Embargoed release: 07:00hrs Thursday 24 August 2017

SOPHEON PLC

("Sopheon", the "Company" or the "Group")

RESULTS FOR THE 6 MONTHS TO 30 JUNE 2017

Sopheon plc, the international provider of software and services that improve the return from innovation and new product development investments, announces its unaudited half-yearly financial report for the six months ended 30 June 2017 together with a business review and outlook statement for the remaining part of the current year.

HIGHLIGHTS:

- Revenue: $12.5m (2016: $11.5m)
  EBITDA (adjusted): $3.0m (2016: $2.7m)
  Profit before tax (adjusted): $1.8m (2016 : $1.4m)

  EBITDA[1] and profit before tax have been adjusted to exclude foreign exchange gains, amounting to $0.2m in the first half of 2016. No such adjustment was required for 2017.

- Continued growth in revenue and profitability as the business delivers on its strategy. 28 license transactions were closed in the period vs 20 for the same period last year.
- Revenue visibility[2] for full-year 2017 now at $20.3m, compared to $18.4m at this time last year.
- Market activity with and inquiries from leading industry voices Gartner and Forrester have increased materially year on year.
- Sopheon investment in extending the use of Accolade to enterprise-wide digital automation gains momentum. Two product releases since the start of the year, including a market first with landmark knowledge discovery and insights features are expected to contribute to growth

Sopheon's Chairman, Barry Mence said: *"In addition to increasing both revenue and profits, we continue to build momentum and gain enhanced market recognition… full year revenue visibility for 2017 from contracted business and recurring revenue streams is already at $20.3m. In addition we have a growing sales pipeline, including several blue chip companies representing major enterprise opportunities. These factors give the Board confidence in meeting our goals for the year, and as importantly, our ambition to accelerate growth in the future. Given these positive circumstances, the Board is actively considering the introduction of a dividend policy."*

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About Sopheon. Sopheon (LSE: SPE) partners with customers to provide complete enterprise innovation management solutions including software, expertise, and best practices, that enable them to achieve exceptional long-term revenue growth and profitability. Sopheon's Accolade solution provides unique, fully-integrated coverage for the entire innovation management and new product development lifecycle, including strategic innovation planning, roadmapping, idea and concept development, process and project management, portfolio management and resource planning. Sopheon's solutions have been implemented by over 250 customers with over 60,000 users in over 50 countries. Sopheon is listed on AIM, operated by the London Stock Exchange. For more information, please visit www.sopheon.com

[1] EBITDA is defined in Note 3. [2]Revenue visibility is defined in Note 5.
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CHAIRMAN'S STATEMENT

TRADING PERFORMANCE AND RESULTS

The first half of 2017 has shown continued advancement on all fronts, which has translated into revenues growing to $12.5m, from $11.5m for the same period last year – itself a particularly strong result compared to $8.4m in the first half of 2015.

A total of 28 license orders were booked in the period, compared to 20 during the same period last year. The first half of 2016 included a very substantial order from an existing enterprise-tier customer. The 2017 license revenue was higher overall, and spread more evenly across several larger deals – representing a balanced and healthy customer profile. Maintenance and hosting revenues rose as well, reflecting the long-term benefit of several license closings in 2016, as well as new business this year. Services revenues were relatively stable, reflecting continued delivery of implementation projects at a similar pace to the year before. These shifts are reflected in an overall revenue mix between license, service and maintenance/hosting of 27:34:39 respectively, compared to 26:38:36 in the first half of last year. Our recurring base of maintenance, hosting and SaaS contracts is now at $10.5m annually, compared to approximately $9m at this time last year, underlining overall momentum and demonstrating the increased "stickiness" and value associated with our solutions. We continue to deliver value for the maintenance investment our clients make with two new releases (Accolade 11.1 and Accolade 11.2) issued, as planned, in the first half of 2017.

Revenue visibility (defined in Note 5) for 2017 now stands at $20.3m, compared to $17.5m at the time of our Annual General Meeting on 8 June. This can also be compared to $18.4m at this time last year, showing continued progress in line with our goals for the year. Activity was particularly strong in Europe during the first half of the year. Sopheon's growth strategy to increase "lifetime value" of our customer relationships through an expanded partnership model with blue chip enterprise customers has resulted in new sources of revenue. In this regard, we are working with clients such as Electrolux, Honeywell, PepsiCo, Proctor & Gamble and Merck, among others. We are encouraged by the early success of our "Enterprise Program" and continue to invest in the program for increased growth.

We entered 2017 with open staff positions from 2016, and with further openings arising in our 2017 plan. Several of these recruits are now in place or under offer, and accordingly total headcount at 30 June was 123. This has resulted in an increase in staff costs of around $0.4m compared to the first half of 2016. Non-staff costs have also risen, by approaching $0.4m. Last year these were flattered by a $0.2m exchange gain that arose largely due to the sharp rise in other currencies against Sterling following the UK's EU membership referendum, so the comparable increase is closer to $0.2m.

Gross margin rose to 72.1 percent, compared to 71.4 percent in 2016. We capitalized product development of $1m compared to $0.9m last year, offset by $1.1m of amortization (2016: $1m). Overall this has resulted in higher net R&D expense in the income statement of $2.1m compared to $2.0m last year. Sales and marketing costs have also increased from $3.3m to $3.5m, reflecting the effect of additional investment in expanding our distribution channels in the latter part of last year. Finally, administrative costs (which includes all other overheads and office costs) show an overall increase from $1.2m to $1.6m. Of this the majority relates to the exchange gain referenced above, with the balance due to additional staff in HR, finance and IT areas, and several smaller items.

The overall profit before tax reported for the half year period was $1.8m (2016: $1.6m). This result includes interest, depreciation and amortization costs amounting to $1.3m (2016: $1.3m). The EBITDA result for the first half of 2017, which does not include these elements, was $3.0m (2016: $2.9m). The comparatives for 2016 include the $0.2m exchange gain referenced above. Excluding such gains, adjusted EBITDA was $3.0m (2016: $2.7m) and adjusted profit before tax was $1.8m (2016: $1.4m).

BALANCE SHEET AND CORPORATE

Net assets at 30 June 2017 have grown to $12.3m (30 June 2016: $7.3m), with cash resources at the end of the period rising to $11.5m (30 June 2016: $8.1m), a solid platform for the development of the business. Approximately $8.0m was held in US Dollars, $3.2m in Euros and the balance of $0.3m in Sterling (30 June 2016: $6.4m $1.5m, and $0.1m respectively). Intangible assets at 30 June 2017 stood at $5.4m (30 June 2016: $5.4m). This includes (i) $4.4m being the net book value of capitalized research and development (30 June 2016: $4.4m) and (ii) $1.0m (30 June 2016: $1.0m) being the net book value of acquired intangible assets. During the period, capitalization costs were broadly offset by amortization charges.

Since 2014 the Group has established bank facilities with the London branch of Silicon Valley Bank. These facilities comprise a term loan of $0.5m repayable in 36 equal monthly instalments, and a $3m revolving line of credit, which is only used on demand. The current term of the facilities is through to January 2019. Both facilities bear interest at rates of 2.75 percent over Wall Street Prime, resulting in a current effective rate of 7.00 percent. The facilities are subject to covenants based on working capital ratios. The drawdown mechanics and interest rates are also subject to working capital ratios.

The Group also has a long standing convertible unsecured loan stock instrument, held by a group of investors including key members of the board and senior management team. Current maturity date is January 2019, and the conversion price is 76.5 pence per share. During the past year there have been two conversions, resulting in £1.94m remaining of the original £2m of loan stock.

Following several years of clarifying our debt, equity and listing structure, other corporate activity has been relatively quiet in the first half of the year.

STRATEGY AND PRODUCT

Sopheon's mission is to help our customers achieve exceptional long-term growth and profitability through sustainable innovation. Many market leading corporations have built up a multitude of stand-alone systems over time, resulting in isolated pockets of information siloed in each respective function of the company. This operational disconnect prevents organizations from responding with speed to external market changes. It is projected that three quarters of the current S&P 500 companies will be replaced by new market entrants by 2027. To survive today's massive industry disruption, companies must "digitalize" enterprise strategy, execution and innovation. Sopheon has created a software solution that connects the disconnected parts of these global enterprises, delivering an end-to-end, cross-functional decision-making platform that links the strategic ambition of the organization to the execution activities required to realize forecasted performance.

Our solution has enabled dynamic portfolio management in some of the most successful and well known global leaders, increasing "lifetime value" of these relationships both to the client and to Sopheon. We believe that Sopheon continues to lead the market in vision, experience and capability that today – in our opinion – remain unmatched by competitors.

The Enterprise Innovation Market continues to evolve and grow. In recent months Sopheon has gained visibility from a number of recognized market sources, including being named a representative vendor in Gartner's 2016 Market Guide for Strategy Execution Software; voted a top provider of NPDI solutions by CGT magazine; achieving a new advanced certification for Innovation Team Agility by Stage Gate International; more recently, recognition in Gartner's new 2017 Magic Quadrant for Project Portfolio Management; and being awarded as a recipient of the European ITEA funded projects in application of monitoring and real-time decision support in smart environments. Sopheon is the only vendor referenced in both the Gartner Market Guide for Strategy Execution Software and the Magic Quadrant for Project Portfolio Management. In our view, this provides strong validation of our unique position and strength in the enterprise portfolio management, initiative management, and product development markets.

Our commitment to aggressively invest in advancing our product as a cornerstone of our business continues and we are on track to achieve our planned pace of three releases per year. In 2017 we have released versions 11.1 in February, which emphasized and further extended strategy to execution capabilities; and 11.2 in July, which once again demonstrated our thought leadership in the market by delivering Accolade Insights – new analytic and knowledge discovery capabilities to proactively manage risk and create breakthrough innovations with greater efficiency for our enterprise clients. In parallel, we continue to invest in the expansion of our "out-of-the-box" Express solution, supporting a dual market segmentation approach targeted to offer rapid time to value for both medium-sized and larger companies.

OUTLOOK

Our growth strategy is simple – continue to build on our current momentum, and execute on our four over-arching initiatives as outlined in our annual report: (i) extend application of our innovation solutions to facilitate digitalization of strategic planning, portfolio, initiative execution, and innovation at the enterprise level; (ii) generate faster growth rate in our target industries through specialization; (iii) introduce new offerings to expand the growth and lifetime value from our impressive customer base; and (iv) expand our partner ecosystem in multiple ways – including geographical expansion, distribution channel expansion and also strategic partnerships to assist in scaling and creating higher growth rates going forward. We continue to drive forward in all these areas.

First half performance was consistent with our 2017 plan, delivering favorable results against growth initiatives, operational objectives and financial goals. In addition to increasing both revenue and profits, we continue to build momentum from expanded solutions introduced to our existing clients, the addition of new clients and enhanced activity level of market recognition and visibility by leading business analysts Gartner and Forrester. Full year revenue visibility for 2017 from contracted business and recurring revenue streams is already at $20.3m. In addition we have a growing sales pipeline, including several blue chip companies representing major enterprise opportunities. These positive factors give the Board confidence in meeting our goals for the year, and as importantly, our ambition to accelerate growth in the future. Given these circumstances, the Board is actively considering the introduction of a dividend policy.

Barry Mence
Chairman

23 August 2017

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

	2017 *$'000* *(unaudited)*	*2016* *$'000* *(unaudited)*
Revenue	**12,505**	**11,534**
Cost of sales	(3,494)	(3,300)
Gross profit	**9,011**	**8,234**
Sales and marketing expense	(3,470)	(3,340)
Research and development expense	(2,073)	(1,982)
Administrative expense	(1,580)	(1,169)
Operating profit	**1,888**	**1,743**
Finance income	-	1
Finance expense	(135)	(156)
Profit for the period before tax	**1,753**	**1,588**
Income tax credit	27	-
Profit for the period	**1,780**	**1,588**
Earnings per share - basic in cents	24.10c	21.81c
Earnings per share - fully diluted in cents	18.01c	17.16c

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2017

	2017 *$'000* *(unaudited)*	*2016* *$'000* *(unaudited)*
Profit for the period	**1,780**	**1,588**
Amounts that may be recycled in future periods		
Exchange differences on translation of foreign operations	(19)	134
Total comprehensive profit for the period	**1,761**	**1,722**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2017

	30 June 2017 $'000 (unaudited)	*31 Dec 2016 $'000 (audited)*	*30 June 2016 $'000 (unaudited)*
Assets			
Non-current assets			
Property, plant and equipment	327	241	203
Intangible assets	5,441	5,469	5,443
Deferred tax asset	1,366	1,338	-
Other receivable	19	19	19
	7,153	**7,067**	**5,665**
Current assets			
Trade and other receivables	7,877	9,696	7,934
Cash and cash equivalents	11,486	10,061	8,055
	19,363	**19,757**	**15,989**
Total assets	**26,516**	**26,824**	**21,654**
Liabilities			
Current liabilities			
Borrowings	2,271	3,167	2,458
Deferred revenue	5,773	6,224	5,460
Trade and other payables	3,561	4,428	3,471
	11,605	**13,819**	**11,389**
Non-current liabilities			
Borrowings	2,634	2,648	2,972
Total liabilities	**14,239**	**16,467**	**14,361**
Net assets	**12,277**	**10,357**	**7,293**
Equity			
Share capital	2,398	2,375	2,356
Capital reserves	5,891	5,843	5,789
Translation reserve	314	333	131
Retained earnings / (losses)	3,674	1,806	(983)
Total equity	**12,277**	**10,357**	**7,293**

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

	2017 *$'000* *(unaudited)*	*2016* *$'000* *(unaudited)*
Operating Activities		
Profit for the period	1,780	1,588
Finance income	-	(1)
Finance expense	135	156
Depreciation of property, plant and equipment	83	91
Amortization of intangible assets	1,068	1,030
Share based payment expense	75	34
Deferred tax credit	(27)	-
Operating cash flows before movement in working capital	3,114	2,898
Decrease/(increase) in receivables	1,979	(293)
(Decrease)/increase in payables	(1,610)	96
Net cash from operating activities	3,483	2,701
Investing Activities		
Finance income	-	1
Purchases of property, plant and equipment	(160)	(103)
Capitalization of development costs	(1,040)	(894)
Net cash used in investing activities	(1,200)	(996)
Financing Activities		
Exercise of share options	21	6
New borrowings	-	359
Repayment of borrowings	(85)	(85)
Movement in amounts drawn under lines of credit	(900)	(700)
Finance expense	(135)	(156)
Net cash used in financing activities	(1,099)	(576)
Net increase in cash and cash equivalents	**1,184**	**1,129**
Cash and cash equivalents at the beginning of the period	**10,061**	**7,046**
Effect of foreign exchange rate changes	241	(120)
Cash and cash equivalents at the end of the period	**11,486**	**8,055**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Share Capital $'000	*Capital Reserves $'000*	*Trans-lation Reserve $'000*	*Retained Earnings / (losses) $'000*	*Total $'000*
At 1 January 2016 (audited)	**2,354**	**5,751**	**(3)**	**(2,571)**	**5,531**
Issues of shares	2	4	-	-	6
Share based payments	-	34	-	-	34
Profit for the period before tax	-	-	-	1,588	1,588
Other comprehensive income	-	-	134	-	134
At 30 June 2016 (unaudited)	**2,356**	**5,789**	**131**	**(983)**	**7,293**
Issues of shares	19	94	-	-	113
Share based payments	-	28	-	-	28
Lapsing or expiry of share options	-	(68)	-	68	-
Profit for the period before tax	-	-	-	1,383	1,383
Deferred tax credit	-	-	-	1,338	1,338
Other comprehensive income	-	-	202	-	202
At 31 December 2016 (audited)	**2,375**	**5,843**	**333**	**1,806**	**10,357**
Issues of shares	23	61	-	-	84
Share based payments	-	75	-	-	75
Lapsing or expiry of share options	-	(88)	-	88	-
Profit for the period before tax	-	-	-	1,753	1,753
Deferred tax credit	-	-	-	27	27
Other comprehensive income	-	-	(19)	-	(19)
At 30 June 2017 (unaudited)	**2,398**	**5,891**	**314**	**3,674**	**12,277**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Sopheon plc is a company domiciled in England. The interim financial information of the Company for the six months ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the "Group").

2. PRINCIPAL ACCOUNTING POLICIES

Basis of Preparation

These consolidated financial statements have been prepared using accounting policies based on International Financial Reporting Standards (IFRS and IFRIC Interpretations) issued by the International Accounting Standards Board ("IASB") as adopted for use in the EU. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with 31 December 2016 Annual Report. The financial information for the half years ended 30 June 2017 and 30 June 2016 does not constitute statutory accounts within the meaning of Section 434 (3) of the Companies Act 2006 and both periods are unaudited. The comparative financial information for the year ended 31 December 2016 included within this report does not constitute the full statutory Annual Report for that period. The statutory Annual Report and Financial Statements for 2016 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for the year ended 31 December 2016 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) - (3) of the Companies Act 2006. The same accounting policies, presentation and methods of computation are followed in these interim consolidated financial statements as were applied in the Group's 31 December 2016 annual audited financial statements. In addition, the IASB have issued a number of IFRS and IFRIC amendments or interpretations since the last Annual Report was published. The directors have not yet fully considered whether any of these will have a material impact on the Group.

The Board of Directors approved this interim report on 23 August 2017.

Going Concern

The consolidated financial statements have been prepared on a going concern basis. In reaching their assessment, the directors have considered a period extending at least 12 months from the date of approval of this half-yearly financial report. This assessment has included consideration of the forecast performance of the business for the foreseeable future, the cash and financing facilities available to the Group, and the repayment terms in respect of the Group's borrowings.

In the first half of 2017, the Group achieved revenues of $12.5m and achieved a profit before tax of $1.8m. The Group's sales pipeline is strong, and the directors are very positive about the prospects for the business. At the date of this half-yearly financial report, the Group's revenue visibility (as defined in Note 5 below) for the current year has risen above $20m. To meet its objectives, the Group has been increasing headcount and investment levels. In addition, the time-to-close and the order value of individual sales continues to vary considerably. When combined with the relatively low-volume and high-value nature of the Group's business, these are factors which constrain the ability to accurately predict revenue performance. However, the Group's gross cash balance at June 30, 2017 was $11.5m and net current assets $7.8m, providing a solid financial foundation to deal with potential volatility in results that might arise.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing its interim financial information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales-related taxes.

Sales of software licenses are recognized once no significant obligations remain owing to the customer in connection with such license sale. Such significant obligations could include giving a customer a right to return the software product without any preconditions, or if the group is unable to deliver a material element of the software product by the balance sheet date.

Revenues relating to maintenance, hosting and post-contract support agreements are deferred and recognized over the period of the agreements.

Revenues from implementation and consultancy services are recognized as the services are performed, or in the case of fixed price or milestone-based projects, on a percentage basis as the work is completed and any relevant milestones are met, using latest estimates to determine the expected duration and cost of the project.

Deferred Tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized only to the extent that the level and timing of taxable profits can be measured and it is probable that these will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at tax rates that have been enacted or substantively enacted at the balance sheet date, and that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Internally Generated Intangible Assets (Research and Development Expenditure)

Development expenditure on internally developed software products is capitalized if it can be demonstrated that:

- it is technically feasible to develop the product;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the group is able to sell the product;
- sales of the product will generate future economic benefits; and
- expenditure on the product can be measured reliably.

Development costs not satisfying the above criteria and expenditure on the research phase of internal projects are recognized in the income statement as incurred. Capitalization of a particular activity commences after proof of concept, requirements and functional concept stages are complete.

Capitalized development costs are amortized over the period over which the group expects to benefit from selling the product developed. This has been estimated to be four years from the date of code-finalization of the applicable software release. The amortization expense in respect of internally generated intangible assets is included in research and development costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTAL ANALYSIS AND EBITDA

All of the Group's revenues in respect of the six month periods ended 30 June 2017 and 2016 derived from the design, development and marketing of software products with associated implementation and consultancy services. For management purposes, the Group is organized across two principal geographic operating segments, as used in the Group's last annual financial statements. The first segment is North America, and the second Europe. Information relating to these two segments is given below. All information provides analysis by location of operations and is stated before intra-group charges.

Six months to 30 June 2017	*N America*	*Europe*	*Total*
	$'000	*$'000*	*$'000*
External revenues	7,644	4,861	12,505
Profit before tax	330	1,423	1,753
EBITDA	1,495	1,544	3,039
Total assets	19,432	7,084	26,516

Six months to 30 June 2016	*N America*	*Europe*	*Total*
	$'000	*$'000*	*$'000*
External revenues	8,704	2,830	11,534
Profit before tax	1,427	161	1,588
EBITDA	2,567	297	2,864
Total assets	17,574	4,080	21,654

EBITDA is arrived at after adding back net finance costs, depreciation and amortization amounting to $1,286,000 (2016: $1,276,000) to the profit before tax. Details of these amounts are set out in the consolidated cash flow statement. Adjusted EBITDA, and adjusted profit before tax, both include an add back of $217,000 of foreign exchange gains in respect of the first half of 2016.

4. EARNINGS PER SHARE

The calculation of basic earnings per ordinary share is based on earnings of $1,780,000 (2016: earnings of $1,588,000) and on 7,386,373 ordinary shares (2016: 7,280,195) being the effective weighted average number of ordinary shares in issue during the year.

For the purpose of calculating the diluted earnings per ordinary share (i) the group's convertible loan stock is treated as converted at 1 January 2017, with earnings adjusted for the amount of interest that would have been saved, and the number of shares adjusted by the number issued on such conversion; and (ii) any options and warrants to subscribe for Sopheon shares at prices below the average share price prevailing during the period are treated as exercised at the later of 1 January 2017 or the grant date. The treasury stock method is then used, assuming that the proceeds from such exercise are reinvested in treasury shares at the average market price prevailing during the period.

5. REVENUE VISIBILITY

Revenue visibility at any point in time comprises revenue expected from (i) closed license orders, including those which are contracted but conditional on acceptance decisions scheduled later in the year; (ii) contracted services business delivered or expected to be delivered in the year; and (iii) recurring maintenance, hosting and rental streams. The visibility calculation does not include revenues from new sales opportunities expected to close during the remainder of 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INTANGIBLE ASSETS

Certain development expenditure is required to be capitalized and amortized based on detailed technical criteria, rather than automatically charging such costs in the income statement as they arise. This has led to the capitalization of $1,040,000 (2016: $894,000), and amortization of $1,068,000 (2016: $1,030,000) during the period.

7. INCOME TAX

At 30 June 2017, tax losses estimated at $65m (2016: $68m) were available to carry forward by the Group, arising from historic losses incurred. These losses have given rise to a recognized deferred tax asset of $1.4m (2016: Nil) and a further, but currently unrecognized, potential deferred tax asset of $16.2m (2016: $18.8m), based on the tax rates currently applicable in the relevant tax jurisdictions. An aggregate $9.4m (2016: $9.4m) of these losses are subject to restriction under section 392 of the US Internal Revenue Code due to historical changes of ownership.

8. RELATED PARTY TRANSACTIONS

At 30 June 2017 and 2016 £1 million nominal ($1.3m) of the Company’s Convertible Loan Stock was held by directors and management. Except for the foregoing, there were no related party transactions required to be disclosed in any period. Transactions between the Company and its subsidiary undertakings, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

9. PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 31 December 2016, which contains a detailed explanation of the risks relevant to the group on page 20, and is available at www.sopheon.com. Other principal risks and uncertainties of the Group for the remaining six months of the current financial year are disclosed in the Chairman’s Statement and the notes to the interim financial information included in this half-yearly financial report.

10. CAUTIONARY STATEMENT

This report contains certain forward-looking statements with respect to the financial condition, results of operations and businesses of Sopheon plc. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report. However, such statements should be treated with caution as they involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Nothing in this announcement should be construed as a profit forecast.

The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse.

Introduction

We have been engaged by the company to review the interim financial information in the half-yearly financial report for the six months ended 30 June 2017 which comprises the consolidated income statement; consolidated statement of comprehensive income; consolidated statement of financial position; consolidated cash flow statement; consolidated statement of changes in equity; and associated notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial information.

Directors' Responsibilities

The half-yearly financial report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM, which require that the interim report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the interim financial information in the half-yearly report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorized to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information in the half-yearly financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies whose shares are admitted to trading on AIM.

BDO LLP
Chartered Accountants & Registered Auditors, London, United Kingdom 23 August 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).