PROACTIS Holdings PLC

Interim results for the six months ended 31 January 2021

PROACTIS Holdings PLC, the business spend management solution provider, today announces its unaudited interim results for the six-month period ended 31 January 2021.

Key highlights:

- Performance in line with Board expectations for the period
- Total Contract Value ("TCV"), excluding renewals, signed was £6.7m (H1 FY2020: £7.5m; H2 FY2020: £7.1m) delivered against backdrop of challenging COVID-19 headwinds
- Consistent new business deal activity: 29 new name deals (H1 FY2020: 29; H2 FY2020: 32)
- Robust upsell activity: 66 deals with existing customers in the period (H1 FY2020: 70; H2 FY2020: 57)
- Annualised recurring revenue[1] ("ARR"), excluding heightened risk accounts ("HRAs"), increased marginally to £40.1m (31 July 2020: £39.8m)
- ARR including HRAs was £40.8m (31 July 2020: £41.2m)
- Reported revenue was £23.8m (H1 FY2020: £24.5m; H2 FY2020: £25.1m) due to lower revenues in the Group's volume related businesses and the effect of net churn in prior periods
- Adjusted EBITDA[2] increased to £6.2m (H1 FY2020: £5.6m; H2 FY2020: £6.2m), an increase of over 10%
- Churn of £1.5m (H1 FY2020: £2.1m; H2 FY2020: £2.3m) stable and in line with expectations
- Net bank debt[3] increased to £39.7m (31 July 2020: £37.1m) due to lower volume related revenue leading to lower cash levels in the Group's BPO business in the US, along with specific actions underway in order to right-size operating expenditure for the future.
- First instance of the buyer-funded model for bePayd sold in France
- Net cash flow from operating activities was £1.8m (H1 FY2020: £5.1m; H2 FY2020: £2.9m)
- Appointment of Nick Brown as Senior Independent Non-Executive Director

Post period end highlights:

- First US deal signed on the Group's mid-market platform meaning that the single platform solution has now been sold under the revised go to market strategy in all targeted territories
- First instance of the Proactis-funded model for bePayd has been sold in the UK

1 – Annualised Recurring Revenue is the Group's estimate of the annualised value of revenue of customers currently contracted with the Group
2 – Adjusted EBITDA is stated before non-core net expenditure, amortisation of intangible assets and share based payment charges; and Adjusted EPS is stated after the equivalent post tax effects of Adjusted EBITDA
3 – Excludes right of use assets recognised under IFRS 16 Leases and unsecured convertible loan notes of £6.0m maturing during July 2022, August 2023 and November 2024. IFRS 16 Leases was adopted from 1 August 2019

Tim Sykes, Chief Executive Officer, commented:

"It is encouraging to see the progression of the Group over recent periods. Churn has stabilised and is demonstrably back to normal. Furthermore, excluding the impact of HRAs (which is now only small at £0.7m) and, despite the impact of COVID-19 on new business intake, we are continuing to grow the business again.

We are now executing our commercial business processes well in each of France, Germany and North America and new business momentum is accelerating for those teams. As this continues to progress, the Group's forward momentum will start to reflect market rates of growth.

I am delighted that we have also sold our bePayd solution into two early adopters, one under the buyer-funded model and one under the Proactis-funded model. We look forward to working with our customers to deliver a great service to their suppliers and the necessary returns to our customers and Proactis.

We have also made good progress in addressing some of the inefficiencies in our operating expenditure and this has improved our margins.

We look forward to the continued execution of our growth strategy and exploring ways to create shareholder value whilst working toward our ambition of building a leading international business spend management company."

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This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the company's obligations under Article 17 of MAR

Notes to editors:

Proactis creates, sells and maintains software and services which enable organisations to streamline, control and monitor all indirect expenditure. Its solutions are used in approximately 1,100 buying organisations around the world from the commercial, public and not-for-profit sectors.

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REPORT

Strategic overview

The Group's long-term strategy is to build an international business focused on delivering best value to its customers through the digital transformation of their procurement systems and processes with the application of the Group's software technology and provision of its expert services. The Group's strategy can be illustrated as follows:

- Maximise customer and technology opportunity to existing customers
- Accelerate new business spend management momentum
- Roll out bePayd, the Group's accelerated payment product
- Drive adoption of existing supplier paid products
- Extend supplier paid product portfolio

This strategy is designed to deliver a strong financial proposition of profitable, cash generative organic growth with a high level of visibility illustrated by its ARR across both buyer and supplier paid products.

The Group aims to drive organic growth into its business spend management solutions by retaining existing and winning new customers through continually improving its best in class procurement solutions with high service levels and excellent user support as well as a focused approach to the up-selling of the Group's extensive range of solutions, creating even broader and deeper customer relationships.

In addition, the Group has a substantial opportunity to provide complementary products which leverage the business spend management solutions with transactional services, tender services and the Group's accelerated payment facility, bePayd.

Strategic performance

Progress against the Group's strategy continues to be encouraging. Despite the ongoing COVID-19 global pandemic ("COVID-19") related headwinds, the Group's performance was in line with Board expectations for the period demonstrating the resilience of the Group's business model.

TCV of new business signed was healthy at £6.7m (H1 FY20: £7.5m). The Board believes that the Group has now met every milestone needed to in order to validate its mid-market business spend management strategy. The challenge for the Group is now to accelerate the rate of new business in each of the territories that it operates in.

During the period the Group also announced its first bePayd contract under the buyer-funded model with Experbuy in France. Subsequent to the end of the period, the Group also announced its first Proactis-funded contract, with Denbighshire County Council. The Board believes that the Group can now push forward with confidence to pursue the market opportunity in this area.

The Group's reported revenues decreased to £23.8m (H1 FY20: £24.5m). This reduction in revenue is primarily due to:

- net customer losses in prior financial years, which, as a consequence of the Group's SaaS based subscription model, flows through to the current year income statement; and
- the impact from COVID-19 on the Group's implementation services revenues and volume-based subscription contracts, which the Board expects to normalise following the end of the pandemic.

Group adjusted EBITDA of £6.2m is £0.6m (or 10.7%) higher than the comparative period (H1 FY20: £5.6m). The result was achieved, despite lower revenue levels, through a heightened focus on cost control along with a reduced level of travel and deferred investment in marketing and sales capacity until the economic environment makes that investment worthwhile.

The Board considers this financial performance to be in line with expectations and positions the Group well to continue to capitalise on the opportunities available to it.

Solutions and markets

Buyer solutions

The Group provides business spend management solutions which enable customers to reduce the cost of goods or services purchased through enhanced sourcing activities, and access efficiency gains through the automation of manual processes using technology. Customers also benefit from an enhanced level of corporate governance and compliance through work-flows designed into the solutions.

Buyer revenues for the period were £19.3m (H1 FY2020: £20.4m). The decrease is analysed further below and is a direct consequence of high levels of customer churn in the previous financial years flowing into the current year by virtue of the SaaS business model the Group operates.

Supplier solutions
The Group provides access to technology that enables suppliers to transact digitally with their customers. This technology is often referred to as networking technology, allowing multiple documents in any format to be passed between suppliers and their customers and encouraging greater collaboration between suppliers and their customers through the provision of other trading information. In addition, the Group uses its technology to deliver tailored new business opportunities to suppliers through its search and selection of a vast number of new business opportunities and tenders from a number of international sources.

Revenues for the period were £4.5m (H1 FY2020: £4.1m) which was in line with the Board's expectations.

Financial solutions
The Group brought its new early settlement solution, bePayd, to market in early 2020 just before COVID-19 impacted the global economy.

The solution allows suppliers to accelerate the payment of a customer approved invoice in return for a small discount and is primarily aimed at the long tail of small suppliers in the supply chain, a population that is underserved. The solution is market leading in its simplicity, speed and convenience without any detriment to security or risk. The solution is entirely flexible down to single invoice level with extremely low values because of the end to end automation of the process. Funding of the early settlement can be provided by either the customer or Proactis (through a dedicated facility with HSBC) or a blended model.

The solution has been adopted by Experbuy, a new customer to the Group based in France, under the buyer-funded model and by Denbighshire County Council, an existing customer of the Group, under the Proactis-funded model. The knowledge from the implementation and roll out programmes for these two customers will be invaluable as the Group now seeks to optimise supplier take-up of the solution and grow pipeline further.

Performance overview
The Board monitors the Group's performance through a combination of several key performance indicators as follows:

	6 months ended 31 January 2021	6 months ended 31 January 2020	Year ended 31 July 2020
Reported revenue	£23.8m	£24.5m	£49.6m
Reported revenue growth	(2.9%)	(11.6%)	(8%)
Adjusted revenue (see additional information)	£23.7m	£24.5m	£49.2m
CAGR 3-year revenue growth*	(3.5%)	28%	25%
TCV of new name deals	£3.6m	£5.4m	£9.0m
Number of new name deals	29	29	61
TCV of upsell deals	£3.1m	£2.1m	£5.6m
Number of upsell deals	66	70	127
Total deal value signed	£6.7m	£7.5m	£14.6m

** Includes impact of acquisitions*

The Board considers that TCV, customer retention and ARR as the key indicators that shape the direction of and momentum within the Group. These indicators are included in all information packs distributed to and discussed by senior and executive level teams, and at Board level.

New business performance analysis
The Group's TCV for new deals and upsell / cross sell deals can be analysed by market segment as follows:

6 months ended 31 January 2021	TCV of new name deals	Number of new name deals	TCV of upsell deals	Number of upsell deals	Total TCV	Total number of deals
Business Spend Management						
United Kingdom	£2.1m	17	£1.1m	48	£3.2m	65
France	£0.2m	1	£0.2m	3	£0.4m	4
Germany	£0.1m	1	-	-	£0.1m	1
United States	£0.1m	1	£1.6m	3	£1.7m	4
Netherlands	£1.1m	6	£0.2m	12	£1.3m	18
Supplier						
Transactions	-	-	-	-	-	-
Tenders Direct	-	3	-	-	-	3
Total	**£3.6m**	**29**	**£3.1m**	**66**	**£6.7m**	**95**

** The Tenders Direct business shows net wins*

6 months ended 31 January 2020	TCV of new name deals	Number of new name deals	TCV of upsell deals	Number of upsell deals	Total TCV	Total number of deals
Business Spend Management						
United Kingdom	£0.7m	16	£1.4m	49	£2.1m	65
France	£0.8m	2	£0.1m	3	£0.9m	5
Germany	£0.3m	1	-	-	£0.3m	1
United States	£1.7m	5	£0.5m	3	£2.2m	8
Netherlands	£1.9m	5	£0.1m	15	£2.0m	20
Supplier						
Transactions	-	-	-	-	-	-
Tenders Direct	-	-	-	-	-	-
Total	**£5.4m**	**29**	**£2.1m**	**70**	**£7.5m**	**99**

** The Tenders Direct business shows net wins*

Year ended 31 July 2020	TCV of new name deals	Number of new name deals	TCV of upsell deals	Number of upsell deals	Total TCV	Total number of deals
Business Spend Management						
United Kingdom	£3.0m	31	£3.6m	86	£6.6m	117
France	£0.8m	2	£0.8m	17	£1.6m	19
Germany	£0.3m	1	-	-	£0.3m	1
United States	£1.8m	6	£1.0m	6	£2.8m	12
Netherlands	£3.0m	11	£0.2m	18	£3.2m	29
Supplier						
Transactions	-	-	-	-	-	-
Tenders Direct	£0.1m	10*	-	-	£0.1m	10
Total	**£9.0m**	**61**	**£5.6m**	**127**	**£14.6m**	**188**

** The Tenders Direct business shows net wins*

During the previous year the way information was internally reported changed to reflect a clearer presentation of how the Group is operated between Business Spend Management (buyer led) customers and supplier led customers. Comparative information has been re-presented to align to the updated analysis.

During the period, new name deal wins were lower than the comparative period of H1 FY2020 due to the impact on pipeline conversion that COVID-19 has had. The Board is pleased by the higher level of upsell and cross sell deal during the period, which were concentrated in the UK and US business spend management territories.

Customer Churn
As reported previously, the Group experienced heavy customer churn over the 2018 and 2019 financial years in specific customers with non-authored product deployment and, as at 31 July 2019, the Group defined these as Heightened Risk Accounts ("HRA").

The detail below shows the progression that the Group has made during the period against those HRAs.

£'m	ARR
HRA value at the start of the period	1.4
Customer churn in the period	(0.3)
Contracts converted to multi-year deals upon renewal	(0.4)
HRA value at the end of the period	**0.7**

Of the remaining HRAs, £0.5m came up for renewal in the period and renewed on deals of 1 year or less. Only £0.2m is due for renewal in the second half of the financial year.

The level of retention and conversion into multi-year deals in these accounts continues to be above the Board's expectations and demonstrates the Group's renewed ability to offer alternative solutions to existing customers.

Total churn in the period including HRAs was £1.5m (H1 FY2020: £2.1m; H2 FY2020: £2.3m) which the Board considers to be normal levels.

ARR
ARR is a key performance indicator giving the Board visibility of the Group's annualised run rate of contracted subscription, managed service, support and hosting revenues. It provides the Group's stakeholders with real indicators of:

- The amount of revenue from new business required to be won in order to hit expectations in future periods;
- The level of debt that the business can conservatively support and hence assist in the overall return to investors; and
- The overall strength of the Group.

During the period COVID-19 has impacted the Group in various ways, including delays in new business, deferral of project implementation service revenues through project deferrals and reduction in volume-based contracts.

The following table analyses the Group's ARR into three categories:

- Non-volume based ARR
- Volume based ARR
- HRAs

£'m	31 July 2020	Growth / (Decline)	31 January 2021
Non-volume-based contracts	28.3	1.1%	28.6
Volume based contracts	11.5	-%	11.5
Underlying ARR	**39.8**	**0.8%**	**40.1**
HRA contracts	1.4	(50.0%)	0.7
Total	**41.2**	**(1.0%)**	**40.8**

The Board is encouraged by the underlying performance of the Group's non-volume-based business with a 1.1% increase in non-volume related ARR from the previous reporting period and expects to grow this number substantially over the coming months and years.

Volume based contract ARR stabilised at the lower level seen at the end of July 2020, albeit on a slightly different mix of the products bases involved, as COVID-19 continued to impact this area of the business. The Board expects an increase in volume related ARR once businesses return to a level of normalised trading.

ARR movement can be analysed further as follows:

£'m	31 July 2020	Growth / (Decline)	31 January 2021
Business Spend Management (excluding HRAs)			
United Kingdom	13.9	4.3%	14.5
France	4.6	(4.3%)	4.4
Germany	0.6	100%	1.2
United States	7.6	(9.2%)	6.9
Netherlands	5.2	3.8%	5.4
	31.9	1.6%	32.4
Supplier			
Tenders Direct	3.7	-%	3.7
Global Transactions	4.2	(4.8%)	4.0
	7.9	(2.5%)	7.7
Underlying ARR	**39.8**	**0.8%**	**40.1**
HRAs	1.4	(50.0%)	0.7
Total	**41.2**	**(1.0%)**	**40.8**

ARR as at 31 January 2021 is in line with the Board's expectations.

Core business spend management ARR increased 1.6% to £32.4m at the period end with encouraging performances by the UK, NL and German territories. The US territory continued to suffer net churn in the period due to volume related contract reductions impacted by COVID-19 predominantly.

Tenders Direct ARR remained stable during the period as improved new deal and higher retention rates delivered encouraging indicators for the future.

Revenue performance analysis
Reported revenue in the period is shown below split by Business Spend Management ("Buyer") and Supplier businesses.

Revenue reductions in all areas other than the Netherlands business was driven by churn in the previous financial years as a consequence of the Group's SaaS based subscription model, along with COVID-19 impacts in volume related parts of the Group.

The Group's reported revenues by market segment were:

	6 months ended 31 January 2021 £m	6 months ended 31 January 2020 £m	Year ended 31 July 2020 £m
Business Spend Management revenue			
United Kingdom	8.1	8.2	17.1
France	2.9	2.7	5.8
Germany	1.0	1.0	1.9
United States	3.8	5.4	10.1
Netherlands	3.5	3.1	6.2
Supplier revenue			
Tenders Direct	2.4	1.9	4.1
Global Transactions	2.1	2.2	4.4
	23.8	**24.5**	**49.6**

Staff costs and other operating expenses
The aggregate of staff costs and other operating expenses (excluding depreciation of property, plant and equipment and amortisation of intangibles assets increased to £17.2m (H1 FY2020: £16.8m).

This part of the Group's costs has included significant items of income or expenditure associated primarily with areas that are not associated with the Groups on-going, underlying activities (together, "non-core net expenditure").

The impact of this non-core net expenditure on the aggregate of staff costs and other operating expenses is as follows:

	6 months ended 31 January 2021 £m	6 months ended 31 January 2020 £m	Year ended 31 July 2020 £m
Aggregate of staff costs and other operating	17.2	16.8	35.5
Non-core net expenditure	(2.1)	(0.7)	(2.8)
Aggregate of staff costs and other operating expenses (excluding non-core net expenditure)	15.1	16.1	32.7

Non-core net expenditure can be analysed as follows:

	6 months ended 31 January 2021 £m	6 months ended 31 January 2020 £m	Year ended 31 July 2020 £m
Loss arising from asset held for sale	0.2	-	0.4
Costs of restructuring Group operations – staff	1.4	0.4	0.9
Costs of restructuring Group operations – other	0.1	0.2	0.1
Legal and professional fees	0.2	0.2	0.7
Foreign exchange impacts	0.2	(0.1)	0.7
	2.1	**0.7**	**2.8**

Reported profit and Group Adjusted profit performance
The Board considers that each of the two periods ended 31 January 2021 and 31 January 2020 have been significantly impacted by non-core net expenditure incurred primarily as part the Group's restructuring activities.

A summary of the various profit measures is set out below.

	6 months ended 31 January 2021		6 months ended 31 January 2020		Year ended 31 July 2020	
	Reported	[1]Adjusted	Reported	[1]Adjusted	Reported	[1]Adjusted
Revenue	£23.8m	£23.7m	£24.5m	N/a	£49.6m	£49.2m
Earnings before interest, tax, depreciation and amortisation ('EBITDA')[1]	£4.2m	£6.2m	£4.9m	£5.6m	£9.0m	£11.8m
Operating (loss) / profit	(£2.1m)	£1.5m	(£1.4m)	£1.7m	(£18.4m)	£4.0m
(Loss) / profit / before tax	(£2.8m)	£0.8m	(£2.2m)	£0.9m	(£19.3m)	£2.6m
Diluted earnings per share (note 2)	(2.7p)	0.9p	(1.9p)	1.1p	(19.9p)	2.9p

Note 1: See Additional Information – Reconciliation of alternative performance measures

Cash flow
An analysis of the Group Adjusted Free Cash Flow is as follows:

	6 months ended 31 January 2021 £m	6 months ended 31 January 2020 £m	Year ended 31 July 2020 £m
Net cash flow from operating activities	1.8	5.1	8.0
Non-core net expenditure incurred in prior period but paid in current period	0.1	0.3	0.3
Non-core net expenditure charged and paid within the same period	1.6	0.7	1.6
Adjusted Net cash flow from operating activities	3.5	6.1	9.9
Purchase of plant and equipment	(0.1)	(0.3)	(0.5)
Development expenditure capitalised	(4.2)	(3.9)	(8.5)
Adjusted Group Net Free Cash Flow	(0.8)	1.9	0.9

The Group had net bank debt of £39.7m as at 31 January 2021 (31 July 2020: £37.1m). The increase of £2.6m relates to lower cash levels in the Group's outsourced sourcing business resulting from lower trading volumes impacted by COVID-19, as previously reported, and cash outflow arising from upfront costs of the restructuring of its management team and operating cost base

The net bank debt figure excludes convertible loan notes of approximately £6.0m that mature from July 2022 onwards.

Summary and Outlook
The Group continues to progress its go to market strategy and has now met all of its primary strategic milestones being: to address churn and return it to normal levels; to have sold its mid-market focussed single platform business spend management solution in all of its territories; and, to have early adopters for bePayd in both the buyer-funded and Proactis-funded models.

The Group must now demonstrate that it can access the market opportunity open to it and shift gear on the rate of new business intake by converting the pipeline it has been building over recent periods. COVID-19 has been impacting this rate of progression, but the Board is confident that this will be demonstrable in the short-term. The Board looks forward to continuing to execute on our strategy to realise our ambition, whilst also exploring opportunities to accelerate this, address the capital structure and create shareholder value.

Accordingly, the Board considers that the commercial indicators for accelerated progression are evident and looks forward to returning the Group to substantial growth.

Alan Aubrey
Chairman
29 April 2021

Tim Sykes
Chief Executive Officer

Consolidated income statement
for the six months ended 31 January 2021

	Unaudited 6 months to 31 January 2021 £000	Unaudited 6 months to 31 January 2020 £000	Audited Year ended 31 July 2020 £000
Revenue	**23,800**	24,468	49,571
Cost of sales	**(2,569)**	(2,845)	(5,339)
Staff costs	**(11,957)**	(11,504)	(24,118)
Other operating expenses	**(5,216)**	(5,342)	(11,361)
Depreciation of property, plant and equipment	**(833)**	(813)	(1,642)
Amortisation of intangible assets	**(5,556)**	(5,347)	(10,664)
Impairment of goodwill and intangible assets	**-**	-	(14,813)
Operating loss	**(2,331)**	(1,383)	(18,366)
Finance income	**1**	-	-
Finance expenses	**(695)**	(795)	(974)
Loss before taxation	**(3,025)**	(2,178)	(19,340)
Income tax credit/(charge)	**229**	331	(20)
Loss for the period/year	**(2,796)**	(1,847)	(19,360)
Loss attributable to:			
Owners of the Company	**(2,612)**	(1,832)	(19,017)
Non-controlling interest	**(184)**	(15)	(343)
	(2,796)	(1,847)	(19,360)
Earnings per ordinary share (Note 2)			
- Basic	**(2.7)p**	(1.9)p	(19.9)p
- Diluted	**(2.7)p**	(1.9)p	(19.9)p

Consolidated statement of other comprehensive income
for the six months ended 31 January 2021

	Unaudited 6 months to 31 January 2021 £000	Unaudited 6 months to 31 January 2020 £000	Audited Year ended 31 July 2020 £000
Loss for the period/year	**(2,796)**	(1,847)	(19,360)
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences	**163**	(46)	332
Other comprehensive gain/(loss), net of tax	**163**	(46)	332
Total comprehensive loss	**(2,633)**	(1,893)	(19,028)
Attributable to:			
Equity holders of the parent	**(2,527)**	(1,770)	(18,896)
Non-controlling interest	**(106)**	(123)	(132)
	(2,633)	(1,893)	(19,028)

Condensed consolidated statement of changes in equity
As at 31 January 2021

	Unaudited Share capital £000	Unaudited Share premium £000	Unaudited Merger reserve £000	Unaudited Capital reserve £000	Unaudited Foreign exchange reserve £000	Unaudited Equity reserve £000	Unaudited Retained earnings £000	Unaudited Total £000	Unaudited Non-controlling interest £000	Unaudited Total equity £000
At 1 August 2019	9,522	83,513	556	449	(1,386)	89	(23,839)	68,904	1,600	70,504
Result for the period	-	-	-	-	-	-	(1,832)	(1,832)	(15)	(1,847)
Other comprehensive income	-	-	-	-	62	-	-	62	(108)	(46)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**62**	**-**	**(1,832)**	**(1,770)**	**(123)**	**(1,893)**
Shares issued during the period	31	146	-	-	-	-	-	177	-	177
Issue of convertible notes	-	-	-	-	-	13	-	13	-	13
Share based payment charges	-	-	-	-	-	-	124	124	-	124
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At 31 January 2020	9,553	83,659	556	449	(1,324)	102	(25,547)	67,448	1,477	68,925
Result for the period	-	-	-	-	-	-	(17,185)	(17,185)	(328)	(17,513)
Other comprehensive income	-	-	-	-	59	-	-	59	319	378
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**59**	**-**	**(17,185)**	**(17,126)**	**(9)**	**(17,135)**
Share premium reduction	**-**	(83,659)	-	-	-	-	83,659	**-**	**-**	**-**
Release of equity component of convertible notes	-	-	-	-	-	(102)	-	(102)	-	(102)
Share based payment charges	-	-	-	-	-	-	123	123	-	123
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At 1 August 2020	9,553	-	556	449	(1,265)	-	41,050	50,343	1,468	51,811
Result for the period	-	-	-	-	-	-	(2,612)	(2,612)	(184)	(2,796)
Other comprehensive income	-	-	-	-	85	-	-	85	78	163
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**85**	**-**	**(2,612)**	**(2,527)**	**(106)**	**(2,633)**
Share based payment charges	-	-	-	-	-	-	45	45	-	45
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At 31 January 2021	9,553	-	556	449	(1,180)	-	38,483	47,861	1,362	49,223
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Consolidated balance sheet
as at 31 January 2021

	Unaudited As at 31 January 2021 £000	Unaudited As at 31 January 2020 £000	Audited As at 31 July 2020 £000
Non-current assets			
Property, plant & equipment	**4,749**	5,801	5,439
Intangible assets (Note 3)	**117,138**	133,987	118,754
Deferred tax asset	**734**	748	746
	122,621	140,536	124,939
Current assets			
Trade and other receivables	**12,539**	26,929	13,239
Cash and cash equivalents	**2,793**	7,548	4,424
	15,332	34,477	17,663
Assets held for sale (Note 4)	**15,889**	-	10,273
Total assets	**153,842**	175,013	152,875
Current liabilities			
Trade and other payables	**8,595**	25,450	9,136
Lease liabilities	**1,043**	982	1,008
Contract liabilities	**17,772**	16,897	18,242
Income taxes	**-**	278	90
Loans and borrowings (Note 6)	**2,849**	3,192	1,356
	30,259	46,799	29,832
Liabilities directly associated with the assets held for sale (Note 4)	**16,206**	-	10,429
	46,465	46,799	40,261
Non-current liabilities			
Contract liabilities	**147**	190	184
Deferred tax liabilities	**8,276**	8,435	8,810
Loans and borrowings (Note 6)	**46,418**	46,492	48,153
Lease liabilities	**2,735**	3,483	3,164
Provisions	**578**	689	492
	58,154	59,289	60,803
Total liabilities	**104,619**	106,088	101,064
Net assets	**49,223**	68,925	51,811

Equity			
Called up share capital	**9,553**	9,553	9,553
Share premium account	**-**	83,659	-
Equity reserve	**-**	102	-
Merger reserve	**556**	556	556
Capital reserve	**449**	449	449
Foreign exchange reserve	**(1,180)**	(1,324)	(1,265)
Retained earnings	**38,483**	(25,547)	41,050
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Equity attributable to equity holders of the parent	**47,861**	67,448	50,343
Non-controlling interest	**1,362**	1,477	1,468
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Total equity	**49,223**	68,925	51,811
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Consolidated statement of cash flows
for the six months ended 31 January 2021

	Unaudited 6 months to 31 January 2021 £000	Unaudited 6 months to 31 January 2020 £000	Audited Year ended 31 July 2020 £000
Operating activities			
Loss for the period	**(2,796)**	(1,847)	(19,360)
Amortisation of intangible assets	**5,556**	5,347	10,664
Impairment of goodwill and intangible assets	**-**	-	14,813
Depreciation	**833**	813	1,642
Net finance expense	**694**	795	974
Income tax (credit)/charge	**(229)**	(331)	20
Share based payment charges	**45**	124	247
Operating cash flow before changes in working capital	**4,103**	4,901	9,000
Movement in trade and other receivables	**(5,859)**	(4,141)	396
Movement in trade and other payables and deferred income	**4,740**	4,732	44
Operating cash flow from operations	**2,984**	5,492	9,440
Interest paid	**(663)**	(652)	(1,409)
Income tax (paid)/received	**(512)**	237	(77)
Net cash flow from operating activities	**1,809**	5,077	7,954
Investing activities			
Purchase of plant and equipment	**(62)**	(299)	(530)
Development expenditure capitalised	**(4,241)**	(3,900)	(8,525)
Net cash used in investing activities	**(4,303)**	(4,199)	(9,055)
Financing activities			
Receipts from loans and borrowings	**512**	830	1,586
Repayment of borrowings	**(572)**	(1,500)	(2,557)
Payment of lease liabilities	**(554)**	(558)	(976)
Net cash flow used in financing activities	**(614)**	(1,228)	(1,947)
Effects of currency translation on cash and cash equivalents	**411**	166	859
Net decrease in cash and cash equivalents	**(3,108)**	(350)	(3,048)
Cash and cash equivalents at the beginning of the period	**5,543**	7,732	7,732
Cash and cash equivalents at the end of the period	**2,846**	7,548	5,543
Cash and cash equivalents at end of year – from continuing operations	**2,793**	7,548	4,424
Cash and cash equivalents at end of year – assets held for sale	**53**	-	1,119

Unaudited notes

1. Basis of preparation and accounting policies

PROACTIS Holdings PLC is a company incorporated in England and Wales under the Companies Act 2006.

The condensed financial statements are unaudited and were approved by the Board of Directors on 28 April 2021.

The interim financial information for the six months ended 31 January 2021, including comparative financial information, have been prepared in accordance with international accounting standards ("IFRS") in conformity with the requirements of the Companies Act 2006 insofar as these apply to interim financial statements.

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may subsequently differ from those estimates.

In preparing the interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same, in all material respects, as those applied to the consolidated financial statements for the year ended 31 July 2020.

There is a choice between presenting comprehensive income in one statement or in two statements comprising an income statement and a separate statement of comprehensive income. The Group has elected to present comprehensive income in two statements.

Going concern assumption
The Group manages its cash requirements through a combination of operating cash flows and long-term borrowings.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current lending facilities.

Consequently, after making enquires, 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 of accounting in preparing the interim financial statements.

Information extracted from 2020 Annual Report
The financial figures for the year ended 31 July 2020, as set out in this report, do not constitute statutory accounts but are derived from the statutory accounts for that financial year.

The statutory accounts for the year ended 31 July 2020 were prepared under IFRS and have been delivered to the Registrar of Companies. The auditors reported on those accounts. Their report was unqualified, did not draw attention to any matters by way of emphasis and did not include a statement under Section 498(2) or 498(3) of the Companies Act 2006.

2. Basic and diluted earnings per ordinary share

	Unaudited 6 months to 31 January 2021 £000	Unaudited 6 months to 31 January 2020 £000	Audited Year ended 31 July 2020 £000
Loss for the period attributable to owners of the Company (£000)	**(2,612)**	(1,832)	(19,017)
Post tax effect of non-core net expenditure (£000)	**1,519**	559	2,007
Post tax effect of customer related intangible assets (£000)	**1,343**	1,727	3,571
Post tax effect of impairment of goodwill (£000)	**-**	-	14,813
Post tax effect of share-based payment charges (£000)	**45**	124	247
Post tax effect of convertible loan note interest (£000)	**106**	55	116
Post tax effect of fair value and foreign currency on convertible loan note	**(174)**	-	(591)
Non-recurring tax factors (£000)	**639**	437	1,650
Adjusted post tax earnings (£000)	**866**	1,070	2,796
Weighted average number of shares (number '000)	**95,533**	95,439	95,485
Dilutive effect of share options (number '000)	**374**	1,105	565
Fully diluted number of shares in issue (number '000)	**95,907**	96,544	96,050
Basic loss per ordinary share (pence)	**(2.7)**	(1.9)	(19.9)
Adjusted earnings per ordinary share (pence)	**0.9**	1.1	2.9
Diluted loss per ordinary share (pence)	**(2.7)**	(1.9)	(19.9)
Adjusted diluted earnings per ordinary share (pence)	**0.9**	1.1	2.9

3. Intangible assets

	Unaudited Goodwill £000	Unaudited Customer related intangibles £000	Unaudited Development costs £000	Unaudited Software for own use £000	Unaudited Total £000
Cost					
At 31 July 2020	115,758	42,356	40,064	3,780	201,958
Internally developed	-	-	4,241	-	4,241
Foreign exchange differences	-	-	(971)	(17)	(988)
At 31 January 2021	115,758	42,356	43,334	3,763	205,211
Amortisation and impairment					
At 31 July 2020	41,812	13,613	24,426	3,353	83,204
Amortisation for the period	-	1,740	3,656	160	5,556
Foreign exchange differences	-	-	(672)	(15)	(687)
At 31 January 2021	41,812	15,353	27,410	3,498	87,924
Carrying amounts					
At 31 July 2020	73,946	28,743	15,638	427	118,754
At 31 January 2021	**73,946**	**27,003**	**15,924**	**265**	**117,138**

4. Disposal Group classified as held for sale

At 31 January 2021, the Group was actively progressing the sale of a non-core element of the Group's Business Spend Management business.

The major classes of assets and liabilities, stated at book value, of the disposal group classified as held for sale at 31 January 2021 are as follows:

	31 January 2021	31 July 2020
	£000	£000
Trade and other receivables	**15,836**	9,154
Cash and cash equivalents	**53**	1,119
Total assets classified as held for sale	**15,889**	10,273
Trade and other payables	**16,206**	10,429
Total liabilities classified as held for sale	**16,206**	10,429

Revenue relating to this element of the Group's Business Spend Management business was £137,000 (FY 2020: £416,000) in the period ended 31 January 2021. Revenue for the Group for the period was £23,800,000 (FY 2020: £49,571,000). Adjusted revenue of £23,663,000 (FY 2020: £49,155,000) refers to the revenue excluding the £137,000 (FY 2020: £416,000) attributable to this element of the business.

There was no gain or loss recognised on the recognition of the disposal group as held for sale in either the current or comparative period.

5. Alternative performance measure – Adjusted EBITDA (unaudited)

Management has presented the performance measure adjusted EBITDA because it monitors this performance measure at a consolidated level, and it believes that this measure is relevant to an understanding of the Group's financial performance.

Adjusted EBITDA is calculated by adjusting profit before taxation to exclude the impact of net finance costs, depreciation, amortisation, share based payment charges and non-core net expenditure. The non-core net expenditure includes significant items of income or expenditure that are not associated with the Groups on-going, underlying activities (together, "non-core-net expenditure").

Adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

	6 months to 31 January 2021 £000	6 months to 31 January 2020 £000	Year ended 31 July 2020 £000
Loss before taxation	**(3,025)**	(2,178)	(19,340)
Adjustments for:			
Net finance costs	**694**	795	974
Depreciation	**833**	813	1,642
Amortisation	**5,556**	5,347	10,664
Share based payment charges	**45**	124	247
Impairment of goodwill and intangible assets	**-**	-	14,813
Non-core net expenditure:			
▪ Costs of restructuring the Group's operations – staff	**1,361**	456	901
▪ Costs of restructuring the Group's operations – other	**95**	190	142
▪ Expenses of acquisition related activities	**-**	81	-
▪ Legal and professional fees	**247**	83	698
▪ Non-core foreign exchange impacts	**199**	(122)	698
▪ Net loss related to assets held for sale	**176**	-	405
Adjusted EBITDA	**6,181**	5,589	11,844
R&D capitalised	**(4,241)**	(3,900)	(8,525)
Adjusted cash EBITDA	**1,940**	1,689	3,319

Management has presented the performance measure adjusted EPS (note 2) because it believes that this measure is relevant to an understanding of the Group's financial performance. Adjusted EPS is calculated by adjusting the loss for the period to exclude the post-tax impact of goodwill impairment, customer related intangible amortisation, share based payment charges, interest and foreign currency impacts on convertible loan notes, non-core net expenditure and non-recurring tax factors.

Adjusted EPS is not a defined performance measure in IFRS. The Group's definition of adjusted EPS may not be comparable with similarly titled performance measures and disclosures by other entities.

6. Net debt

	Unaudited 31 January 2021 £000	Unaudited 31 January 2020 £000	Audited 31 July 2020 £000
Non-current			
Secured bank loans	**40,146**	40,005	41,744
US Government loan	**322**	-	336
Convertible notes	**5,950**	6,487	6,073
Lease liabilities	**2,735**	3,483	3,164
Total non-current	**49,153**	49,975	51,317
Current			
Secured bank loans	**2,447**	3,192	936
US Government loan	**402**	-	420
Lease liabilities	**1,043**	982	1,008
Total current	**3,892**	4,174	2,364
Total borrowings	**53,045**	54,149	53,681
Less:			
Cash and cash equivalents	**(2,846)**	(7,548)	(5,543)
Net debt	**50,199**	46,601	48,138
Bank net debt	**39,747**	35,649	37,137

Additional information

Reconciliation of alternative performance measures:

	Reported EBITDA	Adjusted EBITDA	Adjusted operating profit	Adjusted profit before tax	Adjusted profit after tax
	£000	£000	£000	£000	£000
Loss after tax	(2,796)	(2,796)	(2,796)	(2,796)	(2,796)
Add back:					
Tax credit	(229)	(229)	(229)	(229)	(229)
Interest charge	694	694	694	-	-
Share based payment charges	45	45	45	45	45
Depreciation	833	833	-	-	-
Amortisation	5,556	5,556	-	-	-
Non-core net expenditure (note 5)	-	2,078	2,078	2,078	2,078
Non-recurring interest and foreign currency impacts on convertible loan notes	-	-	-	(43)	(43)
Amortisation charged on customer related intangible assets	-	-	1,740	1,740	1,740
Non-recurring tax factors	-	-	-	-	639
Total	4,103	6,181	1,532	795	1,434