7m

£2.95m

equity fund raising

Chairman's Statement continued

"We look to the future with confidence"

I am confident that we have laid a firm foundation for the future growth of ELECO

External advisors

I am pleased to report that finnCap has been appointed our NOMAD and Broker. The team at finnCap has a strong track record in advising and raising capital, providing research and after-market care for ambitious growth companies.

I would also like to take this opportunity to thank Cenkos for their support and their service as our previous Nomad.

We are also pleased that Redleaf Communications has been appointed as our PR Advisers. Among its recent achievements, Redleaf Communications was voted the Best Financial PR Advisor at the UK Stock Market Awards 2015 and the PR Firm of the Year at the Grant Thornton Quoted Company Awards 2014.

People

We welcome the appointment of Serena Lang MBA, as a non-executive Director. She was previously a senior Executive with BP within their Castrol Lubricants division and subsequently became a senior Executive in the Software Division of Invensys, which is now part of Siemens. She has also been appointed Chairperson of the Remuneration Committee.

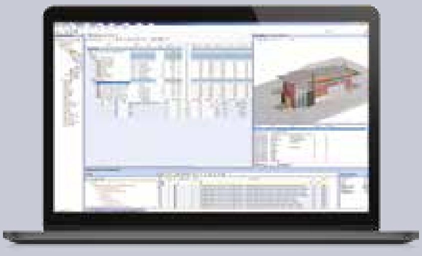
We have established a Group Executive Committee with the initial remit to improve the flow of information across the Group, to provide co-ordinated and informed responses to issues and matters that are drawn to its attention and to initiate and co-ordinate the development of new software product initiatives. In a similar vein, we have also established a Software Developer Group, which meets regularly to engage in technical exchanges. This has already led to a number of interesting initiatives.

Earlier this year, Michael McCullen left ELECO by mutual consent to pursue a career as an independent consultant. He was a co-founder of Asta Development and made a significant contribution to the growth of ELECO's software business since joining the Group in 2007. We will have a continuing relationship with him through his consultancy practice and wish him every success in the future.

I would also like to thank Jonathan Cohen who will be retiring from the Board at the end of the Annual General Meeting for his outstanding contribution to ELECO over the past decade in both good times and bad. During his time with ELECO he has to good effect, followed the advice he was given when he first became a non-executive Director, which was "to listen, to encourage and to warn". I am grateful for Jonathan's wise counsel as a member of our Board and we wish him well.

ELECO is a people business and our colleagues at Asta Development are to be congratulated on its latest BIM version of its Asta Powerproject software being voted "Best Project Management and Planning Software 2014" by the Construction Computing Awards. The Award is a fitting illustration of the technical skill and drive of our software development and support teams across the Group. However, that said I hasten to add that our colleagues at Asta Development are not alone in their determination to develop and promote the most innovative products and services to our customers worldwide and, on your behalf, I would like to thank all those who work with us in Sweden, Germany, Belgium and the UK for their continuing outstanding contribution to ELECO, year in and year out, and especially so in the recent difficult economic climate and period of change.

Bidcon® BIM is the latest addition to ELECO's BIM portfolio allowing the take-off of quantities from an IFC BIM model and the sharing of the bill of quantities within Asta Powerproject® BIM.



Outlook

Having regard to the success of the refinancing and re-banking exercise, the strengthening of our management team and the skill and flair of our software development teams and sales and marketing teams in Sweden, Germany and the UK, we were able to maintain our revenue and profitability in 2014, a year of transition. I believe that we have now laid a firm foundation for ELECO's future growth as a leading international provider of outstanding software applications for project management, 3D architectural visualisation, 3D printing, engineering, e-commerce and cloud based solutions to the architectural, engineering and construction sectors worldwide and we look to the future with confidence.

John Ketteley
Executive Chairman

5 May 2015

Case study

Swedish company benefitting from integrated products

With 90 employees and three offices around Stockholm, Dipart has been a long standing customer of the Group. Building the business around three of ELECO's core programs has led to a more systematic and unified working practice for everyone at Dipart – which in the long run increases both efficiency and profitability.

"The programs help us to manage projects in such a way that we can operate them effectively. These are important tools, helping us to continue to grow"
Mats Hoffmann

Mats Hoffmann describes Sitecon® as the umbrella module, a central store for documents and licenses that must be included in a project. In the next phase, cost calculations are determined in Bidcon® and a schedule, based on the calculations, is produced in Asta Powerproject®.

Leeds Arena
Asta Powerproject®

Strategic Report

Who We Are

ELECO is solely focused on the provision of integrated software and related services to the global architectural, engineering and construction (AEC) industries

Providing integrated solutions across the lifecycle of a project

Who we are

Founded in 1895 and with its beginnings in the design and supply of electric light lanterns, ELECO's 120 year history has a consistent association with delivering technical innovation.

A new chapter began for ELECO in 2014. Following a restructuring that saw the divestment of our ElecoBuild businesses, we are now a standalone software business. Our portfolio today is focused on the many participants in the construction industry, providing integrated solutions across the lifecycle of a project.

What we do

Our solutions cover the core elements of a construction project – Design and Visualisation (3D), Scheduling the resources needed to deliver a project (4D) and Estimating and tracking the costs (5D). In addition, we provide a range of Engineering tools.

In the past, the software supplied to the industry has been fragmented. Government mandated policy like Building Information Modelling ("BIM") combined with commercial pressure to be more efficient and a shift in customer usage to mutliple devices and cloud are all driving change in the industry. ELECO is well placed to assist the community adapt to these changes.

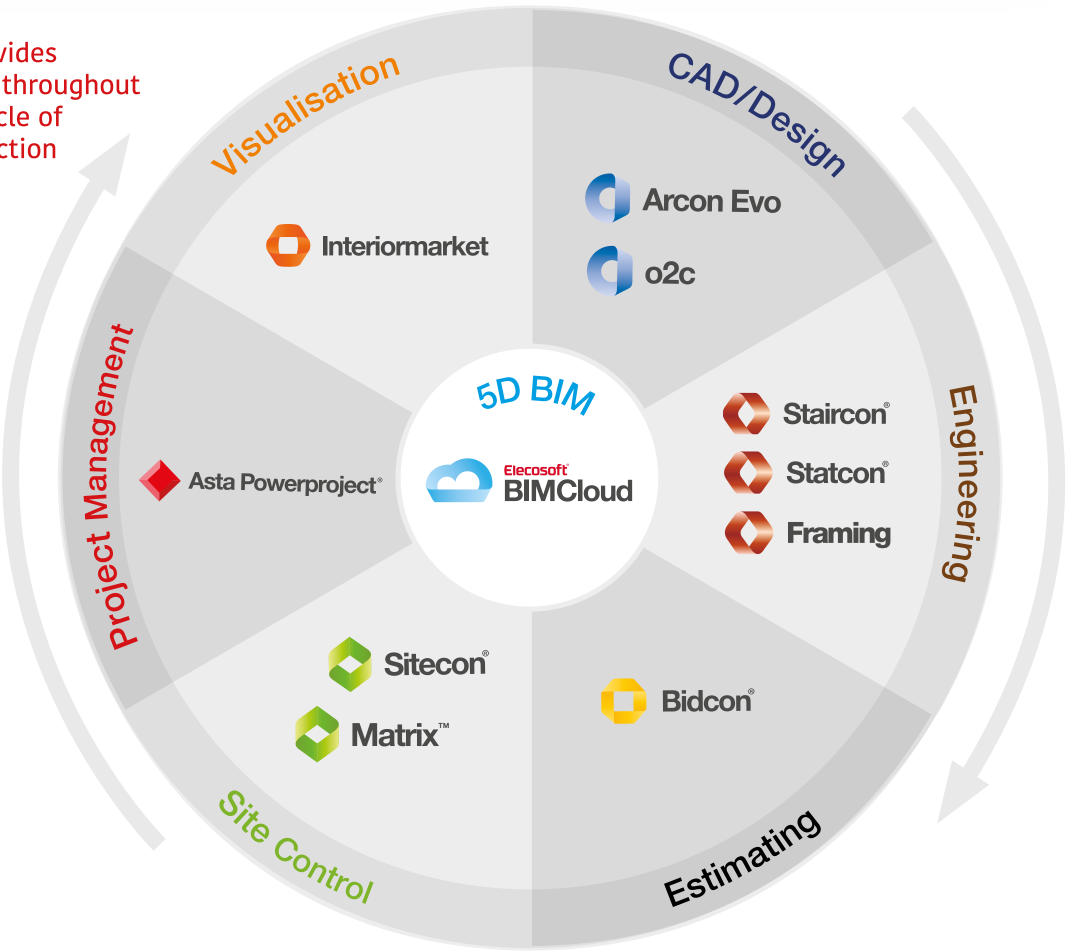
The Construction Process

3D – Visualisation

4D – Time

Visualisation	Interiormarket™	Designers	
Design/CAD	Arcon Evo™ o2c™	Architects	
Engineering	Staircon® Statcon® Framing	Structural Engineers	
Estimating	Bidcon®	Estimators	
Project Management	Asta Powerproject®	Planners	Project Managers
Site Management	Sitecon® Matrix™		Site Managers
BIM	Elecosoft BIMCloud™	Main Contractors	

Eleco provides solutions throughout the lifecycle of a construction project



5D BIM refers to the process of intelligent linking and tracking of 3D models over time, combined with cost-related information. Eleco's integrated portfolio is aligned to this framework:

3D – Visualisation
From a kitchen make-over to full blown multi building sites – ESIGN® Interiormarket, Arcon® and o2c® help users to design, discuss and modify their plans in three dimensions.

4D – Time
Tracking activity & resources is critical to timely delivery of projects. Asta Powerproject® is a leading solution in construction specific project scheduling.

5D – Costs
Managing costs efficiently is key to successful projects – Bidcon® has a dominant position in the Scandanvian cost estimation market and is expanding in Europe.

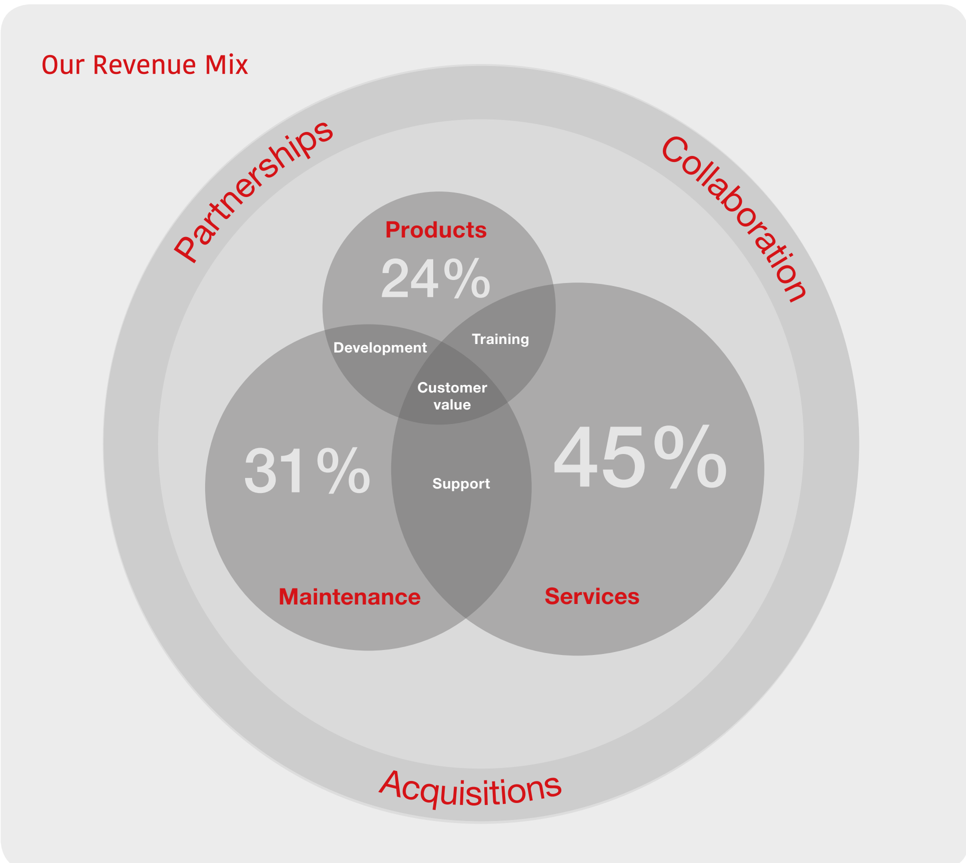
Our Business Model

A predominately European focused company, ELECO plans to expand into other regions

186
Employees

ELECO's core business is the provision of software and services to the global construction community. As a software company, our main revenue streams are software licensing, maintenance and professional services which we sell direct or through an expanding network of resellers.

ELECO is known for its technical expertise, developing solutions specifically designed for the requirements of its customers compared to more generic competitors. As our teams become more integrated, we are shifting towards promoting a portfolio of software covering the core building blocks of any construction project, away from individual offerings. This is an increasingly appealing proposition for customers, driven by their need to operate more efficiently.



ESIGN's Interiormarket product configurator allows consumers the freedom to design and purchase interior floor, walls and furniture covering using a web solution.

Our People

ELECO employed an average of 186 people in 2014 of which 42 are in product development, 50 in sales & marketing, 65 in client services and the remaining 29 include management, finance and administration. ELECO's operations are primarily based in Europe with its headquarters in the UK and offices in Sweden, Germany and Belgium.

Our software development teams are located; in our three centres of excellence; project management in the UK, visualisation and 3D CAD in Germany, and estimating and engineering in Sweden.

Sales teams are based in all of our home markets while customers outside of home markets are typically serviced by resellers.

Case study

Optimised CNC production with latest technology

Smekens, a Belgium based staircase manufacturer, needed a software supplier that had the ability to configure its CAM software and automate CNC production to Smekens' specific methods of manufacturing. Smekens started using Staircon® CAM in 2010 and continues to benefit from the improved accuracy and efficiency the software provides.

The founder of Smekens, Robby Smekens, has always been committed to finding opportunities for improvement in staircase manufacturing to stay at the forefront of the industry. Staircon® allows multiple production files to be processed simultaneously and can be setup to run several machines.

"For years, it has been my aim to maximize the automation of staircase production. Some things carried out on the CNC machine are not even possible to do by hand. With the two 5-axis milling machines controlled by Staircon® I have the best tool."

Mr Smekens

Our Marketplaces and Trends

UK

Despite growth in the UK construction industry slowing for the third consecutive month in December 2014, the UK's booming property market helped round off the best year for British builders since 1997.[1]

Growth is expected to be more widely spread in the future – new house building will inevitably fall to more sustainable levels however increases in activity in the new non-residential building sectors should strengthen significantly this year as demand for new office, leisure, distribution and logistics facilities in particular benefits from robust economic growth.[2]

Scandinavia

The Swedish construction industry contributes about 8% of the country's GDP, and employs approximately 11% of the working population. The trend in construction volumes has recovered fairly quickly after a brief dip in 2009.

The Swedish Government has identified that an increase in housing construction is needed to tackle the current housing shortage.[3]

In an effort to preserve Sweden's competitiveness, the government proposed an increase in the budget for research and innovation. The plan, announced in September 2012, will provide an additional SEK4 billion (£310 million) by 2016 for higher education and research.[4]

Construction technology

Global demand for more efficient construction processes, increased collaboration and de-risking projects are key market drivers with the industry seeking software solutions that support BIM.

BIM was initially developed in Europe where 12% of the contractors using it in France, Germany and the UK report that they have been doing so for six or more years. This is particularly true for the UK, where 19% of BIM general contractors claim more than 10 years' experience. North America has grown dramatically in recent years, now topping 70%, according to McGraw Hill Construction's research in 2012.[7]

Beyond 2016 – Level 3 Building Information Modelling

This strategy for the next stage of the BIM journey is building on the standards and savings being delivered by the BIM Level 2 initiative. Level 3 will enable the interconnected digital design of different elements in a built environment and will extend BIM into the operation of assets over their lifetime.

The benefits BIM delivers throughout a project's life cycle and the cost savings can be significant.

The BIM value proposition includes having a greater understanding of the entire life cycle process from the beginning so end results can be better understood. Customers are not always getting the assets and the outcomes they want or need, and BIM can help rectify this.

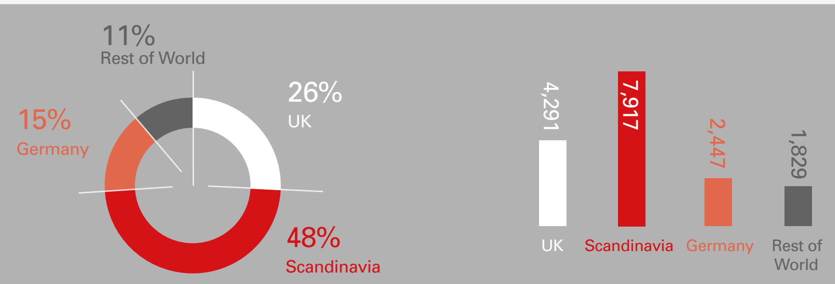
1 Khan, M. (2015). UK construction industry growth slows after bonanza year. [online] Telegraph.co.uk. Available at: *http://www.telegraph.co.uk/finance/economics/11325054/UK-construction-industry-growth-slows-after-bonanza-year.html* [Accessed 16 Apr. 2015].

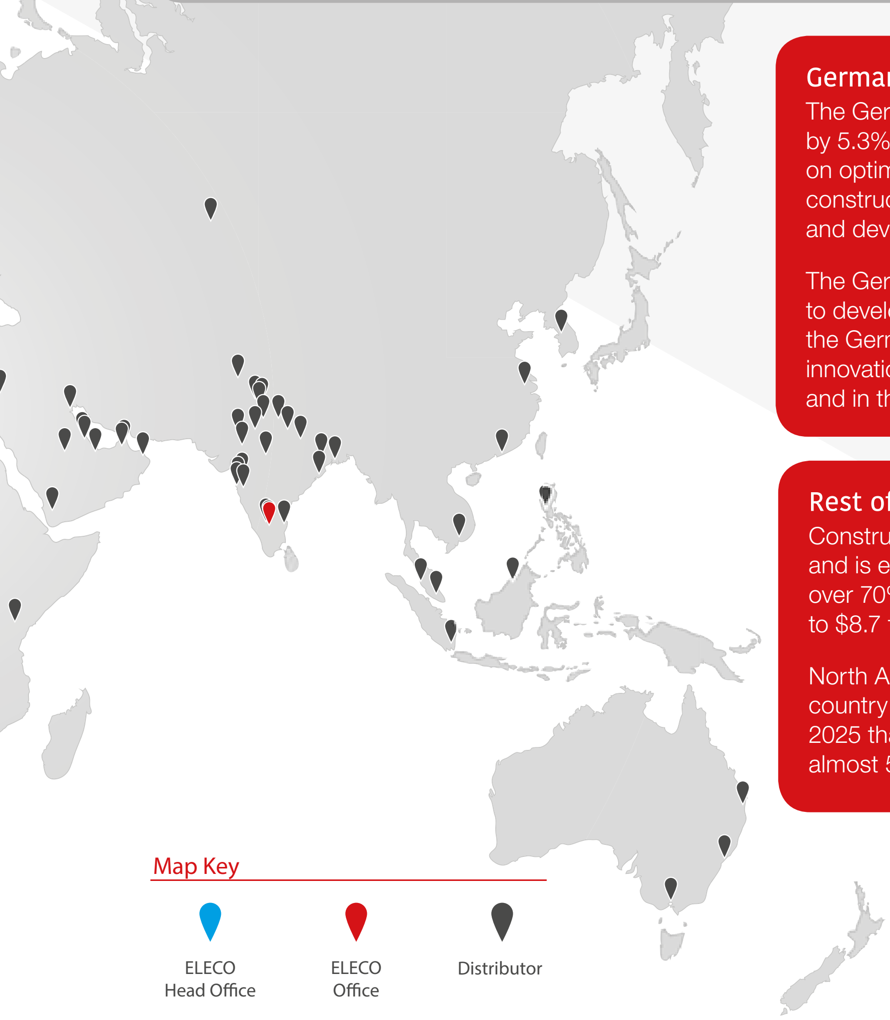
2 Construction Forecasts. (2015). Volume 21: Issue 1 [online] *Available at: http://www.experian.co.uk/assets/economics/brochures/construction-forecasts-factsheet-2015.pdf* [Accessed 16 Apr. 2015].

3 Gateway Baltic (2012). Market Intelligence, The construction industry in Sweden.[online] Available at: *http://www.verslilietuva.lt/uploads/file/SWEDEN_Construction_Industry_final.pdf* [Accessed 16 Apr. 2015].

4 Timetric (2013) Construction in Sweden – Key Trends and Opportunities to 2017.

Group Revenue by Region





Germany

The German construction industry is forecast to grow by 5.3% in 2015 (+3.5%: 2014) with increasing focus on optimising the energy efficiency of buildings and construction, centring on environmental research and development.

The German industry offers new solutions when it comes to developing new building technologies. In addition, the German construction industry offers state-of-the-art innovations in the areas of digital planning and construction, and in the integrated use of IT applications in construction.[5]

Rest of World

Construction is one of the largest global industrial sectors and is expected to rise by $6.3 trillion (£4.2 trillion) or over 70% to $15 trillion (£10 trillion) by 2025 compared to $8.7 trillion (£5.8 trillion) in 2012.

North America will see the highest growth in developed country regions and is forecast to be almost 40% larger by 2025 than in 2007, while Western Europe is expected to be almost 5% smaller in 2025 than it was in 2007.[6]

ELECO's Market Position

Our products are most applicable to architects, project managers, contractors, house builders, staircase, timber frame and flooring manufacturers who require tools to manage complex tasks accurately and efficiently. ELECO also has a growing user community outside of the construction industry including pharmaceuticals, transport, warehouse management, information technology and consumer product sales and marketing.

In our core home markets we have strong installed bases, for example 90% of the top 100 main construction contractors and 70% of the top house builders in the UK, 14 of the leading construction companies in Germany, 70% of European hardwood flooring manufactures and 49 of the top 100 building companies in Europe are our customers.

5 Euler Hermes Germany (2014). Construction in Germany: Betongold at a turning point? [online] Available at: *http://www.eulerhermes.com/mediacenter/Lists/mediacenter-documents/Industry-Report-Construction-in-Germany-Aug14.pdf* [Accessed 16 Apr. 2015].

6 Global Construction 2025; Global Construction Perspectives and Oxford Economics (July 2013).

7 McGraw Hill Construction (2014). The Business Value of BIM for Construction in Major Global Markets: How Contractors Around the World Are Driving Innovation With Building Information Modeling. [online] Available at: *https://synchroltd.com/newsletters/Business%20Value%20Of%20BIM%20In%20Global%20Markets%202014.pdf* [Accessed 16 Apr. 2015].

Our Strategy

1 Innovation

2 Growth

3 Stability

Our long term goal is to become a leading provider of integrated software solutions to the global AEC community and in doing so move ELECO from a portfolio of businesses to a business with a portfolio of products. This requires us to continue and accelerate the activities outlined in our 2013 Report and Accounts. This centres on three pillars namely:

- Innovation – Developing a portfolio of increasingly integrated software solutions, available across multiple platforms and devices, that continues to lead in their segments
- Growth – Expanding our sales & marketing capability, channel capacity and territories of operations
- Stability – Continuing to strengthen our financial position, whilst consolidating and simplifying our operations

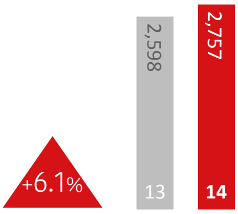
More details on progress with these activities are outlined below:

2014 Update	2015 Strategic Priorities
1 Innovation	
Product Releases • Significant new product releases aligning two major industry drivers, cloud services and BIM – Elecosoft BIMCloud™ and Asta Powerproject® BIM. • Advances in mobile solution development with the release of our Site Progress Mobile application. • Good progress with the development at Arcon Evo™; the next generation of ELECO's 3D CAD software which features include 3D printing and BIM export.	• Major rewrites of core offerings to be released – Arcon Evo™, the next generation of ELECO's architectural CAD software including 3D printing and IFC capabilities. • New Bidcon® – a multi year project to consolidate numerous legacy products into a single solution aimed at strengthening our position in the Scandinavian market and opening up opportunities in international markets.
Advancement • Received the Project Management/Planning Product Award 2014 at the UK Construction Computing Awards. • Asta Development's customer, Lee Hutchinson of Mace wins the UK Construction Manager of the Year Award. • Maintained our investment levels in research and development to continue to meet the needs of BIM. • Consultec earned the Microsoft Silver Application Development Competency.	• Establish an internal development steering committee, tasked with integrating our solutions, standardising our work practices and implementing best practice. • Continue to focus on the development of "BIM enabled" versions of ELECO's market leading products to form part of a BIM suite of products that exchange data within the Elecosoft BIMCloud™. • Seek opportunities to integrate with third party technology to broaden potential audience.

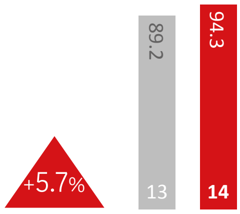
2014 Update	2015 Strategic Priorities
2 Growth	
Territories • Positive momentum in US sales pipeline for Asta Powerproject® from reseller community. • Won bid to develop a showroom configurator for major German automotive manufacturer using our o2c® 3D web technology.	• Continue to expand European and North American activities through increased commitment to resellers. • Invest in ecommerce and web based sales platforms to extend reach and revenue. • Expand customer base into new complimentary verticals.
Cross-selling • Previewed Bidcon® estimating programme in the UK to existing customers and commenced developing a UK version of Bidcon® with a BIM interface. • Continued to expand Staircon® business in markets outside of Sweden.	• Increase portfolio led selling to existing customers within our home markets through the growing demand for BIM. For example; Asta Powerproject® BIM includes 3D viewing engine from ELECO's existing portfolio. • Strengthen market position with new products in home markets.
Strengthen Market Position • Consultec opened a new office in Malmö to service southern Sweden. • ESIGN® continued its relationship with US customers and can now offer floor scanning services in California through a service partner.	• Continue to identify suitable technical resellers and partners to reach new international customers. • Actively identify strategic acquisition opportunities that will fit with ELECO's product portfolio and provide a competitive advantage in new markets.
3 Stability	
Financial Stability • Rebanked with Barclays Bank plc. • Completed share subscription. • Significantly reduced the level of bank borrowings. • Commenced ground work for balance sheet reconstruction. • Completed disposal of surplus property assets.	• Continue to focus on maintenance renewal and growth of recurring revenue. • Extend territories to mitigate the risk of currency exposure. • Improve internal finance and reporting systems. • Implement cash deposit pooling to reduce financing costs.
Strengthening the Team • Board appointments including new CEO, non-executive Director and Finance Director. • Appointment of senior management including MDs at Consultec and Asta Development.	• Strengthen & improve quality of advisor relationships where possible.
Re-organisation • Reorganisation of Swedish businesses to align them more closely with the requirements of their customers. • Relocation of Swedish head office. • Reduction of UK Head Office cost base and outsourcing of some activities to improve efficiency.	• Further consolidate legacy corporate entities. • Complete parent company balance sheet reconstruction. • Where appropriate, progressively remove duplication and inefficiency.
Systems and Procedures • Commenced consolidating corporate and product branding. • Updated internal reporting processes. • Started the move to a single internal communication system.	• Continue to simplify ELECO's corporate and product brands to emphasis a single company strategy. • Implement a long term incentive plan and a structure annual appraisal process.

Key Performance Indicators and Business Monitoring

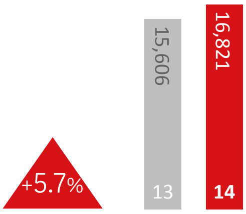
Product Development Spend*
£'000



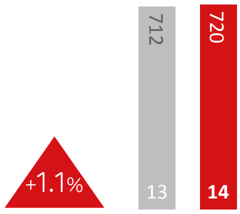
Average Revenue Per Employee*
£'000



Sales Channel Analysis*
Direct sales £'000



Reseller sales £'000



* at constant exchange rates

ELECO aims to deliver sustainable growth, balanced with its need to continue to invest in development, sales and marketing resources. ELECO's Board and operating companies use a range of Key Performance Indicators ("KPIs") appropriate to a software business.

These KPIs overlay with a structured planning and reporting process that starts with long range planning, annual budgeting, quarterly review through to monthly reporting.

Example KPI's include:

- New licensing & maintenance revenue
- Support renewal rates
- Utilisation rates
- Product profitability
- Operating company contribution
- Direct vs Channel sales
- Territory revenue mix
- Forward sales pipeline
- Net cash generation/usage
- Development spend
- Development milestone delivery

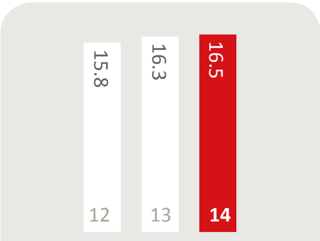
Principal Risks and Uncertainties

Risk	Mitigation
Product Development Risks	
Developing new and enhancing existing products requires continual appraisal of investments and the returns, which can be uncertain. Changing customer requirements and technological innovation increase the difficulty of developing complex software products.	Investments in development are regularly planned, reported and reviewed. ELECO works closely with key customers to ensure that new products and features align to needs and meet expectations. ELECO uses its own project management tools to support internal testing and quality assurance activity.
Market Risks	
The health of domestic and global economies strongly influences the commercial construction business cycle. A downturn in the construction business cycle may adversely affect ELECO's performance.	The risk is mitigated by existing operations spread between countries with plans to expand the geographical reach further. ELECO also continues to seek opportunities to market its software solutions outside of the construction industry.
Foreign Exchange Risk	
The Group earns a significant proportion of its revenue in currencies other than Sterling. The two other largest currencies in which it trades are Swedish Krona (SEK) and Euro (EUR). Changes in these exchange rates can expose ELECO to exchange gains and losses.	Our businesses predominantly trade in their own local currencies and have local operational and development staff which create a partial, natural hedge against currency movements. In addition we may enter forward foreign exchange contracts to manage risk.
Protection of Intellectual Property	
ELECO's success is built upon the development of sophisticated software which requires continual protection from competitive businesses who may seek to copy or otherwise replicate the software.	ELECO uses a variety of licensing technologies and defines the rights of customers in licence agreements. In addition the Group seeks to ensure its intellectual property rights are protected by appropriate means and asserts its rights where possible.
Employees and Organisation	
ELECO's reputation depends upon its products and services and in turn these are built upon the innovation and dedication of its employees. Continuing to attract, develop and retain this pool of skilled staff is key to its ongoing success.	ELECO endeavours to ensure that its staff are motivated in their work and there is regular feedback on their performance. There are regular pay reviews and a range of incentive schemes to reward achievement over different time periods.
Operations Risks	
Certain of our businesses provide personnel on a time charged basis to customers. ELECO carries the fixed cost of these members of staff whether they are utilised on customer work or not.	The impact of a lower utilisation rate is higher unrecovered costs. This risk is mitigated, in the short term, by the use of sub-contracted staff. The risk is also managed through the allocation of work within the Group prior to appointing external sub-contractors and agencies.

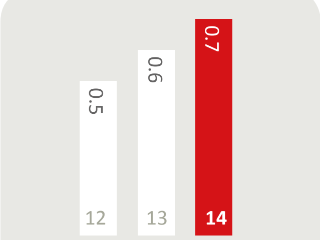
Operating Review

Nick Caw
Chief Executive Officer

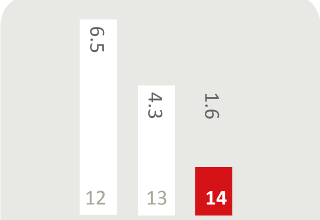
2014 was our first year as a solely software business, but crucially – not our first year in business



Revenue
£m



Profit before tax
£m



Net Bank Borrowings
£m

2014 was our first year as a solely software business, but crucially not our first year in business. As separate companies or as part of our former Software Division we have been supporting customers in the construction industry for nearly 40 years. Unravelling our legacy activities, ensuring a successful refinancing and re-banking and ongoing restructuring were necessary to provide a firm foundation for future activity, although it consumed significant management time. 2014 was a year of being able, for the first time as a Group, to plan, invest and focus on software, not supporting a wider construction business.

Despite this being a year of change, we surpassed a number of previous performance milestones.

- Revenue grew £0.2m to £16.5m. At constant exchange rates revenue would have grown £1.2m to £17.5m.
- Profit before tax was £0.7m up from £0.6m in 2013.
- Net bank borrowings were down 63% from £4.3m at 1 January 2014 to £1.6m by year end.

Growth across multiple disciplines

We experienced growth across our core revenue lines of Licensing, Maintenance and Services. Driving net new licensing revenue is key for growth and we saw this improve by 5% at constant exchange rates. Our financial stability is also built on a strong maintenance business and we continued to see strong renewals and a resultant annuity growth of 7% at constant exchange rates. Services, in particular consulting and training, also showed gains.

Awarding winning software

Our continued commitment to development both to support existing and develop new offerings was evident in a number of areas. We launched new services including our cloud based, collaborative Elecosoft BIMCloud™ solution which allows for the sharing of project data in the industry standard open BIM format. It also provides a platform to integrate our own products into a more cohesive offering.

In addition, we released Asta Powerproject® BIM, a 4D solution, including a 3D viewer within the project management timeline, Site Progress Mobile and ESIGN's Marketing Manager Digital Asset Management offering.

This increase in our product line was delivered even though our development spend was largely in line with 2013 levels at £2.6m (2013: £2.6m). This investment represents 15.6% revenue (2013: 15.9%).

Development of new, "BIM enabled" versions of ELECO's products for 3D CAD/design, project management and cost estimation also continued. These products are able to exchange data with each other via the Elecosoft BIMCloud™, facilitating greater integration with our portfolio and in doing so, delivering improved collaboration between the different disciplines involved in construction projects. This cross Group development of our solutions will increase opportunities for cross-selling our products and help us to remain competitive.

Work on products to be launched in 2015 continued to make good progress in particular with two significant medium term product re-writes namely Bidcon® (estimating) and Arcon Evo™ (visualisation) – both of which are core offerings in our portfolio. These upgrades will both assist in supporting existing customers and improve our opportunities in international markets.

Site Progress Mobile is a downloadable app that enables users to record on-site project progress against scheduled tasks in an Asta Powerproject® project plan.

Brands

Project management

Our project management business (Asta) continued to lead our performance in 2014, with double digit improvements in both revenue and contribution. Asta Powerproject® BIM was successfully demonstrated to customers at our National User Forum held in London in March 2014. After a period of beta testing, the offering was officially launched in the autumn of 2014.

As part of our strategy to develop solutions that operate cross platform, we also launched Site Progress Mobile which was made available across all major mobile platforms during the year.

Internationally, Asta continued to make progress in the US market with the successful expansion of its reseller network. Growth of direct sales in non UK markets also performed well.

Estimation, engineering and consultancy

ELECO's cost estimation, engineering and stair design software together with architectural and construction services are chiefly driven from our Swedish business under the Consultec brand. The slow down experienced in 2013 extended in to 2014 and facilitated a need for an extensive restructuring exercise. Whilst we saw an improving picture during the year, the resulting revenues and profits were below those achieved in 2013.

Our Swedish business develops and supplies a market leading estimating solution (Bidcon®) and resells our Asta Powerproject® project management software and services to 17 out of the top 20 construction companies in Sweden. We made progress in a complex rewrite of Bidcon®, bringing together a number of legacy applications in to a single product capable of producing cost estimations for construction, civil engineering, electrical and plumbing works. We aim to make this upgrade available to existing customers in Q4 2015 and promote in new markets using a light weight solution earlier in the year. This is an important strategic move which will, amongst other benefits, assist us in retaining and increasing sales to larger customers. We also believe that in the long term, this will make Bidcon® both easier and cheaper to maintain than the current multiple product-set.

Following collaboration with our Asta team in the UK, Consultec also developed direct links between Bidcon® and Asta Powerproject®, enabling us to offer a 5D BIM solution. Our Swedish business has begun marketing Asta Powerproject® to its customers in Scandinavia. In the past customers in Sweden had been supplied with Plancon, a third party project management system. Our aim is now to migrate these customers to Asta Powerproject®, as soon as practicable.

International sales of our stair design and production system, Staircon®, were driven by the integration of the acquisition in 2013 of a small but strategic competitor Wagemeyer GmbH, in Germany. The purchase has been a success, but we still faced challenges in the highly competitive German speaking markets which continued to impact our revenue and profitability during the period. Our innovation in this area was acknowledged by the EU which awarded us a development grant in November 2014.

We continued to see strong renewals of more than 90% and a resultant annuity growth of 7%

Operating Review continued

One of our biggest challenges in 2014 was the impact of currency

Revenues remained predominantly centred in Europe and in our three core markets of UK, Germany and Sweden

Visualisation

ELECO's visualisation software activity is predominately based in Germany and is represented by ESIGN, Arcon® and o2c®. ESIGN delivered increased revenues from its flooring visualisation systems. Development efforts were focussed on its Marketing Management system which will help to make ESIGN's product-set a strategic purchase for flooring manufacturers and wholesalers. Its visualisation system was extended from horizontal to vertical surfaces with the introduction of door & tile modules, opening up the opportunity to target new market segments.

We also continued our development of Arcon Evo™, the next generation of our primary 3D CAD software. This is expected to be available in the first half of 2015. We also aim to have it "BIM enabled" so that it will form part of ELECO's BIM suite of products and will be able to exchange data in the Elecosoft BIMCloud™ with ELECO's project management software from Asta and Estimation software from Consultec. This will start with an IFC data exchange capability.

Territories

ELECO's revenues remained predominantly centred in Europe and chiefly in our three home markets of UK, Germany and Sweden.

In the UK, we continued our restructuring and downsizing including our head office functions. Our business saw another strong year of growth, in part due to the growing confidence in the UK construction sector.

In Sweden we undertook changes in both our services businesses to adjust to local market conditions and brought in new management to strengthen our core estimating business. Our services business had some set-backs in the first half but recovered in the second half, a period in which we moved all our services business under one company. Market conditions in both Sweden and Germany also appeared to be stabilising in 2014.

Operations

One of our biggest challenges in 2014 was the impact of currency and consequently our activity in mainland Europe was adversely impacted by the strengthening of Sterling. We made improvements to our day to day reporting and enhanced our budgeting process – all aimed at providing a more cohesive, standardised operating model across the Group.

Though timely recruitment also remains a constant challenge, we were able to strengthen our resources in key positions during the year, with an emphasis going forward on hiring sales and reseller resource.

Staircon® facilitates bespoke and cost-effective stair production. The automated Staircon® CAM software simulates the CNC path in 3D providing an accurate representation of the CNC production.

Summary

ELECO's long term aspiration is to be a leading provider of integrated software solutions to the global architectural, engineering and construction ("AEC") industry – 2014 was an important year in reaching this goal – we operated for the first time as a software only business and laid many of the cornerstones. Bringing together once independent software businesses into a cohesive, scalable operation takes time, but we made solid progress – our aim in 2015 is to continue to grow sales and integrate our products and operations. We have a great portfolio and a fantastic team – our job is to unlock that potential.

Nick Caw
Chief Executive Officer

5 May 2015

Case study

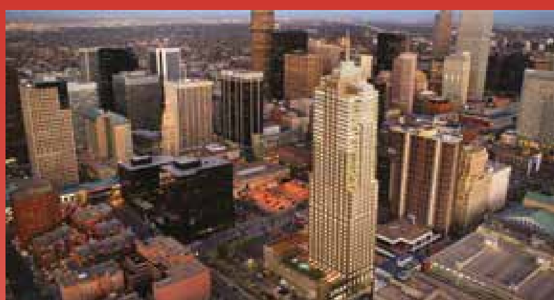
Asta Powerproject®

Colorado and Wyoming builders have relied on Encore Electric to bring power to their projects for more than 25 years. The electrical contracting firm has developed a reputation of quality for a wide range of electrical pre-construction and construction services as well as 24-hour-a-day electrical maintenance services. Encore's focus on project management has been a key point of differentiation against its competition

Regional leader in electrical construction services, Encore Electric, uses Asta Powerproject® to determine staffing levels on each job (including the Four Seasons Hotel & Private Residences in Denver pictured), spot potential delays and maintain profit margins. The software's ease of use and quick reporting features help the company stay on track and keep its clients happy

"Asta Powerproject® helps us maintain our margins – even on complex jobs."

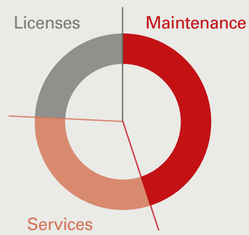
George Kettlewell, Director of Project Resources, Encore Electric



Financial Review

Andrew Greenwood
Finance Director

Revenue



45%
Maintenance

31%
Services

24%
Licenses

This was a year of transition as ELECO refocused on its software and services business. The individual businesses continued to show profitability and generate positive cash flow. These businesses, which are now supported by an improved balance sheet from additional equity and revised banking arrangements put in place in the second half of the year, have put ELECO in a strong position to exploit its product and geographic opportunities in the future.

Revenue

Revenue for the year under review grew 1% from £16.3m to £16.5m although this was impacted by the strength of Sterling against the Swedish Krona and Euro where 66% of our business is generated. Without these currency headwinds, on a constant currency basis revenue growth would have been 7%. Year on year the average exchange rate for the Swedish Krona weakened from 10.23 to the British Pound to 11.32 to the British Pound. Year on year the average exchange rate for the Euro weakened from 1.18 to the British Pound to 1.24 to the British Pound.

The Group continues to have high levels of recurring revenue from maintenance with the balance of the revenue coming from services and licence sales. Recurring revenue in 2014 was £7.4m (2013: £7.3m).

Revenue comprises the following elements:

Maintenance – 45% share of total revenue (2013: 45%)

- Customer support
- Regular software upgrades
- Annual renewal rate in excess of 90%.

Services – 31% share of total revenue (2013: 30%)

- Installation of products
- Training and consultancy services

Licences – 24% share of total revenue (2013: 25%)

- One-time payment for perpetual license
- Additional payments for upgrades, additional usage and add-on products
- Direct sales and sales through channel partners

The geographic performance of the Group was mixed with strong growth in the UK of 19% to £4.3m (2013: £3.6m) offset by weaker results in Sweden where revenue declined to £7.9m (2013: £8.3m) and Germany where revenue was constant at £2.4m (2013: £2.4m). Without the currency headwinds referred to above there would have been revenue growth in both Sweden and Germany of 5% and 6 % respectively.

The profit and loss account for 2013 has been restated to show a profit on the sale of excess land of £384,000, (previously disclosed as an exceptional item within continuing operations), within discontinued operations which is consistent with the treatment of other items related to the discontinued ElecoBuild businesses.

Gross Profit

Our gross profit is revenue less the direct cost of providing products and services to customers, principally the costs of training and consultancy staff. In 2014 the gross profit margin fell 3% from 87% to 84% due to a changed mix of licences, maintenance and services revenue together with a reclassification of consultancy staff costs from overhead to cost of sales.

Costs

Selling and administrative expenses fell 4% from £12.8m to £12.3m as the Group maintained a tight control on costs, only growing costs directly supporting revenue growth. Exceptional costs of £0.1m were fees related to the restructuring of the Group banking arrangements and balance sheet. Headcount at the end of the period was 197, an increase of 6 over the prior period as the Group continued to invest in critical resources where revenue justified. Average headcount during the year was 186 which reflects the reduced headcount in the first half. Average headcount in product development was 42 (2013: 41), client services 65 (2013: 64), sales and marketing 50 (2013: 50) and in management and administration 29 (2013: 28).

Profit

Operating profit before amortisation of intangible assets and exceptional items was £1.4m (2013: £1.4m) a growth of 6% over the prior period. Profit before tax was £0.7m (2013: £0.6m) a growth of 10% over the prior period. Taxation cost was £0.2m in the period (2013: £0.2m) representing 25% of profit before tax. (2013: 28%).

Balance Sheet and Cash Flow

The Group experienced a challenging period for cash flow in the first half of the year following the disposal of ElecoBuild businesses however as a result of the additional equity which contributed £2.95m and revised banking arrangements which contributed a net £1.5m the Group ended the year with net bank borrowings reduced to £1.6m, which is substantially lower than the 2013 closing position of £4.3m. The headroom at 31 December 2014 was significant based on the overdraft facility provided by the revised banking arrangements.

Trade and other receivables decreased to £3.1m (2013: £4.4m) representing 49 days sales outstanding compared to 52 for the prior period. Trade and other payables decreased to £1.6m (2013: £3.2m) and accruals and deferred income decreased to £5.2m (2013: £5.6m).

Capital and financing

The UK banking facilities were changed during the year to Barclays Bank plc and the new Group facilities comprise the following:

- a term loan of £3.0m, with 16 quarterly loan repayments of £187,500 commencing from October 2014, carrying an interest rate of 3.25% over base rate; and
- a £1.0m overdraft facility, carrying an interest rate of 2.75% over base rate

Security provided to Barclays Bank plc for the provision of these facilities is a commitment of the shares of the operating companies.

Covenants have been made to Barclays Bank plc comprising three elements: EBITA to gross financing costs, net borrowings to EBITDA and cash flow to debt service. These covenants are tested quarterly.

Discontinued operations

Discontinued operations during the period were chiefly the ongoing activities related to our ElecoBuild businesses which was sold or closed during 2013. Following the appointment of an Administrator to Bell & Webster Concrete Limited in early 2014, which was the last remaining trading statutory employer of the ELECO Retirement and Benefits Scheme, (“ERBS”) ELECO is in discussions with the Pension trustees about the transfer of the Pension Scheme to the Pensions Protection Fund. In the light of these discussions ELECO has de-recognised the pension scheme liability related to the ERBS and the related deferred tax asset from the Group balance sheet, which has resulted in an increase in the Group net assets of £6.2m compared to 31 December 2013. Other discontinued costs comprise staff costs (including redundancy costs) and professional fees which are directly related to the discontinued activities. Also included within discontinued operations is a profit of £91,000 arising from the disposal of a property previously occupied by some of the ElecoBuild businesses.

Earnings per share and dividends

The earnings per share on continuing operations are 0.8p (2013: 0.8p). The earnings per share on total operations including exceptional discontinued operations were 9.1p (2013: loss of 17.1p).

In consideration of the Group’s current financial position and performance, the Board is not in a position to recommend the payment of a dividend in respect of the year ended 31 December 2014.

On behalf of the Board.

Andrew Greenwood
Finance Director

5 May 2015

The Strategic Report, as set out on pages 8 to 23, has been approved by the Board.

On behalf of the Board.

Nick Caw
Chief Executive Officer

5 May 2015

Entreprenören in Skellefteå
Designed by Consultec

Governance

Board of Directors

John Ketteley FCA[3]

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.

Andrew Greenwood FCA

Finance Director

Appointed on the 3 February 2015, Andrew qualified as a Chartered Accountant with Arthur Andersen and has spent the whole of his career in finance within the technology industry including roles at Orange, Novell and most recently Anite plc.

Jonathan Cohen TD MA FCA [1 2 3 †]

Non-Executive Director

Appointed as a non-executive Director in November 2002 and Chairman of the Remuneration Committee from May 2010 to Feburary 2015. Due to his length of service with the Company Jonathan Cohen is not treated as an independant non-executive Director. Jonathan Cohen was previously Chief Executive of County NatWest Limited and Vice Chairman of Charterhouse Bank Limited. He is currently Chairman of Clearwater Hampers Limited and a Director of The Boardroom Partnership Limited.

Jonathan Edwards LLB ACA [1 2 3 *]

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 [1 2 3 *]

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.

* Independant Non-Executive Director † 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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Bankers
Barclays Bank PLC

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2014.

Results for the year ended 31 December 2014

The Group profit on ordinary activities of continuing operations before taxation was £684,000 (2013 restated: £624,000). The profit on discontinued operations before taxation was £7,104,000 (2013 restated: loss £10,694,000). The detailed financial statements of the Group are set out on pages 35 to 67.

Business review and future developments

A review of the Group's operations during the year and its plans for the future is given in the Chairman's statement on pages 2 to 5, the Operating Review on pages 18 to 21 and in Our Strategy on pages 14 and 15.

Dividends

No interim dividend was paid during the year (2013: nil). The Directors do not intend to recommend a final dividend for the year ended 31 December 2014 (2013: nil).

Share capital

Details of the share capital is shown in Note 24 on page 62 of the consolidated financial statements.

Share price

The middle market price of the Company's ordinary shares on 31 December 2014 was 18.50p and the range during the period under review was 16.52p to 29.05p.

Business disposals

On 6 January 2014, Bell & Webster Concrete Limited entered Administration. The freehold land and buildings in Yaxley, Suffolk previously occupied by some of the other ElecoBuild businesses that were sold in 2013 was sold during the year.

Directors

The current composition of the Board of Directors is shown on page 26. Directors who held office during the year were:

J H B Ketteley

M B McCullen (resigned as a director following the year end on the 9 January 2015)

N J B Caw (appointed 2 July 2014)

J Cohen

J Edwards

S Lang (appointed 1 December 2014).

Subsequent to the year end

A Greenwood was appointed as Finance Director on the 30 January 2015.

N J B Caw, A Greenwood, S Lang will resign at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election. J Cohen will resign by rotation at the AGM but will not offer himself for re-election.

Directors' remuneration

The emoluments of the directors for the year ended 31 December 2014 excluding pension entitlements were:

	Basic Salary £'000	Fees £'000	Benefits £'000	**Year to 31 December 2014 Total £'000**	Year to 31 December 2013 Total £'000
Executive					
J H B Ketteley	295	3	31	**329**	342
M B McCullen [1]	260	3	17	**280**	180
N J B Caw	75	5	5	**85**	–
Non executive					
J Cohen	–	29	–	**29**	29
J Edwards	–	29	–	**29**	27
S Lang	–	3	–	**3**	–

[1] included in the basic salary figure is an amount of £100,000 for compensation for loss of office.

In addition J H B Ketteley received, as agreed, a cash supplement from the Company, in lieu of a pension contribution, amounting to £91,534, during the period. £53,395 has been paid and is not included in the table above and the balance of £38,139 has been deferred, along with a deferred balance of £38,000 from 2013, the total amount deferred at the year ended totalled £76,139. The total amount of deferred emoluments owing to J H B Ketteley including the deferred pension at the year end amounted to £94,889 (2013; £38,000).

Contributions made by the company to personal pension plans of directors are M B McCullen £16,000 (2013: £16,000) N J B Caw £7,000 (2013: £nil).

Directors' shareholdings

The interests, beneficial unless otherwise indicated, in the ordinary shares of 10p each in the Company of the Directors who held office at 31 December 2014 were as follows:

	At 31 December 2014	At 31 December 2013
J H B Ketteley	**9,049,760**	8,423,255
M B McCullen	**652,944**	652,944
J Cohen	**288,350**	118,208
J Edwards	**113,700**	50,000

There have been no changes in the Directors' interests since 31 December 2014.

Substantial interests

As at the date of this report, the Company has been notified of the following interests in the issued share capital of the Company:

Shareholder	Number of shares	Percentage
H A Allen	11,392,039	15.22
J H B Ketteley	9,049,760	12.09
Rights & Issues Investment Trust PLC	4,520,781	5.07
Lowland Investment Company PLC	3,153,443	4.21
P R & M J Ketteley	3,127,408	4.18
G V & S M Oury	2,904,816	3.88
J D Lee	2,639,425	3.53

Policy on remuneration of Executive Directors and senior executives

The Remuneration Committee aims to ensure that the remuneration packages offered encourage and reward performance in a manner which is consistent with the long-term interests of shareholders.

The remuneration of the Executive Directors normally comprises four elements:

i) a basic salary and fees together with benefits-in-kind (such as company car, private petrol and medical insurance);

ii) a non-pensionable performance related annual bonus based on the Group's performance and individual contribution to that performance. The Executive Directors are contractually entitled to a bonus scheme, but the amount to be paid is determined by the Remuneration Committee (if applicable); bonuses awarded in respect of the year ended 31 December 2014 were to N J B Caw £10,000 (2013: £nil);

iii) pension benefits based solely on basic salary; and

iv) performance related share awards and non-pensionable bonuses under the Company's Long Term Incentive Plan (if applicable); no awards were made under the Company's Long Term Incentive plan in the year ended 31 December 2014.

Post 31 December 2014, share awards were made under the Company's Long Term Incentive Plan to N J B Caw amounting to 900,000 shares options at 20.75p, £186,750 (2013: nil). The Options are exercisable after 3 years, subject to certain performance criteria being achieved, whereby the Company's audited earnings per share for the year ended 31 December 2017 must be at least 22.5 per cent. higher than the Company's audited earnings per share for the year ended 31 December 2014. In the event that N J B Caw leaves within the 3 year period he may (depending upon the timing and circumstances of his departure) be entitled to retain some of his options but only if certain yearly earnings per share targets have at that time been met. The options shall be exercisable until 13 February 2025, 10 years after the date of grant.

Executive Directors' contracts

The Executive Directors have service agreements, which provide for a notice period as stated hereunder. In the event that employment with the Company is terminated without notice, the contracts do not provide for payment of a specific sum for compensation.

Commencement dates and notice periods of contracts (as amended) are as follows:

- J H B Ketteley (3 July 1997: twelve months);
- N J B Caw (2 July 2014: six months within the first year, twelve months thereafter); and
- A Greenwood (30 January 2015: three months within the first year, six months thereafter).

Interest in contracts

There are no contracts of significance between the Company or its subsidiary companies and any of the Directors. During the year, for office services provided in the normal course of business, the Group paid £5,000 (2013: £5,000) to J H B Ketteley & Co Limited of which J H B Ketteley is a Director and in which he has an interest. An amount of £35,000 (2013: £35,000) was paid to J H B Ketteley & Co Limited under a lease for occupation by the Company of 66 Clifton Street, London EC2A 4HB.

Consultancy services totalling £10,000 (2013: £nil) was paid to The Boardroom Partnership Limited a company in which J Cohen is a director.

Directors' report continued

Political donations

The Group did not make any political donations (2013: £nil).

Financial risk policies

A summary of the Group's treasury policies and objectives relating to financial risk management, including exposure to associated risks, is set out in note 26 on pages 63 to 67.

Corporate governance

We do not comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the company and best practice.

The Board of Directors, which consisted during most of the year of the Executive Chairman, Chief Executive Officer and two independent non-executive Directors, meets at least ten times throughout the year. J Edwards is the Senior Independent Director.

The Directors have access to independent professional advice in executing their duties on behalf of the Company.

Policy on appointment and reappointment

In accordance with the Articles of Association, all Directors are required to retire and submit themselves for re-election at least every three years by rotation.

The Board has established the following committees:

Audit Committee

The Audit Committee, which consists of the non-executive Directors, and is chaired by J Edwards, has specific terms of reference and meets with the auditors at least twice a year. The Committee reviews the financial statements prior to their recommendation to the Board for approval and assists the Board in ensuring that appropriate accounting policies, internal financial controls and compliance procedures are in place.

Remuneration Committee

The Remuneration Committee, which consists of the non-executive Directors and is chaired by S Lang from 27 February (Chaired during the year by J Cohen), is responsible for determining the remuneration arrangements of the executive Directors and for advising the Board on the Company's remuneration policy for senior executives.

Nominations Committee

The Nominations Committee consists of the non-executive Directors and chaired by the Executive Chairman, is responsible for reviewing the structure, size and composition of the Board and its Committees and evaluating potential candidates for nomination when and if it is deemed necessary to appoint a new Director to the Board. The Committee makes its recommendations to the full Board for its consideration and approval.

Control environment

The Board acknowledges its responsibility for the Group's systems of internal financial and other controls. These are designed to give reasonable, though not absolute, assurance as to the reliability of information, the maintenance of adequate accounting records, the safeguarding of assets against unauthorised use or disposition and that the Group's businesses are being operated with appropriate awareness of the operational risks to which they are exposed.

The Directors have established an organisational structure with clear lines of responsibility and delegated authority.

The systems include:

- the appropriate delegation of responsibility to operational management;
- financial reporting, within a comprehensive financial planning and accounting framework, including the approval by the Board of the detailed annual budget and the regular consideration by the Board of actual results compared with budgets and forecasts;
- clearly defined capital expenditure and investment control guidelines and procedures; and
- monitoring of business risks, with key risks identified and reported to the Board.

Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors report and the financial statements in accordance with applicable law and regulations.

UK Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to presume the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is not aware; and
- the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

A statement regarding the going concern of the business is set out in section C of the Significant Accounting Policies on page 41.

Research and development

Product innovation and development is a continuous process. The Group commits resources to the development of new products and quality improvements to existing products and processes in all its business segments.

A significant share of our software development expenditure relates to the upgrade of existing products and is written off as incurred. Development expenditure on new or substantially new products is capitalised only if it meets the criteria set out in section I of the Significant Accounting Policies, on pages 42 to 43.

Employee involvement

The Company is committed to a policy of involvement by keeping its employees fully informed regarding its performance and prospects. Employees are encouraged to present their suggestions and views.

Employment of disabled persons

The Company's policy is to provide equality of opportunity for all employees without discrimination and continues to encourage the employment, training and advancement of disabled persons in accordance with their abilities and aptitudes, provided that they can be employed in a safe working environment. Suitable employment would, if possible, be found for any employee who becomes disabled during the course of their employment with the Group.

Directors' indemnities

Qualifying third party indemnity provisions (as defined in Section 234(2) of the Companies Act 2006) are in force for the benefit of the Directors.

Auditors

Grant Thornton UK LLP has indicated their willingness to continue in office and a resolution will be proposed at the Annual General Meeting to re-appoint them as auditors and to determine their remuneration.

By Order of the Board

Andrew Courts F.C.C.A.
Secretary

ELECO plc
66 Clifton Street
London EC2A 4HB

5 May 2015

ESIGN Interiormarket

Financial Statements

Independent Auditors' Report
To the members of Eleco plc

We have audited the Group financial statements of ELECO plc for the year ended 31 December 2014 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on pages 30 and 31, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the parent company financial statements of ELECO plc for the year ended 31 December 2014.

Malcolm Gomersall
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge

5 May 2015

Consolidated Income Statement
for the year ended 31 December 2014

	Notes	2014 £'000	2013 (restated) £'000
Continuing operations			
Revenue	1	16,484	16,318
Cost of sales		(2,715)	(2,189)
Gross profit		13,769	14,129
Selling and administrative expenses		(12,329)	(12,772)
Operating profit before amortisation of intangible assets and exceptional items		1,440	1,357
Amortisation of intangible assets		(397)	(376)
Exceptional items	3	(138)	–
Operating profit	2,4	905	981
Finance income	6	3	10
Finance cost	6	(224)	(367)
Profit before tax		684	624
Tax	7	(173)	(174)
Profit for the financial period from continuing operations		511	450
Profit/(loss) for the financial period from discontinued operations	8	5,556	(10,668)
Profit/(loss) for the financial period		6,067	(10,218)
Attributable to:			
Equity holders of the parent		6,067	(10,218)
Earnings/(loss) per share – basic and diluted			
Continuing operations		0.8p	0.8p
Discontinued operations		8.3p	(17.9)p
Total operations		9.1p	(17.1)p

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2014

	2014 £'000	2013 £'000
Profit/(loss) for the period	6,067	(10,218)
Other comprehensive income:		
Items that will not be reclassified subsequently to profit and loss:		
Actuarial loss on retirement benefit obligation	–	(787)
Deferred tax on retirement benefit obligation	–	159
Other losses on retirement benefit obligation	–	(350)
	–	(978)
Items that will be reclassified subsequently to profit and loss:		
Translation differences on foreign operations	60	(7)
Other comprehensive income net of tax	60	(985)
Total comprehensive income for the period	6,127	(11,203)
Attributable to:		
Equity holders of the parent	6,127	(11,203)

Consolidated Statement of Changes in Equity
for the year ended 31 December 2014

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2014	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
At 31 December 2014	7,487	7,923	4,086	(161)	(358)	(12,255)	6,722

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2013	6,066	6,396	7,371	(214)	(358)	(10,411)	8,850
Reclassification of merger reserve on business disposal	–	–	(3,285)	–	–	3,285	–
Transactions with owners	–	–	(3,285)	–	–	3,285	–
Loss for the period	–	–	–	–	–	(10,218)	(10,218)
Other comprehensive income:							
Actuarial loss on defined benefit pension scheme net of tax and other scheme losses	–	–	–	–	–	(978)	(978)
Exchange differences on translation of net investments in foreign operations	–	–	–	(7)	–	–	(7)
Total comprehensive income for the period	–	–	–	(7)	–	(11,196)	(11,203)
At 31 December 2013	6,066	6,396	4,086	(221)	(358)	(18,322)	(2,353)

Consolidated Balance Sheet
At 31 December 2014

	Notes	2014 £'000	2013 £'000
Non-current assets			
Goodwill	10	10,571	10,690
Other intangible assets	11	1,683	1,462
Property, plant and equipment	12	575	589
Deferred tax assets	21	–	1,548
Total non-current assets		12,829	14,289
Current assets			
Inventories	16	8	17
Trade and other receivables	17	3,110	4,447
Current tax assets		148	281
Cash and cash equivalents		1,198	770
Other current assets	13	–	474
Assets of disposal group		–	3,459
Total current assets		4,464	9,448
Total assets		17,293	23,737
Current liabilities			
Bank overdraft	19	–	(3,783)
Borrowings	19	(750)	(1,325)
Obligations under finance leases	19	(141)	(247)
Trade and other payables	18	(1,586)	(3,214)
Provisions	20	(142)	(786)
Current tax liabilities		–	(49)
Accruals and deferred income	21	(5,189)	(5,643)
Liabilities of disposal group		–	(2,694)
Total current liabilities		(7,808)	(17,741)
Non-current liabilities			
Borrowings	19	(2,063)	–
Obligations under finance leases	19	(279)	(195)
Deferred tax liabilities	22	(162)	(149)
Non-current provisions	20	(220)	(195)
Other non-current liabilities		(39)	(72)
Retirement benefit obligation	23	–	(7,738)
Total non-current liabilities		(2,763)	(8,349)
Total liabilities		(10,571)	(26,090)
Net assets		6,722	(2,353)
Equity			
Share capital	24	7,487	6,066
Share premium account		7,923	6,396
Merger reserve		4,086	4,086
Translation reserve		(161)	(221)
Other reserve		(358)	(358)
Retained earnings		(12,255)	(18,322)
Equity attributable to shareholders of the parent		6,722	(2,353)

The financial statements of Eleco plc, registered number 00354915, on pages 35 to 67 were approved by the Board of Directors on 5 May 2015 and signed on its behalf by:

John Ketteley
Executive Chairman

Consolidated Statement of Cash Flows
for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Cash flows from operating activities			
Profit/(loss) before tax (including discontinued operations)		7,778	(10,070)
Net finance costs		228	622
Depreciation and impairment charge		198	869
Amortisation and impairment charge		397	514
(Profit)/loss on sale of property, plant and equipment		(109)	210
Loss on sale of businesses		–	5,319
Retirement benefit obligation – derecognition		(7,738)	–
(Decrease)/increase in provisions		(618)	648
Cash generated/(used) in operations before working capital movements		146	(1,888)
(Increase)/decrease in trade and other receivables		(155)	769
Decrease/(increase) in inventories and work in progress		8	(4)
Decrease in trade and other payables		(244)	(234)
Net (increase)/decrease in discontinued operations working capital		(108)	1,730
Cash (used)/generated in operations		(353)	373
Interest paid		(240)	(297)
Interest received		3	2
Income tax paid		(94)	(464)
Net cash outflow from operating activities		(684)	(386)
Investing activities			
Purchase of intangible assets		(637)	(78)
Purchase of property, plant and equipment		(85)	(287)
Acquisition of subsidiary undertakings net of cash acquired	25	(26)	(110)
Proceeds from sale of property, plant, equipment and intangible assets		1,114	3,047
Sale of business net of expenses	13	474	274
Net cash inflow from investing activities		840	2,846
Financing activities			
Proceeds from new bank loan		3,000	4,000
Repayment of bank loans		(1,513)	(5,600)
Repayments of obligations under finance leases		(283)	(259)
Issue of share capital		2,948	–
Net cash inflow/(outflow) from financing activities		4,152	(1,859)
Net increase in cash and cash equivalents		4,308	601
Cash and cash equivalents at beginning of period		(3,013)	(3,613)
Effects of changes in foreign exchange rates		(97)	(1)
Cash and cash equivalents at end of period		1,198	(3,013)
Cash and cash equivalents comprise			
Cash and short-term deposits		1,198	770
Bank overdrafts		–	(3,783)
		1,198	(3,013)

Significant Accounting Policies

ELECO plc is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group"). The consolidated and parent company financial statements were authorised for issuance on 5 May 2015.

The address of the registered office is given on page 27. The nature of the Group's operations and its principal activities are set out in the Chairman's Statement on pages 2 to 5, Strategic Report on pages 8 to 23, Directors' Report on pages 28 to 31 and Note 2 on pages 46 to 47.

ELECO plc's consolidated annual financial statements are presented in Pounds Sterling which is also the functional currency of the parent company. Foreign operations are included in accordance with the accounting policies set out below.

A. Statement of compliance

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) adopted for use by the European Union and the Companies Act 2006 applicable for companies reporting under IFRS.

B. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis and all financial information has been rounded to the nearest thousand.

These consolidated financial statements have been prepared in accordance with the accounting policies, which follow IFRS's in issue, adopted by the EU and effective at 31 December 2014.

The Consolidated Income statement for 2013 was restated for the profit on the land disposal of £384,000 sold in May 2013. This amount was reported as an exceptional item in the 2013 report and accounts but reclassified to discontinued operations in the 2014 report and accounts consistent with the treatment of all other ElecoBuild activities.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Significant accounting judgements and estimates

Application of the Group's accounting policies in conformity with generally accepted accounting principles requires judgements and estimates that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. These judgements and estimates may be affected by subsequent events or actions such that actual results may ultimately differ from the estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Revenue recognition

Contracts with clients can include both the sale of licences and the provision of services including maintenance and support and development. The Directors consider recognition of their separable components of revenue is appropriate based on the analysis of individual contracts as this indicates the substance of the transaction as viewed by the client. The transfer of the risks and rewards of ownership for a licence is usually on delivery and written or contractual acceptance of the software provided the contract is non-cancellable.

In addition, the Group utilises business partners to access certain markets as resellers. Where sales of the Group's products or services are made through a business partner, the Directors judge that the reseller is responsible for the majority of the risks and responsibilities therefore commission payable to the reseller is offset against the sale and the net amount is treated as revenue of the Group.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in Note 10 on page 53.

Carrying value of development assets
Development costs are capitalised in accordance with the Group accounting policy. Initial recognition is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and expected period of the benefits. Further details are given in Note 11 on page 54.

Provisions and contingent liabilities
In accordance with the accounting policy outlined overleaf, judgement is made of the likely outcome of any disputes. Where it is judged to be probable that an outflow of resources will be required to settle the obligation, an estimate will be made of the provision where it can be reliably made based on the information available and advice from third parties where appropriate.

Discontinued operations
A discontinued operation is a component of the Group's business that represents a separate major line of business that has been disposed of, has been abandoned or meets the criteria to be classified as held for sale and where its operations and cash flows can be clearly identified.

Property disposal proceeds and related expenses together with residual costs associated with the former ElecoBuild businesses sold in 2013 have been recognised in the consolidated income statement under discontinued operations. In addition, certain non-recurring corporate overhead costs has been judged to relate to the activities of the ElecoBuild businesses and are therefore reported under discontinued operations.

Retirement benefit obligation
ELECO plc recently operated one defined benefit scheme in the UK, the ELECO Retirement and Benefits Scheme (ERBS) which closed to future accrual on 31 December 2009.

On 6 January 2014, an Administrator was appointed to Bell & Webster Concrete Limited, the last remaining trading Statutory Employer of the pension scheme. On 9 June 2014, the Official Receiver was appointed to the other Statutory Employers of the Pension Scheme which were all dormant. As a result, these companies together with Bell & Webster Concrete Limited are no longer consolidated in the results of the ELECO Group at 31 December 2014. Consequently, the pension scheme liability recognised at 31 December 2013, attributable to these companies together with the associated deferred tax asset has been de-recognised from the Group balance sheet at 31 December 2014.

The ERBS is currently in an assessment period with the Pension Protection Fund after which, in the absence of unforeseen circumstances, the ERBS would transfer to the PPF and members of the ERBS would be entitled to PPF compensation.

C. Going concern
The Groups' clients include many top contractors in the building and construction sector in the UK, Sweden and Germany. The software products provided by the Group are reasonably embedded in their client's core operations and 45% of the Group's revenue is from recurring revenue contracts. These maintenance contracts are renewed throughout the year although there is a slightly greater weighting in the fourth quarter. Historically, there is a low level of cancellations each year. For these reasons, the Group has good visibility on any potential deterioration in its trading outlook and potential risk to the business.

The Group's forecasts and projections, taking into account reasonably possible changes in trading performance of the Group show that the Group should be able to operate within the level of its current facilities. Revenue, operating profit and cash flow budgets have been prepared at business unit level and as a result, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

D. Basis of consolidation
The Group financial statements consolidate those of Eleco plc and of its subsidiary undertakings at the Balance Sheet date and all subsidiaries have a reporting date of 31 December. Subsidiaries are entities controlled by the Group and their results have been adjusted, where necessary, to ensure accounting policies are consistent with those of the Group. Control exists where the Group has power over the entity so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

All inter-company balances and transactions are eliminated in full.

The results of subsidiaries acquired or sold in the year are included in the consolidated income statement from or up to the date control passes and until control ceases.

Significant Accounting Policies continued

D. Basis of consolidation continued

Business combinations

The acquisition of subsidiaries is dealt with using the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities at the acquisition date, including contingent liabilities of the subsidiary regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. Acquisition costs are expensed as incurred.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

E. Revenue

Revenue from the sale of software licences represents the fair value of consideration received or receivable in respect of software licences supplied to third parties in the period, excluding value added tax and trade discounts. This revenue is recognised when the software licence is delivered. Revenue from software maintenance and support contracts is measured at fair value of consideration receivable and is treated as deferred income and 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.

Consultancy and professional service fee revenues, which are typically billed on a time and materials basis, are recognised as the work is performed provided that the amount of revenue can be measured reliably, it is probable that the economic benefits of the work performed will flow to the Group and the costs involved in providing the service can be reliably measured.

F. Exceptionals

Exceptional items are those significant items which are separately disclosed by their size or nature to enable a full understanding of the financial performance of the Group.

G. Finance income and costs

Financing costs comprise interest payable on borrowings calculated on an effective interest basis. Interest income and cost is recognised in the income statement as it accrues.

H. Taxation

Current tax is the tax payable based on taxable profit for the year, calculated using tax rates that have been enacted, or substantially enacted, by the balance sheet date.

Deferred tax is calculated using the liability method on temporary differences and provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill nor on the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided the expected tax rates are enacted or substantively enacted at the balance sheet date and charged or credited to the income statement or statement of comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

I. Intangible assets

Goodwill arising on consolidation represents the excess of the consideration transferred, excluding expenses, over the Group's interest in the fair value of the identifiable net assets acquired. The carrying value of goodwill is recognised as an asset and reviewed for impairment at least annually and any impairment is recognised immediately in the income statement. On disposal, the amount of goodwill attributable to the disposal is included in the determination of profit or loss on disposal.

Other intangible assets acquired separately are capitalised at cost and on a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, an intangible asset is held at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets excluding goodwill are amortised on a straight line basis over their useful economic lives and shown seperately in the income statement. The useful economic life of each class of intangible asset is as follows:

Customer relationships	– up to twelve years
Own product development	– up to five years
Other intellectual property	– up to five years

The Group owns intellectual property both in its software tools and software products. Intellectual property purchased is capitalised at cost and is amortised on a straight line basis over its expected useful life.

Research expenditure is written off as incurred. Development expenditure on a project is written off as incurred unless it can be demonstrated that the following conditions for capitalisation, in accordance with IAS 38 “Intangible Assets”, are met:

- the intention to complete the development of the intangible asset and use or sell it;
- the development costs are separately identifiable and can be measured reliably;
- management are satisfied as to the ultimate technical and commercial viability of the project, so that it will be available for use or sale;
- management are satisfied with the availability of technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- it is probable that the asset will generate future economic benefit.

Any subsequent development costs are capitalised and are amortised from the date the product or process is available for use, on a straight line basis over its estimated useful life.

The carrying amounts of intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and in the case of capitalised development expenditure reviewed for impairment annually while the asset is not yet in use.

J. Property, plant and equipment

Property, plant and equipment is stated at purchase cost, together with any directly attributable costs of acquisition. The carrying amount and useful lives of property, plant and equipment with material residual values are reviewed at each balance sheet date.

Depreciation is provided on all property, plant and equipment on a straight line basis to write down the assets to their estimated residual value over the useful economic life of the asset as follows:

Long leasehold buildings	– 50 years or term of the lease, if shorter
Short leasehold property	– over the term of the lease
Plant, equipment and vehicles	– two to ten years

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

K. Impairment of assets

Goodwill

The carrying amounts of the Group’s goodwill assets are assessed annually as to whether an impairment adjustment may be required. When annual impairment testing for assets is required, the assets under review are grouped under the appropriate cash-generating unit for which there are separately identifiable cash flows. Goodwill is held at CGU level and allocated directly to the CGU under review. The Group makes an estimate of the asset’s recoverable amount, based on the higher of the asset’s value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows of the CGU are discounted to their present value based on an adjusted Group estimated weighted average cost of capital and the risks specific to the asset. An impairment charge is initially made against goodwill of the CGU and thereafter against other assets. Any impairment is charged to the income statement under the relevant expense heading.

Property, plant and equipment and intangible assets excluding goodwill

At each balance sheet date the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of the asset’s value in use and its fair value less costs to sell. Value in use is calculated using cash flow projections for the asset discounted at the specific discount rate for the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense in the income statement.

A previously recognised impairment loss, other than goodwill, is reversed only if there has been a change in the previous indicator used to determine the assets recoverable amount since the last impairment loss was recognised. The reinstated carrying amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years.

Significant Accounting Policies continued

L. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion such as marketing, selling and distribution.

M. Leases

Finance leases, which transfer to the Group substantially all of the benefits and risks of ownership of an asset, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated life of the asset or the lease term. Leases which the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the term of the lease.

N. Provisions and contingent liabilities

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or present obligations where the outflow of resources is uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

O. Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each Group company are expressed in UK Pounds Sterling, which is the functional currency of the Company and the presentational currency for the consolidated financial statements.

Transactions in foreign currencies are translated at the exchange rate ruling at the date of transaction. Foreign exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the income statement in the period in which they arise.

Assets and liabilities of subsidiaries denominated in a different functional currency to that of the Group's presentational currency are translated into Pounds Sterling at the rate of exchange ruling at the balance sheet date and results are translated at the average rate of exchange for the year. The use of an average exchange rate for the year rather than actual exchange rates at the dates of transactions is considered to approximate to actual rates for the translation of the results of foreign subsidiaries.

Differences on exchange, arising from the retranslation of the opening net investment in subsidiary companies which have functional currencies that differ to Pound Sterling, and from the translation of the results of those companies at an average rate, are taken to reserves and reported in other comprehensive income. Exchange differences arising on the retranslation of non-trading intra-group balances reported in foreign subsidiaries are regarded as part of the net investment in the subsidiary and treated as a movement in the translation reserve on consolidation. When an operation is sold, amounts recognised in reserves on the translation of foreign operations are recycled through the income statement.

P. Financial instruments

Financial assets

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument and arise principally through the provision of goods and services to customers (trade and other receivables). A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition.

Trade receivables

Trade receivables do not carry any interest and are initially stated at their fair value. Subsequent measurement is at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. Allowances for irrecoverable amounts are made when there is evidence that the Group may not be able to collect the amount due. The impairment recorded is the difference between the carrying value of the receivables and the estimated future cash flows. Any impairment required is recorded in the income statement in administrative expenses.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents are net of outstanding bank overdrafts.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. Trade payables and other short-term monetary liabilities are initially recorded at fair value and subsequently carried at amortised cost using the effective interest rate method. Bank borrowings are initially recognised at the fair value on initial recognition date, which in the case of an arm's length transaction is the amount advanced, exclusive of any transaction costs directly attributable to the issue of the instrument and subsequently carried at amortised cost. A financial liability is derecognised when the obligation is discharged, cancelled or expires.

Q. Equity

The balances classified as share capital and share premium represent the proceeds of the nominal value and premium value respectively on the issue of the Company's equity share capital net of issue costs (see note 10 on page 74).

Merger relief is recorded in the merger reserve and represents the premium not recognised on the issues of shares pursuant to Section 131 of the Companies Act 1985 on acquisition of subsidiary companies. Merger relief that was recorded in the merger reserve on the acquisition of subsidiaries that have been disposed during the year have been reclassified to profit and loss account reserves through the statement of changes in equity.

The translation reserve is used to record exchange differences arising from the retranslation of the opening net investment and income statement of foreign subsidiaries. Shares in the Company held by the Employee Share Ownership Trust are reported in the other reserves.

R. Employee Share Ownership Trust

Equity shares in Eleco plc held by the Employee Share Ownership Trust ("ESOT") are treated as a deduction from the issued and weighted average number of shares. The consideration paid is deducted from equity until the shares are cancelled, reissued or disposed of. When such shares are subsequently sold or reissued, any consideration received, net of related transaction costs and income tax effects, are included in equity attributable to the Company's equity holders.

S. New standards and interpretations not applied

The following new amendments to standards were in issue but have not yet been endorsed by the EU are not yet effective for the financial year beginning 1 January 2014:

	EU adopted effective date
International Accounting Standards (IAS/IFRS)	
IFRS 15 – Revenue from contracts with customers.	1 January 2017
IFRS 9 Amendments – Financial instruments	1 January 2015

No new standards becoming effective and applied in the current year have had a material impact on the financial statements. The impact of IFRS 15 – Revenue from contracts with customers will be considered for future periods. Otherwise, the Directors anticipate that the adoption of these standards in future periods will have no material impact on the financial statements of the Group except for additional disclosures when the relevant standard comes into effect.

Notes to the Consolidated Financial Statements

1. Revenue

Revenue from continuing operations disclosed in the income statement is analysed as follows:

	2014 £'000	2013 £'000
Licence sales	4,008	4,003
Recurring maintenance and support revenue	7,351	7,319
Services income	5,125	4,996
Total revenue	16,484	16,318

2. Segment information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance.

The chief operating decision maker has been identified as the Executive Directors. The Group revenue is derived entirely from the sale of software licences, software maintenance and support and related services. Consequently, the Executive Directors review the three revenue streams but as the costs are not recorded in the same way the information is presented as one segment and as such the information is presented in line with management information.

	2014 Software £'000	2013 Software £'000
Revenue	16,484	16,318
Adjusted operating profit	3,861	4,331
Product development costs	(2,024)	(2,598)
Operating profit before amortisation of intangible assets and exceptional items	1,440	1,357
Amortisation of intangible assets	(397)	(376)
Exceptional items	(138)	–
Segment result	905	981
Net finance cost	(221)	(357)
Segment profit before tax	684	624
Tax	(173)	(174)
Segment profit after tax	511	450
Development costs capitalised	(553)	–
Total development costs	(2,577)	(2,598)
Segment result	905	981
Amortisation of intangible assets	397	376
Depreciation charge	198	222
EBITDA	1,500	1,579

Development project costs are expensed as incurred unless they meet the accounting policy requirements for capitalisation. The projects that have been capitalised in the twelve months to 31 December 2014 are explained in the Operating Review on page 18 and the accounting policy requirements are set out on page 42 and 43.

	2014 Software £'000	2013 Software £'000
Statement of financial position		
Segment assets	17,293	18,730
Unallocated assets	–	5,007
Total Group assets	17,293	23,737
Segment liabilities	10,571	15,658
Unallocated liabilities	–	10,432
Total Group liabilities	10,571	26,090

Unallocated assets are £nil. (2013: Deferred tax assets £1.5m and assets of disposal group £3.5m) Unallocated liabilities are £nil. (2013: Retirement benefit obligation £7.7m and liabilities of disposal group £2.7m).

Geographical and sales channel information

Revenue by geographical area represents continuing operations revenue from external customers based upon the geographical location of the customer.

Revenue by geographical destination is as follows:

	2014 £'000	2013 £'000
UK	4,291	3,598
Scandinavia	7,917	8,333
Germany	2,447	2,428
Rest of Europe	1,404	1,666
Rest of World	425	293
	16,484	16,318

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

Revenue by sales channel is as follows:

	2014 £'000	2013 £'000
Direct	15,774	15,606
Reseller	710	712
	16,484	16,318

Non-current assets excluding deferred tax by geographical area represent the carrying amount of assets based in the geographical area in which the assets are located.

Non-current assets by geographical location are as follows:

	2014 £'000	2013 £'000
UK	6,780	5,512
Scandinavia	4,902	5,787
Germany	1,147	1,442
	12,829	12,741

Information about major customers

Revenues arising from sales to the Group's largest customer were below the reporting threshold (2013: Below reporting threshold).

Notes to the Consolidated Financial Statements continued

3. Exceptional items

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

	2014 £'000	2013 £'000
Restructuring costs	(113)	–
Capital reduction expenses	(25)	–
	(138)	–

Restructuring costs relate to non-recurring banking fees and charges that cannot be directly attributed to the discontinued ElecoBuild activities. Legal fees associated with the proposed balance sheet reconstruction are reported under exceptional items.

4. Operating profit

The continuing operations operating profit for the period is stated after charging/(crediting) the following items:

	2014 £'000	2013 £'000
Product development	2,024	2,598
Non-recurring staff costs	102	–
Depreciation of property, plant and equipment	198	222
Amortisation of intangible assets acquired	385	376
Amortisation of capitalised development costs	12	–
(Profit)/loss on disposal of property, plant and equipment	(17)	5
Foreign exchange losses	58	31
Fees payable to the Company's auditor for:		
The audit of the parent company and consolidated financial statements	47	48
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries	47	73
Other services	8	26
Operating lease rentals:		
Plant, equipment and vehicles	180	10
Other assets	250	342

Other services provided by the Company's auditors amounted to £8,000 in the year (2013: £26,000) of which £4,000 was incurred by the Group's German subsidiaries and £4,000 by its Swedish subsidiaries.

5. Employee information

The average number of employees during the period, including Directors, in continuing operations was made up as follows:

	2014 number	2013 number
Sales & marketing	50	50
Client services	65	64
Product development	42	41
Management and administration	29	28
	186	183

Staff costs during the period, including Directors, in continuing operations amounted to:

	2014 £'000	2013 £'000
Wages and salaries	7,211	7,729
Social security	1,586	1,753
Pension costs	470	567
	9,267	10,049
Less: Development staff costs capitalised	(553)	–
	8,714	10,049

Pension costs relate to contributions to defined contribution pension schemes. Development staff costs are charged to projects and capitalised if those projects meet the criteria for capitalisation. The details of the criteria for capitalisation is set out in the Significant Accounting Policies on pages 42 and 43.

The remuneration of the Directors, who are the key management personnel of the Group, is set out below:

	2014 £'000	2013 £'000
Short-term employee benefits	647	653
Post employment benefits	23	16
Termination benefits	100	–
Executive Directors	770	669
Fees – non-executive Directors	61	56
	831	725

The emoluments of the highest paid Director were £382,000 (2013: £395,000). Employers NIC payments in respect of the Directors remuneration was £83,000 (2013: £73,000)

The remuneration of the non-executive Directors is determined by the Board. The non-executive Directors do not have service contracts but are appointed for an initial term of three years, which may thereafter be renewed from year to year. They do not participate in any of the Group's share based incentive or pension schemes.

6. Net finance income/(cost)

Finance income and costs from continuing operations is set out below:

	2014 £'000	2013 £'000
Finance income		
Bank and other interest receivable	3	10
Finance costs		
Bank overdraft and loan interest	(209)	(350)
Finance leases and hire purchase contracts	(15)	(17)
Total net finance cost	(221)	(357)

Notes to the Consolidated Financial Statements continued

7. Taxation

(a) Tax on profit on ordinary activities

The tax charge in the income statement from continuing operations is as follows:

	2014 £'000	2013 £'000
Current tax:		
UK corporation tax on profits of the year	–	–
Tax adjustments in respect of previous years	–	–
	–	–
Foreign tax	153	169
Total current tax	153	169
Deferred tax:		
Origination and reversal of temporary differences	20	(36)
Tax adjustments in respect of previous years	–	41
Total deferred tax	20	5
Tax charge in the income statement	173	174

Income tax for the UK has been calculated at the standard rate of UK corporation tax of 21.49% effective from 1 April 2014 (2013: 23.25%) on the estimated assessable profit for the period. Taxation for foreign companies is calculated at the rates prevailing in the relevant jurisdictions.

(b) Reconciliation of continuing operations tax charge

The tax assessed on continuing operations accounting profit before income tax for the year is higher than the standard rate of UK corporation tax of 21.49% for the period under review. The differences are explained below:

	2014 £'000	2013 £'000
Profit on continuing operations before tax	684	624
Tax calculated at the average standard rate of UK corporation tax of 21.49% (2013: 23.25%) applied to profits before tax	147	145
Effects of:		
Expenses not deductible for tax purposes	73	93
Research & development tax relief	(81)	–
Group relief/losses surrendered not paid	(13)	(200)
Deferred tax not recognised	31	102
Prior year adjustments	–	41
Utilisation of losses	–	(31)
Tax rate differences in foreign jurisdictions	12	28
Other differences	4	(4)
Continuing operations tax charge for the year	173	174

(c) Unrecognised tax losses

The Group has tax losses of £828,000 (2013: £888,000) arising overseas for which no deferred tax asset has been recognised and tax losses of £2,127,000 (2013: £1,393,000) arising in the UK. No deferred tax is recognised on the unremitted earnings of overseas subsidiaries.

8. Discontinued operations

Profit on the disposal of the Yaxley property that was occupied by the ElecoBuild businesses net of costs of disposal in the twelve months to 31 December 2014 are reported under discontinued operations. In addition, non-recurring corporate overhead costs which are attributable to the ElecoBuild businesses during the year are reported under discontinued operations.

The de-recognition of the pension scheme liability related to the ELECO Retirement and Benefit Scheme (ERBS) and the associated deferred tax is reported as an exceptional item under discontinued operations.

The results from discontinued operations which have been included in the income statement are set out below:

	2014 £'000	2013 £'000
Revenue	–	16,144
Cost of sales	–	(13,154)
Gross profit	–	2,990
Distribution costs	–	(1,211)
Administrative expenses	(459)	(4,524)
Other operating costs	(259)	(1,279)
Loss on re-measurement	–	(1,471)
Operating loss before exceptionals	(718)	(5,495)
Exceptionals	7,738	–
Operating profit/(loss)	7,020	(5,495)
Finance cost	(7)	(264)
Profit/(loss) before tax	7,013	(5,759)
Taxation on discontinued operations	(1,548)	26
Profit/(loss) for the period from discontinued operations before disposals	5,465	(5,733)
Profit/(loss) on disposals after tax	91	(4,935)
Profit/(loss) for the period from discontinued operations	5,556	(10,668)

The net profit from the disposal of the property and included in the income statement are set out below:

	2014 £'000	2013 £'000
Consideration on disposals	960	3,160
Net assets on disposals	(764)	(5,628)
Goodwill on disposal	–	(2,346)
Other disposal costs	(105)	(121)
Profit/(loss) on disposals before tax	91	(4,935)
Tax on disposal of discontinued operations	–	–
Profit/(loss) on disposals after tax	91	(4,935)

Notes to the Consolidated Financial Statements continued

8. Discontinued operations continued

The net profit from the de-recognition of the ERBS pension scheme liability and associated deferred tax included in the income statement is set out below.

	2014 £'000	2013 £'000
Retirement benefit obligation	7,738	–
Profit before tax	7,738	–
Deferred tax	(1,548)	–
Profit after tax	6,190	–

The results from discontinued operations which have been included in the cash flow statement are set out below:

	2014 £'000	2013 £'000
Operating activities	(1,250)	(1,620)
Investing activities	960	387
Financing activities	(11)	(69)
Total cash flows	(301)	(1,302)

9. Earnings/(Loss) per share

The calculation of the earnings per share from continuing operations is based on the continuing operations profit after tax attributable to ordinary equity shareholders of the Company and the weighted average number of shares in issue for the reporting period. The earnings per share from discontinued operations is based on the discontinued operations profit before exceptional items after tax attributable to ordinary equity shareholders of the Company and the weighted average number of shares in issue for the reporting period.

The de-recognition impact of the pension scheme liability and associated deferred tax in the period on the calculation of the earnings per share is reported as an exceptional item in the table below:

	2014	2013
Continuing operations	£511,000	£450,000
Discontinued operations before exceptionals	£(634,000)	£(10,668,000)
Discontinued operations exceptionals	£6,190,000	–
Discontinued operations	£5,556,000	£(10,668,000)
Total operations profit/(loss) after taxation	£6,067,000	£(10,218,000)
Weighted average number of shares in issue in the period	66,610,703	59,761,646
Dilutive effect of share options	–	–
Number of shares for diluted earnings per share	66,610,703	59,761,646
Earnings/(loss) per share - basic and diluted		
Continuing operations	0.8p	0.8p
Discontinued operations before exceptionals	(1.0)p	(17.9)p
Discontinued operations exceptionals	9.3p	–p
Discontinued operations	8.3p	(17.9)p
Total operations	9.1p	(17.1)p

There were no outstanding share options at 31 December 2014 and therefore no dilution effect on the basic earnings per share. Shares held by the Employee Share Ownership Trust are excluded from the weighted average number of shares in the period.

10. Goodwill

	2014 £'000	2013 £'000
Cost:		
B/f	10,690	15,149
Acquisition of businesses	–	30
Disposal of businesses	–	(4,485)
Exchange	(119)	(4)
	10,571	10,690
Impairment:		
B/f	–	2,140
Disposal of businesses	–	(2,140)
	–	–
Net book value	10,571	10,690

Goodwill acquired through acquisitions net of impairments is set out below:

	2014 £'000	2013 £'000
Asta Development UK	4,804	4,804
Asta Development Germany	209	224
Consultec Sweden	4,824	4,926
Eleco Software Germany	364	366
Esign Software Germany	370	370
	10,571	10,690

The Group considers each of the operating businesses listed above, which are those units for which a separate cash flow is computed, to be a cash generating unit (CGU) and each CGU is reviewed annually for impairment. For each CGU the Group has determined its recoverable amount based on value in use calculations.

The value in use was derived from discounted post tax management cash flow forecasts for the businesses, using the budgets and strategic plans based on past performance and expectations for the market development of the CGU incorporating an appropriate business risk. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period.

The key estimates and assumptions used in calculating each CGU value in use are shown in the table below. The market growth rates and inflation rates used are from external sources.

CGU	Growth rate pa	Inflation rate pa	Discount rate pa	Business risk rate pa
Asta Development UK	2.7%	0.5%	12.0%	2.0%
Asta Development Germany	1.2%	0.0%	12.0%	2.0%
Consultec Sweden	2.1%	0.0%	12.0%	2.0%
Eleco Software Germany	1.2%	0.0%	12.0%	2.0%
Esign Software Germany	1.2%	0.0%	12.0%	2.0%

Notes to the Consolidated Financial Statements continued

10. Goodwill continued

These budgets and strategic plans cover a five year period. The growth rates used to extrapolate the cash flows beyond this period ranges between 1.2% and 2.7% depending on the geographical location of the CGU. A business risk factor of 2% is applied to cash flows to reflect the different business risks associated with the Software operating segment. Sensitivity analysis is carried out on all budgets and strategic plans used in the calculations. The discount rates used for all CGU's is 12.00% (2013: 12.00%) based on an adjusted Group estimated weighted average cost of capital.

The key sensitivities in assessing the value in use of goodwill are forecast cash flows and the discount rate applied. The headroom in the value in use calculation for the CGU's with a significant amount of goodwill together with the results of the sensitivities are shown below:

	Base scenario £'000	Sensitivity 1% reduction in growth rate pa £'000	Sensitivity 1% increase in discount rate pa £'000
Asta Development UK	5,921	5,520	4,731
Consultec Sweden	2,130	1,822	1,327

The cumulative impairment charge recognised at 31 December 2014 was £nil (2013: £nil).

11. Other intangible assets

	Customer relationships £'000	Intellectual property £'000	Total £'000
Cost:			
At 1 January 2014	3,258	1,023	4,281
Additions	–	84	84
Additions – internal development	–	553	553
Disposals	–	(1)	(1)
Exchange	–	(53)	(53)
At 31 December 2014	3,258	1,606	4,864
Accumulated amortisation and impairment:			
At 1 January 2014	1,905	914	2,819
Amortisation charge for the year	269	128	397
Disposals	–	(1)	(1)
Exchange	–	(34)	(34)
At 31 December 2014	2,174	1,007	3,181
Net book value at 31 December 2014	1,084	599	1,683

The values attributed to customer relationships represent the fair value of acquired customer contracts and relationships held by the acquired company at the date of acquisition. Similarly, values attributed to intellectual property represent the fair value of acquired intellectual property.

Additions in the year represent purchased intangible assets of £84,000 (2013: £70,000) and internal development costs capitalised of £553,000 (2013: £nil). Internal development relates to development project costs that meet the accounting policy criteria for capitalisation. Further details of the development projects that have been capitalised in the period are set out in the Operating Review on page 18.

Amortisation charges are shown separately on the consolidated income statement.

	Customer relationships £'000	Intellectual property £'000	Total £'000
Cost:			
At 1 January 2013	3,228	2,314	5,542
Acquisition of businesses	30	–	30
Additions	–	70	70
Disposal of businesses	–	(1,347)	(1,347)
Disposals	–	(22)	(22)
Exchange	–	8	8
At 31 December 2013	3,258	1,023	4,281
Accumulated amortisation and impairment:			
At 1 January 2013	1,636	2,002	3,638
Amortisation charge for the year	269	245	514
Disposal of businesses	–	(1,333)	(1,333)
At 31 December 2013	1,905	914	2,819
Net book value at 31 December 2013	1,353	109	1,462

Notes to the Consolidated Financial Statements continued

12. Property, plant and equipment

	Leasehold buildings £'000	Plant, equipment and vehicles £'000	Total £'000
Cost:			
At 1 January 2014	16	1,680	1,696
Additions	–	402	402
Disposals	–	(361)	(361)
Exchange	–	(171)	(171)
At 31 December 2014	16	1,550	1,566
Accumulated depreciation and impairment:			
At 1 January 2014	16	1,091	1,107
Depreciation charge for the year	–	198	198
Disposals	–	(206)	(206)
Exchange	–	(108)	(108)
At 31 December 2014	16	975	991
Net book value at 31 December 2014	–	575	575

Additions in the year include £317,000 (2013: £172,000) of plant, equipment and vehicles acquired on a finance lease or hire purchase agreement. The net book value of plant, equipment and vehicles includes an amount of £429,000 (2013: £441,000) in respect of assets held under finance leases and hire purchase agreements.

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000
Cost:				
At 1 January 2013	5,233	321	14,292	19,846
Acquisition of businesses	–	–	4	4
Additions	–	–	459	459
Disposal of businesses	(3,720)	(305)	(5,891)	(9,916)
Disposals	–	–	(242)	(242)
Transfer to assets of disposal group	(1,513)	–	(6,939)	(8,452)
Exchange	–	–	(3)	(3)
At 31 December 2013	–	16	1,680	1,696
Accumulated depreciation and impairment:				
At 1 January 2013	1,601	141	10,881	12,623
Depreciation charge for the year	89	34	746	869
Disposal of businesses	(941)	(159)	(4,892)	(5,992)
Disposals	–	–	(138)	(138)
Transfer to assets of disposal group	(749)	–	(5,502)	(6,251)
Exchange	–	–	(4)	(4)
At 31 December 2013	–	16	1,091	1,107
Net book value at 31 December 2013	–	–	589	589

13. Deferred consideration receivable

	2014 £'000	2013 £'000
B/f	474	800
Amount received in the year	(474)	–
Reclassification from provisions	–	(326)
	–	474

An amount of £474,000 was received in February 2014 in final settlement of the deferred consideration related to the disposal of the Group's connector plate operations in December 2011.

14. Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Property 2014 £'000	Other 2014 £'000	Property 2013 £'000	Other 2013 £'000
Within one year	412	32	263	8
Between two and five years	916	90	333	6
After five years	1,497	–	–	3
	2,825	122	596	17

Operating lease payments represent rentals payable by the Group for certain of its properties and other assets. The property leases are subject to periodic rent reviews.

15. Capital commitments

Capital expenditure commitments of £nil (2013: £nil) have been placed with suppliers at 31 December 2014.

16. Inventories

	2014 £'000	2013 £'000
Finished goods	8	17
	8	17

At 31 December 2014 the Group's inventory provisions were £nil (2013: £nil). The amount written off to the continuing operations income statement in respect of written down inventories was £nil (2013: £nil). There is no material difference between the book value and the replacement cost of the inventories shown.

Notes to the Consolidated Financial Statements continued

17. Trade and other receivables

	2014 £'000	2013 £'000
Gross trade receivables	2,645	4,046
Impairment	(155)	(387)
Net trade receivables	2,490	3,659
Other receivables	120	275
Prepayments and accrued income	500	513
	3,110	4,447

The Group offers credit terms to customers depending on the credit status of the customer. The Group makes provision against trade receivables when it considers them to be impaired and takes into account the specific circumstances of the receivable and the Group's relationship with the customer. The average credit period taken on the sales of goods and services is 49 days (2013: 52 days). No interest is charged on past due trade receivables (2013: £nil).

The carrying amounts of trade and other receivables are denominated in the following currencies:

	2014 £'000	2013 £'000
Sterling	820	1,609
Euro	596	670
Swedish Krona	1,621	2,041
Other	73	127
	3,110	4,447

Movement in the provision for doubtful debts in respect of trade receivables during the period was as follows:

	2014 £'000	2013 £'000
B/f	(387)	(453)
Written off as uncollectable	172	41
Recovered during the period	67	84
Provided against during the period	(11)	(58)
Exchange	4	(1)
	(155)	(387)

The ageing of trade receivables at the balance sheet date that are past due but against which no provision has been made is as follows:

	2014 £'000	2013 £'000
Not more than 3 months	512	381
More than 3 months but less than 6 months	38	13
More than 6 months but less than 1 year	–	–
	550	394

18. Trade and other payables

	2014 £'000	2013 £'000
Trade payables	668	1,868
Other taxation and social security	582	923
Deferred consideration payable	31	35
Other liabilities	305	388
	1,586	3,214

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 41 days. (2013: 54 days) The Directors consider that the carrying amount of trade payables approximates to their fair value.

19. Borrowings

	2014 £'000	2013 £'000
Current liabilities:		
Bank loans and overdrafts	750	5,108
Obligations under finance leases and hire purchase contracts	141	247
	891	5,355
Non-current liabilities:		
Bank loans	2,063	–
Obligations under finance leases and hire purchase contracts	279	195
	2,342	195
Total loans and borrowings	3,233	5,550

The Group's facilities with Barclays Bank plc are explained in the Financial Review on page 23.

The bank loans and overdrafts are repayable as follows:

	2014 £'000	2013 £'000
In one year or less	750	5,108
Between one and two years	750	–
Between two and five years	1,313	–
More than five years	–	–
	2,813	5,108

Notes to the Consolidated Financial Statements continued

19. Borrowings continued

The principal commitments of the Group under finance leases are repayable as follows:

	2014 £'000	2013 £'000
Plant, equipment and vehicles:		
In one year or less	141	247
Between one and two years	132	67
Between two and five years	147	128
	420	442

The minimum lease payments of the Group under finance leases are as follows:

	Present lease value £'000	Interest £'000	Minimum lease payments £'000
In one year or less	141	11	152
Between one and two years	132	6	138
Between two and five years	147	3	150
At 31 December 2014	420	20	440
In one year or less	247	12	259
Between one and two years	67	6	73
Between two and five years	128	11	139
At 31 December 2013	442	29	471

20. Provisions

	Onerous contract provision £'000	Property dilapidation provision £'000	Restructuring provision £'000	Insurance premium provision £'000	Total £'000
At 1 January 2014	252	–	290	439	981
Charge to the income statement	–	12	40	–	52
Utilised in the year	(252)	–	(290)	(129)	(671)
At 31 December 2014	–	12	40	310	362
Current liabilities	–	12	40	90	142
Non-current liabilities	–	–	–	220	220
	–	12	40	310	362

Onerous contract provisions are management estimates where the expected economic benefits from specific contracts are less than those costs of meeting those contract obligations. The provision brought forward was utilised during the year. Reorganisation costs as a result of the disposal of the ElecoBuild businesses in 2013 are reported under the restructuring provision. The provision brought forward was utilised during the year.

Dilapidation costs related to the occupancy of the head office is shown under the property dilapidation provision. The expected ongoing cost of the professional indemnity run off insurance premiums to 2019 relating to the former ElecoBuild businesses is included under the insurance premium provision.

	Onerous contract provision £'000	Property dilapidation provision £'000	Restructuring provision £'000	Insurance premium provision £'000	Total £'000
At 1 January 2013	173	65	–	95	333
Charge to the income statement	201	266	290	362	1,119
Disposal of businesses	(84)	–	–	–	(84)
Utilised in the year	(38)	(5)	–	(18)	(61)
Reclassification to deferred consideration	–	(326)	–	–	(326)
At 31 December 2013	252	–	290	439	981
Current liabilities	252	–	290	244	786
Non-current liabilities	–	–	–	195	195
	252	–	290	439	981

21. Accruals and deferred income

	2014 £'000	2013 £'000
Accruals	1,743	2,068
Deferred income	3,446	3,575
	5,189	5,643

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.

22. Deferred Tax

The movement in the deferred tax liabilities analysed by category is shown below:

		Temporary differences		
	Non-deductible intangible assets £'000	Accelerated capital allowances £'000	Other £'000	Total £'000
At 1 January 2014	296	(134)	(13)	149
(Credit)/charge to the income statement	(21)	(13)	54	20
Exchange	–	–	(7)	(7)
At 31 December 2014	275	(147)	34	162
At 1 January 2013	398	(174)	(54)	170
(Credit)/charge to the income statement	(102)	40	41	(21)
At 31 December 2013	296	(134)	(13)	149

The charge to the Consolidated Income Statement comprises a charge to continuing operations of £20,000 (2013: £5,000) and a charge to discontinued operations of £nil (2013: credit £26,000).

Deferred tax on temporary differences has been calculated at the rate of 20.0% (2013: 20.0%).

The movement in the retirement benefit obligation deferred tax asset is shown below:

	2014 £'000	2013 £'000
At 1 January	1,548	1,389
Credit to the statement of comprehensive income	–	159
Charge to the income statement	(1,548)	–
At 31 December	–	1,548

Notes to the Consolidated Financial Statements continued

22. Deferred Tax continued

The de-recognition of the ELECO Retirement and Benefits Scheme (ERBS) from the Group balance sheet has resulted in a charge to discontinued operations in the income statement. Further information on the ERBS is on page 23 of the Financial Review.

Deferred tax assets and liabilities are presented as non-current in the consolidated balance sheet. Deferred tax un-provided in respect of losses in subsidiaries is £444,000 (2013: £961,000) due to the unpredictability of future profit streams against which these losses may be offset. These losses may be carried forward indefinitely.

23. Retirement benefit obligations

ELECO plc recently operated one defined benefit scheme in the UK, the ELECO Retirement and Benefits Scheme (ERBS).

On 6 January 2014, an Administrator was appointed to Bell & Webster Concrete Limited, the last remaining trading Statutory Employer of the pension scheme. On 9 June 2014 the Official Receiver was appointed to the other Statutory Employers of the pension scheme all of which were dormant. These companies together with Bell & Webster Concrete Limited are no longer consolidated in the results of the Eleco Group at 31 December 2014. Consequently, the pension scheme liability attributable to these companies and the associated deferred tax asset has been de-recognised from the Group balance sheet at 31 December 2014. Group contributions totalled £nil (2013: £nil) and the estimated amount of contributions expected to be paid to the scheme during 2015 is £nil inclusive of expenses.

The ERBS is currently in an assessment period with the Pension Protection Fund after which, in the absence of unforeseen circumstances, the ERBS would transfer to the PPF and members of the ERBS would be entitled to PPF compensation.

Consultec Group AB and subsidiaries contribute to a defined benefits scheme under the ITP pension arrangement operated by Alecta, a Swedish insurance company. Contributions to the scheme totalling £266,000 (2013: £261,000) were made during the period. This is a multi-employer scheme and accordingly the Group is unable to identify its share of the surplus in the scheme on a reasonable and consistent basis. Consequently, the scheme has been accounted for as a defined contribution scheme.

Contributions are paid into the fund operated by Alecta pension insurance in respect of each employee at rates defined by Alecta each year, having taken account of the solvency margin of the scheme. The solvency margin, which Alecta is required to maintain between 125 per cent and 155 per cent, represents the extent to which the market value of assets of the fund, calculated by Alecta, exceeds its pension commitments. At 31 December 2014, the fund had a solvency margin of 146 per cent. (2013: 148 per cent).

24. Called up share capital

	2014 Nominal value £'000	2013 Nominal value £'000
Authorised:		
85,000,000 (2013: 85,000,000) ordinary shares of 10p each	8,500	8,500
Allotted, called up and fully paid:		
74,867,127 (2013: 60,658,239) ordinary shares of 10p each	7,487	6,066

On 28 June 2014, 3,028,405 new ordinary shares were issued at a price of 20.75p per share. This was the first stage of two share subscriptions and raised £628,000. A further 11,180,483 new ordinary shares were issued on 9 July 2014 at a price of 20.75p per share and raised £2,320,000.

25. Acquisitions

No acquisitions were made during the year. Deferred consideration paid in respect of acquisitions completed in previous years was £26,000 and relates to Nilsson & Sahilin Arkitekter AB acquired in 2011.

26. Financial instruments

(a) Financial assets and liabilities

The carrying amount and fair value of financial assets and liabilities at the period end are set out below:

	2014 £'000	2013 £'000
Loans and receivables:		
Cash and cash equivalents	1,198	770
Trade and other receivables	2,610	3,934
Deferred consideration	–	474
Loans and receivables	3,808	5,178
Financial liabilities:		
Trade and other payables	1,004	2,290
Bank loans and overdrafts	2,813	5,108
Accruals	1,743	2,068
Non-current liabilities	39	72
Financial liabilities held at amortised cost	5,599	9,538

The carrying value of the Group's financial assets and liabilities are considered to approximate their respective fair values.

(b) Interest rate and currency profile of financial assets and liabilities

Financial assets and liabilities comprise interest bearing and non interest bearing assets and liabilities.

The interest rate and currency profiles of the Group's financial assets and liabilities are set out below:

	Financial liabilities		Financial assets		Net financial (assets)/ liabilities
	Floating rate £'000	Total £'000	Floating rate £'000	Total £'000	£'000
Sterling	3,897	3,897	738	738	3,159
Euro	232	232	929	929	(697)
Swedish Krona	1,462	1,462	2,006	2,006	(544)
South African Rand	2	2	53	53	(51)
Other	6	6	82	82	(76)
At 31 December 2014	5,599	5,599	3,808	3,808	1,791
Sterling	7,553	7,553	1,809	1,809	5,744
Euro	185	185	1,061	1,061	(876)
Swedish Krona	1,798	1,798	2,120	2,120	(322)
South African Rand	2	2	55	55	(53)
Other	–	–	133	133	(133)
At 31 December 2013	9,538	9,538	5,178	5,178	4,360

There are no fixed rate financial assets.

Notes to the Consolidated Financial Statements continued

26. Financial instruments continued

(b) Interest rate and currency profile of financial assets and liabilities continued

The interest rate risk profile of the Group's finance leases at the period end is set out below:

	Weighted average period		Weighted average interest rate	
	2014 Years	2013 Years	2014 %	2013 %
Sterling	1.9	1.7	5.71	5.83
Euro	n/a	n/a	n/a	n/a
Swedish Krona	1.9	1.7	4.66	4.54

The Group finances its operations through a mixture of retained profits, a term loan and a bank overdraft. The interest rate on the term loan is 3.25% over the Bank of England base rate and the interest rate on the overdraft is 2.75% over the Bank of England base rate.

(c) Currency profile of net foreign currency monetary assets and liabilities

The table below shows the net un-hedged monetary assets/(liabilities) of the Group that are not denominated in the functional currency of the operating unit and which therefore give rise to exchange gains and losses in the income statement.

Functional currency of Group operation	Sterling £'000	Euro £'000	Swedish Krona £'000	US Dollar £'000	Other £'000	Total £'000
Sterling	–	23	–	15	3	41
Euro	–	–	–	–	–	–
Swedish Krona	(2)	168	–	1	57	224
At 31 December 2014	(2)	191	–	16	60	265
Sterling	–	91	(2)	10	6	105
Euro	–	–	–	–	–	–
Swedish Krona	–	186	–	1	75	262
At 31 December 2013	–	277	(2)	11	81	367

(d) Financial risk: objectives, policies and strategies

The Group's interest rate risks and currency risks are managed centrally within policies approved by the Board. The objective of these policies is to mitigate the impact of movements in interest rates and currency rates on the consolidated results of the Group. In addition to these policies, the Group's liquidity risk policies, approved by the Board, ensure appropriate funding is made available across the Group and is managed centrally.

The net interest payable for the year from continuing operations was £221,000 compared to £357,000 last year. No speculative transactions are undertaken.

At present there is no policy to hedge the Group's currency exposures arising from the translation of the Group's overseas net assets or the effect of exchange rate movements on the Group's overseas earnings.

(e) Market risk: sensitivities

A sensitivity analysis for financial assets and liabilities affected by market risk is set out below. Each risk is analysed separately and shows the sensitivity of financial assets and liabilities when a certain parameter is changed. The sensitivity analysis has been performed on period end balances each year and therefore is not representative of transactions throughout the year. The rates used are based on historical trends and, where relevant, projected forecasts.

(i) Currencies

The Group is exposed to currency risk in relation to the value of its financial assets and liabilities that are denominated in currencies other than Sterling (see note 26c above), arising from fluctuations in exchange rates. The Group's mitigation of its currency risk is set out on page 17 of the Strategic report. The table below shows the impact on the value of the Group's reported net financial assets at 31 December of exchange rates either strengthening or weakening by 10 per cent against Sterling and the impact this would have on the reported profit or loss and equity. The Group's reported equity would be £152,000 lower if Sterling strengthen by 10 per cent and £186,000 higher if Sterling weakened by 10 per cent.

	2014	Effect of Sterling strengthening by 10%			Effect of Sterling weakening by 10%		
Net financial (assets)/liabilities:	As reported £'000	Rate +10% £'000	Profit/ (loss) £'000	Equity £'000	Rate -10% £'000	Profit/ (loss) £'000	Equity £'000
Denominated in Sterling	3,159	–	–	–	–	–	–
Not denominated in Sterling	(1,368)	124	(40)	(152)	(152)	49	186
Total net financial liabilities	1,791	124	(40)	(152)	(152)	49	186

	2013	Effect of Sterling strengthening by 10%			Effect of Sterling weakening by 10%		
Net financial (assets)/liabilities:	As reported £'000	Rate +10% £'000	Profit/ (loss) £'000	Equity £'000	Rate -10% £'000	Profit/ (loss) £'000	Equity £'000
Denominated in Sterling	5,744	–	–	–	–	–	–
Not denominated in Sterling	(1,384)	125	(55)	(311)	(154)	67	380
Total net financial liabilities	4,360	125	(55)	(311)	(154)	67	380

(ii) Interest rates

Changes in market interest rates expose the Group to the risk of fluctuations in the cash flow relating to its financial assets and liabilities some of which attract interest at floating rates (see note 26b above). Based upon the interest rate profile of the Group's financial assets and liabilities as at 31 December, the table below shows the impact of a one percentage point change in the market interest rates on the Group's profit and equity.

	2014	Effect of increase in interest rates of 1%			Effect of decrease in interest rates of 1%		
Continuing operations	As reported £'000	Rate +1% £'000	Profit/ (loss) £'000	Equity £'000	Rate -1% £'000	Profit/ (loss) £'000	Equity £'000
Net finance cost	(221)	(59)	(59)	(59)	62	62	62

	2013	Effect of increase in interest rates of 1%			Effect of decrease in interest rates of 1%		
Continuing operations	As reported £'000	Rate +1% £'000	Profit/ (loss) £'000	Equity £'000	Rate -1% £'000	Profit/ (loss) £'000	Equity £'000
Net finance cost	(357)	(76)	(76)	(76)	74	74	74

Notes to the Consolidated Financial Statements continued

26. Financial instruments continued

(f) Liquidity risk

The Group monitors its liquidity to maintain a sufficient level of undrawn committed debt facilities together with central management of the Group's cash resources to minimise liquidity risk.

	Fair Value £'000	3 months or less £'000	3 to 6 months £'000	6 to 12 months £'000	Between 1 and 2 years £'000	Between 2 and 4 years £'000
Trade and other payables	668	668	–	–	–	–
Bank loans and overdraft	3,024	214	212	419	817	1,362
Obligations under finance leases	440	38	38	76	138	150
Non-current liabilities	39	–	–	–	20	19
At 31 December 2014	4,171	920	250	495	975	1,531
Trade and other payables	1,868	1,593	119	156	–	–
Bank loans	5,240	3,940	112	1,188	–	–
Obligations under finance leases	461	65	65	129	73	129
Non-current liabilities	72	–	–	–	36	36
At 31 December 2013	7,641	5,598	296	1,473	109	165

The amounts for bank loans and overdraft and the obligations under finance leases are inclusive of interest payable in the period. The Group's facilities with Barclays Bank plc are explained on page 23 of the Financial Review.

At 31 December, the Group had available to it the following committed borrowing facilities expiring in the periods shown:

	2014 £'000	2013 £'000
Expiring in one year or less	1,750	5,250
Expiring between one and two years	750	–
Expiring between two and five years	1,313	–
	3,813	5,250

(g) Credit risk

Group policies are aimed at minimising losses due to customer payment default. Deferred payment terms are only granted to those customers who satisfy creditworthiness criteria and individual exposures to customers are monitored.

The maximum exposure to credit risk for uninsured trade receivables only at the reporting date by geographic region is as follows:

	2014 £'000	2013 £'000
UK	682	651
Scandanavia	1,371	1,743
Rest of Europe	548	544
Rest of World	44	73
	2,645	3,011

(h) Capital risk

The Group's objective is to minimise its cost of capital by optimising the efficiency of its capital structure, being the balance between equity and debt. The objective is subject always to an overriding principle that capital must be managed to ensure the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group uses a range of financial metrics to monitor the efficiency of its capital structure, including its net debt to EBITDA and ensures that its capital structure provides sufficient financial strength to allow it to secure access to debt finance at reasonable cost.

At 31 December 2014, the continuing operations EBITDA for the year was £1,500,000 (2013: restated £1,579,000) and net bank borrowings were £1,615,000 (2013: £4,338,000).

27. Contingent liabilities

It is the Group's policy to make specific provisions at the balance sheet date for all liabilities which, in the opinion of the Directors, represent a present obligation and outflow of resources to be probable at the balance sheet date.

The Directors have been advised that the Company, having discharged in full its Section 75 obligation to the ELECO Retirement and Benefits Scheme ("ERBS"), has ceased to be a Statutory Employer with financial responsibility for the ERBS. Accordingly, the Directors have been advised that that in the absence of any unforeseen circumstance, no loss is likely to accrue to the Company from any un-provided obligations or claims relating to the ERBS.

The Directors have considered all the facts surrounding the de-recognition of the Scheme referred above together with any open claims and any pending litigation against the Group at 31 December 2014 and have concluded that no material loss is likely to accrue from any such un-provided claims.

28. Related party transactions

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 year, other than a result of service agreements. An amount of £35,000 (2013: £35,000) was paid to JHB Ketteley & Co Limited under a lease for occupation by the Group of 66 Clifton Street, London, EC2A 4HB and £5,000 (2013: £5,000) for a contribution to the office costs at Burnham-on-Crouch. An amount of £10,000 was paid to The Boardroom Partnership for corporate advice during the year of which J Cohen (non-executive Director) is a Director.

JHB Ketteley deferred £95,000 of his salary during the year and this amount is unpaid at 31 December 2014.

29. Post balance sheet events

There have been no post balance sheet events.

Independent Auditors' Report

To the members of Eleco plc

We have audited the parent Company financial statements of ELECO plc for the period ended 31 December 2014 which comprise the Company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 30 and 31, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Councils website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of ELECO plc for the year ended 31 December 2014.

Malcolm Gomersall
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge

5 May 2015

Company Balance Sheet

At 31 December 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Intangible assets	2	–	5
Tangible assets	3	16	785
Investments	4	16,362	17,862
		16,378	18,652
Current assets			
Stocks	5	–	2
Debtors	6	906	3,441
		906	3,443
Creditors: amounts falling due within one year	7	(10,731)	(20,045)
Net current liabilities		(9,825)	(16,602)
Total assets less current liabilities		6,553	2,050
Creditors: amounts falling due after more than one year	8	(2,063)	–
Provisions for liabilities	9	(362)	(791)
Net assets		4,128	1,259
Capital and reserves			
Called up share capital	10	7,487	6,066
Share premium account	11	7,923	6,396
Other reserve	11	3,860	6,779
Profit and loss account	11	(15,142)	(17,982)
Shareholders' equity		4,128	1,259

The financial statements of Eleco plc, registered number 00354915, on pages 69 to 74 were approved by the Board of Directors on 5 May 2015 and signed on its behalf by:

John Ketteley
Executive Chairman

Statement of Company Accounting Policies

The financial statements have been prepared under UK GAAP. A summary of the more important accounting policies, which have been applied consistently, is set out below:

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Intangible and tangible fixed assets

Tangible fixed assets are stated at their purchase cost, together with any incidental costs of acquisition, net of depreciation and provision for impairment.

The Company owns intellectual property both in its software tools and software products. Intellectual property acquired is capitalised at cost and is amortised on a straight line basis over its expected useful life not exceeding twenty years. The current intellectual property assets held by the Company were attributed a useful life of five years and this amortisation period has been used in the accounts.

Depreciation is provided on all tangible fixed assets, except freehold and leasehold land, at annual rates calculated to write off the cost, less the estimated residual value of each asset, over its expected useful life as follows:

Freehold and long leasehold buildings	– 50 years
Plant, equipment and vehicles	– two to ten years

Investments in and loans to subsidiaries

Fixed asset investments are shown at cost, together with any incidental costs of acquisition, less any provision for impairment. Provisions are reviewed and adjusted annually to reflect any changes in the carrying value of the underlying subsidiary investments.

Finance and operating leases

The capital element of finance lease commitments is shown as obligations under finance leases. The capital element of finance lease rentals is applied to reduce the outstanding obligations under finance leases. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease in proportion to the reducing capital balance outstanding. Amounts payable under operating leases are recognised in the profit and loss account on a straight line basis over the term of the lease.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Interest-bearing loans and borrowings

All loans and borrowings are recognised at proceeds received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowing costs are recognised as an expense over the period based on the maturity of the underlying instrument.

Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain/loss in the profit and loss account.

Taxation

Current UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at the date will result in an obligation to pay more tax or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiary undertakings only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Employee share ownership trust

Equity shares in Eleco plc held by the Employee Share Ownership Trust (“ESOT”) are treated as a deduction from the issued and weighted average number of shares. The consideration paid is deducted from equity until the shares are cancelled, reissued or disposed of. When such shares are subsequently sold or reissued, any consideration received, net of related transaction costs and income tax effects, is included in equity attributable to the Company’s equity holders.

Notes to the Company Financial Statements

1. Profit for the year

As permitted by section 408 of the Companies Act 2006, the parent Company's profit and loss account has not been included in these financial statements. The parent Company's loss for the financial year was £79,000 (2013: £21,714,000).

2. Intangible fixed assets

	Intellectual property £'000
Cost:	
At 1 January 2014	1,571
Additions	39
At 31 December 2014	1,610
Accumulated amortisation and impairment:	
At 1 January 2014	1,566
Amortisation charge for the year	44
At 31 December 2014	1,610
Net book value at 31 December 2014	–
Net book value at 31 December 2013	5

3. Tangible fixed assets

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000
Cost:				
At 1 January 2014	1,511	19	229	1,759
Additions	–	–	9	9
Disposal	(1,511)	–	–	(1,511)
At 31 December 2014	–	19	238	257
Accumulated depreciation:				
At 1 January 2014	748	19	207	974
Depreciation charge for the year	–	–	15	15
Disposals	(748)	–	–	(748)
At 31 December 2014	–	19	222	241
Net book value at 31 December 2014	–	–	16	16
Net book value at 31 December 2013	763	–	22	785

Notes to the Company Financial Statements continued

4. Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

	Shares at cost £'000	Loans £'000	Total £'000
Cost:			
At 1 January 2014	21,076	65,704	86,780
Additions	–	787	787
Disposal	–	(10,606)	(10,606)
At 31 December 2014	21,076	55,885	76,961
Accumulated provision:			
At 1 January 2014	20,705	48,213	68,918
Charge to profit and loss account	–	787	787
Disposals	–	(9,106)	(9,106)
At 31 December 2014	20,705	39,894	60,599
Net book value at 31 December 2014	371	15,991	16,362
Net book value at 31 December 2013	371	17,491	17,862

The carrying value and recoverability of loans and investments in discontinued ElecoBuild operations are fully provided against at 31 December 2014. Disposals relate to Bell & Webster Concrete Limited that went into Administration during the year together with the other dormant Statutory Employers of the Eleco Retirement Benefit Scheme. Further information is set out in Note 23 on page 62.

The principal continuing subsidiary undertakings are unlisted and wholly owned and set out in the table below. They are registered in England and Wales, where their operations are located in the United Kingdom. Overseas subsidiary undertakings are incorporated in their country of operations.

Company	Country of operations	Class of share capital held	Prportion held within Group	Nature of business
Asta Development plc	UK	Ordinary	100%	Software and services
Eleco Software Limited	UK	Ordinary	100%	Software
Consultec Group AB	Sweden	Ordinary	100%	Administration
Consultec Byggprogram AB	Sweden	Ordinary	100%	Software and services
Consultec System AB	Sweden	Ordinary	100%	Software and services
Consultec Arkitekter & Konstruktorer AB	Sweden	Ordinary	100%	Software and services
Asta Development GmbH	Germany	Ordinary	100%	Software and services
Eleco Software GmbH	Germany	Ordinary	100%	Software and services
Esign Software GmbH	Germany	Ordinary	100%	Software and services
ElecoSoft Pvt Limited	India	Ordinary	100%	Software
Elecosoft Ltd	UK	Ordinary	100%	Holding company

The ordinary shares in the above companies are held through an intermediate holding company except Esign Software GmbH.

Dormant companies registered in England and Wales that are part of the Group are owned through an intermediate holding company. A full list of these dormant companies is available from Companies House.

5. Stock

	2014 £'000	2013 £'000
Finished goods	–	2

6. Debtors

	2014 £'000	2013 £'000
Trade debtors	6	449
Other debtors	19	28
Prepayments and accrued income	134	119
Deferred consideration	–	800
Deferred tax	46	35
Amounts due from subsidiary undertakings	701	2,010
	906	3,441

7. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Bank loans and overdrafts	786	5,552
Trade creditors	75	681
Other creditors	72	63
Accruals and deferred income	302	565
Other taxation and social security	169	441
Amounts due to subsidiary undertakings	9,327	12,743
	10,731	20,045

8. Creditors: amounts falling due after more than one year

The Group's facilities with Barclays Bank plc are explained on page 23 of the Financial Review.

	2014 £'000	2013 £'000
Bank loans	2,063	–
	2,063	–

Bank loans and overdrafts are repayable as follows:

	2014 £'000	2013 £'000
In one year or less	786	5,552
Between one and two years	750	–
Between two and five years	1,313	–
More than five years	–	–
	2,849	5,552

9. Provisions for liabilities

	Onerous contract provision £'000	Property dilapidation provision £'000	Restructuring provision £'000	Insurance premium provision £'000	Total £'000
At 1 January 2014	62	–	290	439	791
Charge to the profit and loss account	–	12	40	–	52
Utilised in the year	(62)	–	(290)	(129)	(481)
At 31 December 2014	–	12	40	310	362
At 31 December 2013	62	–	290	439	791

Further information on the details of the provisions is set out in note 20 of the consolidated accounts.

Notes to the Company Financial Statements continued

10. Called up share capital

	2014 Nominal value £'000	2013 Nominal value £'000
Authorised:		
85,000,000 (2013: 85,000,000) ordinary shares of 10p each	8,500	8,500
Allotted, called up and fully paid:		
74,867,127 (2013: 60,658,239) ordinary shares of 10p each	7,487	6,066

On 28 June 2014, 3,028,405 new ordinary shares were issued at a price of 20.75p per share. This was the first stage of two share subscriptions and raised £628,000. A further 11,180,483 new ordinary shares were issued on 9 July 2014 at a price of 20.75p per share and raised £2,320,000.

11. Reserves

	Share premium £'000	Other reserve £'000	Profit and loss account £'000
At 1 January 2014	6,396	6,779	(17,982)
Issue of share capital	1,527	–	–
Loss for the year	–	–	(79)
Other movements	–	(2,919)	2,919
At 31 December 2014	7,923	3,860	(15,142)

The other reserve carried forward includes the shares in the Company held by the Employee Share Ownership Trust and merger relief recognised on the acquisition of Asta Development plc in 2006. Other movements relates to the reclassification of the Milbury Systems merger reserve following the business disposal in December 2013.

The Employee Share Ownership Trust held 896,593 shares at 31 December 2014 with a market value of £161,000 (2013: £228,000) and has waived its entitlement to dividends on ordinary shares held by it until such time as they are vested in employees.

12. Operating lease commitments

	Property 2014 £'000	Property 2013 £'000
Leases expiring:		
Within one year	9	35
Between two and five years	–	53
After five years	–	–
	9	88

13. Related party transactions

The Company has taken advantage of the exemption granted by paragraph 3(c) of amended FRS 8 not to disclose transactions with other Group companies as all subsidiaries are wholly owned. The Directors of Eleco plc had no material transactions with the Company during the year, other than as a result of service agreements or as disclosed in the Directors' Report. Details of the Directors' remuneration are disclosed in the Directors' Report on page 28.

The Directors of the Company had no material transactions with the Company during the year, other than a result of service agreements. An amount of £35,000 (2013: £35,000) was paid to JHB Ketteley & Co Limited under a lease for occupation by the Group of 66 Clifton Street, London, EC2A 4HB and £5,000 (2013: £5,000) for a contribution to the office costs at Burnham-on-Crouch. An amount of £10,000 was paid to The Boardroom Partnership for corporate advice during the year of which J Cohen (Non-executive Director) is a Director.

JHB Ketteley deferred £95,000 of his salary during the year and this amount is unpaid at 31 December 2014.

Five Year Summary

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000	18 months ended 31 December 2011 £'000	Year ended 30 June 2010 £'000
Revenue					
Software	16,484	16,318	15,779	23,448	13,661
Discontinued operations	–	16,144	18,398	60,413	45,555
Operating profit before amortisation of intangible assets and exceptional items					
Software	1,440	1,357	1,261	1,567	290
Continuing operations*	1,440	1,357	1,261	1,051	(2,745)
Amortisation of intangible assets	(397)	(376)	(419)	(908)	(542)
Exceptionals	(138)	–	(152)	(365)	606
Operating profit/(loss)	905	981	690	(222)	(2,681)
Finance income/(expense)	(221)	(357)	(223)	(708)	(554)
Profit/(loss) before taxation	684	624	467	(930)	(3,235)
Taxation	(173)	(174)	(69)	(279)	350
Profit/(loss) after taxation	511	450	398	(1,209)	(2,885)
Earnings/loss per share	0.8p	0.8p	0.7p	(2.0)p	(4.8)p
Shareholders equity/(deficit)	6,722	(2,353)	8,850	14,155	15,346
Dividend per share	0.00p	0.00p	0.00p	0.00p	0.00p

* as reported.

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Developer and supplier of software solutions for the floor coverings industry.

Glossary

2D	Two-dimensional
3D	Three-dimensional (Model)
4D	Four-dimensional (3D+Time)
5D	Five-dimensional (4D+Cost)
6D	Six-dimensional (5D+Facilities Management)
AEC	Architecture Engineering and Construction
BIM	Building Information Modelling (BIM) is the process of designing, creating and managing building and infrastructure projects with greater efficiency and improved collaboration. This allows for projects to be completed faster, more economically and with less risk. The early adoption of BIM by the Danish and Finnish governments and the mandated use by the UK Government in 2016 together with its increasing adoption throughout Europe and North America is driving demand for software tools that support a collaborative approach to construction projects.
CAD	Computer-Aided-Design
CAM	Computer-Aided-Manufacturing. CAM software make the CAD drawing/design into a code called g-code which is the code the CNC machine can understand.
CNC Router	A CNC router is a computer controlled cutting machine. These are related to the hand held router. Instead of hand held routing, the tool paths can be controlled via computer numerical control. It is a computer-controlled machine for cutting various hard materials, such as wood, composites, aluminium, steel, plastics and foams.
Cloud	A metaphor for a network of remote servers which are hosted on the internet for the purpose of storing, managing and processing data instead of a local server or computer.
IFC	The Industry Foundation Classes (IFC) data model is intended to describe building and construction industry data. It is a platform neutral, open file format. IFC is the international standard for open BIM and registered with the International Standardization Organization ISO as ISO 16739:2013.
SaaS	Software as a Service – sometimes referred to as "on-demand software", it is a software delivery method in which software and associated data are centrally hosted on the cloud. SaaS is typically accessed by users via a web browser.
BIM Level 0	Unmanaged CAD, in 2D, with paper (or electronic paper) data exchange. This allows design intent to be communicated to owners and helps them to visualise the finished product.
BIM Level 1	Managed CAD in 2D or 3D format with a collaborative tool providing a common data environment with a standardised approach to data structure and format. Commercial data will be managed by standalone finance and cost management packages with no integration.
BIM Level 2	A managed 3D environment held in separate discipline 'BIM' tools with data attached. Commercial data will be managed by enterprise resource planning software and integrated by proprietary interfaces or bespoke middleware. This level of BIM may utilise 4D construction sequencing and/or 5D cost information. The Government's BIM Strategy Paper calls for the industry to achieve Level 2 BIM by 2016.
BIM Level 3	A fully integrated and collaborative process enabled by "web services" and compliant with emerging Industry Foundation Class (IFC) standards. This level of BIM will utilise 4D construction sequencing, 5D cost information and 6D project lifecycle management information.

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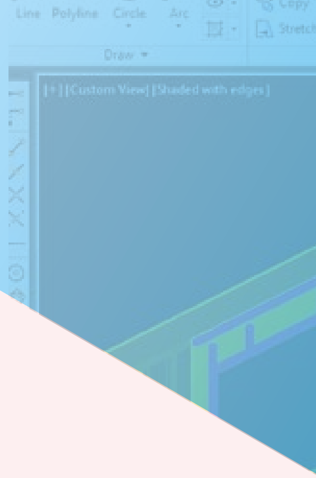

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