For immediate release 12 October 2016

PROACTIS Holdings PLC

Preliminary Results for the year to 31 July 2016

PROACTIS Holdings PLC ("PROACTIS", the "Group" or the "Company"), the specialist Spend Control software provider, is pleased to announce its audited results for the year ended 31 July 2016.

Financial highlights:

- Reported revenue increased by 13% to £19.4m (2015: £17.2m)
- Underlying organic[1] growth of 7%
- Annualised Contracted Revenue[2] has increased by 23% to £17.6m (2015: £14.3m)
- Order Book[3] increased by 32% to £26.1m (2015: £19.7m)
- Adjusted[4] EBITDA increased by 10% to £5.3m (2015: £4.8m)
- Statutory operating profit increased 19% to £1.9m (2015: £1.6m)
- Adjusted[4] earnings per share increased by 20% to 7.3p (2015: 6.1p)
- Cash balances of £3.6m (2015: £3.4m)
- Net debt of £0.5m (2015: net cash £1.5m)
- Proposed final dividend increased to 1.3p per share (2015: 1.2p)

Strategic highlights:

- Strategic acquisition of Due North, completed 2 February 2016
- Supplier commerce opportunity and accelerated payment facility in project with early adopters and first revenues recognised

Commercial highlights:

- Order intake of £6.9m from 46 new names (2015: £5.2m on 39 new names)
- 17 further new names from Due North
- Continued high levels of upsell and client retention
- New Spend Analysis solution launched and live in early adopters

Note 1: Weighted average growth of all the companies within the Proactis Group at 1 August 2015 (the "Existing Group").

Note 2: Annualised Contracted Revenue is the Group's estimate of the annualised value of revenue of customers currently contracted with the Group as at 31 July 2016.

Note 3: Order Book is the Group's current contracted revenue as at 31 July 2016 to be recognised in future accounting periods.

Note 4: Before the impact of non-recurring administrative expenses (related to the Group's acquisition during the year and the post-acquisition integration and re-organisation programmes), amortisation of customer related intangible assets and share based payment charges.

Rod Jones, CEO commented:

"The results demonstrate the Group's successful execution of its strategy, the result of which is strong growth, both organically and through M&A, underpinned by high levels of forward visibility through recurring contracted income and strong operating margins. Commercial progress has been strong and this is a record year for number of new names and order intake during the year.

"Due North was the Group's fourth acquisition in a two year timeframe and its post-acquisition performance has been encouraging. M&A remains a fundamental part of the Group's growth strategy, with a pipeline of opportunities under review, and I look forward to further activity in this area.

"I am also pleased to report that the Group has met its objectives with its exciting new supplier commerce initiative. We have three early adopter sites; Screwfix, Flintshire County Council and P&O Ferrymasters, and first revenues have been recognised. There remains a high level of interest from our customer base in realising the substantial efficiencies available to them and their suppliers through the supplier commerce capability that the Group has built and I look forward to reporting further progress with the early adopters and new commitments from customers during the coming year.

"The Group is well positioned for the coming year and I look forward to driving further value for our shareholders."

The Company's preliminary results are available on its website www.proactis.com.

Enquiries:

PROACTIS Holdings PLC

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Notes to Editors:

PROACTIS creates, sells and maintains specialist software which enables organisations to streamline, control and monitor all internal and external expenditure, other than payroll. PROACTIS is used in approximately 500 organisations around the world from the commercial, public and not-for-profit sectors.

PROACTIS is head quartered in Wetherby, West Yorkshire. It develops its own software using an in-house team of developers and sells through both direct and indirect channels via a number of Accredited Channel Partners.

PROACTIS floated on the AIM market of the London Stock Exchange in June 2006.

CLOUD COMPUTING is defined as location-independent computing, whereby shared servers provide resources, software, and data to computers and other devices on demand, as with the electricity grid.

Strategic Report

The Group continues to deliver on its ambitious strategy to boost its scale and growth rate whilst maintaining its strong performance on revenue visibility and profitability.

Following the Board's decision, several years ago, to shift from a perpetual software licence only model to a blended model offering subscription based software as a service (SaaS) licences, the Group has been able to widen its scope for growth through the solid commercial, operational and financial platform that has been created. This strategic shift was designed to fulfil the commercial market need at the time, and that is still here today, but it also provided an opportunity for investors to participate in a Group capable of delivering the following characteristics:

- High revenue growth rates;
- Security through absolute scale and high levels of recurring income;
- Profitability; and
- Yield through a dividend policy.

Growth strategy

The Group's growth strategy remains unchanged and is as follows:

- Drive growth in its businesses through the delivery of best in class procurement solutions for its customers. The rate of intake of new names remains high and the Group's continued commitment to investment in its solutions supports this;
- Retain existing customers through high levels of support and service offerings and, with an energetic approach to the cross-selling of the Group's widening range of solutions, an opportunity to create even broader and deeper client relationships;
- Undertake selected M&A based activity with a focus on complementary customer bases, solutions and technology. The Group has completed one acquisition during the financial year and, cumulatively, four within the last three financial years, all now integrated within the Group. There remains a healthy pipeline of further exciting opportunities; and
- Open up a vast new opportunity by accessing and offering value added benefits and services to a new customer grouping, the customer supply chain, using the technology that is already deployed with the Group's customers. The Group's conservative estimate is that the customer supply chain is more than 1 million in number and that annual value traded is more than £100 billion. The Group is now taking this offering to market through its customers and has taken early stage revenues during the year.

Business performance and strategy

The Group's reported revenues increased by 13% to £19.4m (2015: £17.2m) with the Group's acquisition, Due North, contributing £1.0m in the six months since completion. The Group's longer term growth performance remains strong with a historic three year revenue cumulative average growth rate of 34%. In the year, the Group's annualised contracted revenues grew 23% and are now £17.6m (2015: £14.3m) and total forward contracted order book, to be delivered principally over the next five years, grew by 32% and now stands at £26.1m (2015: £19.7m).

Substantial organic growth was achieved at a rate of 7% on its reported revenues and grew its organic annualised contracted revenues by 12% and its organic order book by 24%.

The Group secured 46 new names (2015: 39) of which 29 (2015: 20) were subscription deals. The aggregate initial contract value sold was £6.8m (2015: £5.2m) of which £2.2m (2015: £1.6m) was recognised during the year. In addition, Due North contributed 17 new names in the six month period since completion, all of which were subscription deals.

The number of upsell deals to existing customers increased to 95 (2015: 82) and the Group expanded its breadth of solutions within existing customers with 8 cross-sell deals (2015: Nil).

Whilst the strong volume and value of new business and upgrades are good indicators of market traction, the renewal of subscriptions sold in prior years remains of vital importance to the Group's strategy. It is very encouraging that the Group has maintained its very high levels of renewal.

The Group's financial progress continues apace reporting Adjusted EBITDA (Note: definition below) of £5.3m (2015: £4.8m), in line with expectations, maintaining margin at 27% (2015: 28%). The Group continues to realise operational and synergistic cost reductions from its post-acquisition integration plans across the Group and, accordingly, expects to see profitability levels improve. Statutory operating profit was £1.9m(2015: £1.6m).

Blended perpetual and subscription software licence and services models

The Group continues to offer the blended model of perpetual and subscription software licences, delivered on its Cloud technology platform, and services and has strong momentum in the marketplace. Its global business partners are achieving sales traction of both licence types and PROACTIS is seeing good traction in the United States.

Solutions

The Group's position as a leading "best in class" spend control and eProcurement organisation has been further enhanced by the addition of major new modules, many new features and the introduction of mobile applications. In particular, the new Spend Analysis solution incorporating a new, user-defined, alert generating and notification mobile application has achieved early stage traction in the customer base. The solution suite is regularly recognised within the sector for its capability.

Ongoing investment has enabled PROACTIS to move ahead of the competition by offering a truly "end-to-end" suite of software. The Group is in a very strong competitive position and will continue to invest to maintain that position.

Markets

PROACTIS offers a true multi-company, multi-currency and multi-language capability and this remains an essential differentiator as the Group's traction increases across more sectors worldwide. During 2016 deals were sold to customers operating across several continents and many different sectors.

The Group competes on various levels; local vendors, Enterprise Resource Planning ("ERP") vendors and international procurement vendors and this mix makes for an extremely competitive environment. The "end-to-end" message and tight integration techniques mitigate this and positions PROACTIS as a cost effective solution against both big ticket, consultancy led ERP vendors, international procurement vendors' solutions and potential multi-vendor software led solutions.

M&A strategy and activity

The Group's M&A strategy is to acquire businesses that fit a strict selection criteria based around the following principles:

- Consolidation of complementary customer bases and solutions - the procurement space is sufficiently fragmented to offer significant scope for this;
- Organisations with long term customer relationships, ideally contracted with a proven track record of retention and renewal;
- Technology led solutions and service offerings that are complementary to the Group's existing offering; and
- Technology that is compatible with the Group's existing technology.

Within this framework, the Group has made four acquisitions between February 2014 and February 2016 and all are integrated as products or services within the Group's solution portfolio.

The Group has a healthy pipeline of acquisition opportunities which are currently under review.

Due North

The Group acquired Due North, a provider of pre-award eProcurement solutions, on 2 February 2016. The acquisition delivered more than 300 customers and enhances the Group's position as the leading provider of eProcurement systems to the UK market, now serving over 800 customers. The customer base offers a substantial cross-selling opportunity for PROACTIS' wider portfolio of solutions. Its customers use Due North's hosted software to control an estimated £100 billion of spend through approximately 200,000 active suppliers by approximately 20,000 procurement professionals.

Its post-acquisition performance has been encouraging with 17 new names and £1.0m of revenue. Due North operates a subscription based revenue model and this contributes approximately £1.6m of recurring annualised contracted revenues. Additionally, the Group has realised approximately £0.4m of annualised cost synergies post acquisition and there is potential for further operational efficiencies to be realised over the longer term.

The successful integration of Due North, as well as the Group's three other acquisitions since February 2014, is testament to the Group's ability to identify, execute and integrate strategic and accretive acquisitions that generate shareholder value.

The supplier commerce opportunity

The Group has a strategic objective of accessing and providing value added services to a new customer group, being the supply chains of its 800 customers. The Group has delivered on its objectives in this exciting new growth opportunity with three customer commitments from Screwfix, Flintshire County Council and P&O Ferrymasters. The opportunity is substantial and could accelerate the Group's rate of growth well beyond that available through its current business model.

Historically, PROACTIS has only charged customers on the buy side of the buyer/supplier relationship. There are, however, many mutual benefits that both the buyer and supplier can realise through the Group's software, including:

- e-Procurement;
- Near paperless trading;
- Improvement of efficiencies in the administration of supplier records;
- Transparency of the status of a purchase invoice in the approval and payment cycle; and
- Accelerated payments.

Through its innovative technology, the Group's focus is to facilitate all of the above benefits for its customers and their suppliers. It will encourage electronic trading, which is currently poorly adopted, creating efficiencies within the buy/sell transaction process and these efficiencies will be realised by the suppliers through a greater level of convenience in the trading relationship with their customers and significantly reduced costs whilst also creating new commercial opportunities. These benefits and efficiencies will be charged through a non-tariff based, low cost software subscription.

The Group's software increases transparency of the buyer's invoice processing cycle by providing visibility of invoice status to suppliers as the invoices flow through the approval and payment cycle, enabling the supplier to understand its forward cash flow. This creates an opportunity for a supplier to access an accelerated payment to support its own growth or to cover short-term working capital requirements, if required by it, without disruption of or detriment to the buyer's operations. PROACTIS conservatively estimates that its client base is spending over £100 billion per annum with their suppliers.

Summary and outlook

The Group has continued to execute its strategy and has grown substantially with a strong rate of organic growth across reported revenue, annualised contracted revenue and order book. It has delivered further inorganic growth through its acquisition of Due North which has performed encouragingly post completion and the Group has delivered operational efficiencies and synergistic cost savings which will improve financial performance next year with further efficiencies to be realised in the longer term.

Client retention remains high and the Group's solutions are being deployed more deeply and widely within the customer base through an impressive rate of upsell and cross-selling activity. This revenue is being delivered efficiently and the rate of profitability remains very strong with high operating margins.

Over the coming year, the Group will continue to drive organic growth whilst pursuing its M&A strategy. The Group currently has a healthy pipeline of opportunities under review which fit within its acquisition criteria.

In concurrence, the Group's opportunity to access and deliver value added services to a new customer grouping, the suppliers of its 800 clients, has moved forward substantially and in line with its plan. The scope for growth of this opportunity is extremely exciting and we look forward to updating the market with further developments in due course.

The Board is very pleased with the Group's sustained level of growth and momentum and are confident that we are in a strong position to continue and accelerate even further.

Alan Aubrey

Chairman

Rod Jones

Chief Executive Officer

11 October 2016

Chief Financial Officer's Report

Results for the year and key performance indicators

Performance analysis

Execution of the Group's M&A strategy resulted in four completed acquisitions in the period from February 2014 to February 2016 and this has had a significant positive impact on the scale and growth rate of the Group's operations and financial performance. Three of the four have contributed to the Group's results for the whole of the current and previous financial year and are included within the 'Existing Group' in the table below. The fourth acquisition, Due North, was acquired on 2 February 2016 and has contributed to the Group's result since that date during this financial year. This performance can be analysed as follows:

	New deals	Revenue	[1]Organic growth	[2]Adjusted EBITDA	[3]Adjusted EBITA
	No.	£000	%	£000	£000
Existing Group	46	18,352	6.6%	4,975	2,926
Due North	17	1,022	9.0%	325	304
	63	19,374	7.1%	5,300	3,230

Definitions:

Note 1: The Organic growth measure reported is calculated by reference to the revenue contributed for the year ended 31 July 2016 and the year ended 31 July 2015 (or six month period ended 31 July 2016 and 2015 in the case of Due North), unadjusted for currency fluctuations.

Note 2: Adjusted EBITDA is statutory operating profit before depreciation, amortisation, share based payment charges and non-recurring administrative expenses (related principally to the Group's acquisition activities and consequent post-acquisition integration and re-organisation programmes). This measure is considered to be relevant because it allows industry comparison as an indicator of recurring cash profit before discretionary capital expenditure.

Note 3: Adjusted EBITA is statutory operating profit before amortisation of customer related intangible assets, share base payment charges and non-recurring administrative expenses (related principally to the Group's acquisition activities and consequent post-acquisition integration and re-organisation programmes).

Reported revenue

Revenue increased 13% to £19.4m from £17.2m last year. Underlying organic revenue growth in the Existing Group was 6.6% compared to 9.0% in Due North. Due North contributed £1.0m of revenue in the six month period since the date of completion, 2 February 2016.

The Group signed 46 new deals (2015: 39) of which 29 (2015: 20) were under the subscription model. The aggregate initial contract value sold was £6.8m (2015: £5.2m) of which £2.2m (2015: £1.6m) was recognised during the year. In addition, Due North contributed 17 new names in the six month period since completion, all of which were subscription deals.

Revenue from recurring contracted subscriptions, managed service contracts, support and hosting was £15.7m (2015: £13.6m) including a contribution of £0.8m (2015: £Nil) from Due North. The underlying organic growth of this revenue stream in the Proactis business was a healthy 9.3%.

Revenue from consultancy services increased by £0.4m to £2.4m (2015: £2.0m) including a contribution of £0.2m (2015: £Nil) from Due North.

Revenue visibility

The total initial contract value of the 46 new deals (2015: 39) signed during the year was £6.8m (2015: £5.2m) of which £2.2m (2015: £1.6m) has been recognised during the year, leaving £4.6m (2015: £3.5m) to be recognised in future years. The 17 new names signed through Due North contributed incrementally to that.

The total value of subscription, managed service, support and hosting revenue recognised in the year was £15.7m (2015: £13.6m). More importantly, at 31 July 2016, the annualised contracted revenue, being the run rate of subscription, managed service, support and hosting revenue, increased by 23.1% to £17.6m (2015: £14.3m) which equates to 90.7% (2015: 83.1%) of reported revenues.

At 31 July 2016, the total multi-year contracted order book that is to be recognised as revenue in future financial periods increased by 32.5% to £26.1m (2015: £19.7m).

Support and hosting revenue is generally renewed annually in advance, and the Group has had low cancellation rates in the past. Because of this, the Group includes these revenues within its annualised contracted revenue (see above). Those revenues are, however, only "contracted" to the extent that each current annual contract remains unfulfilled.

Gross margin

The presentation of the Group's reported results has been changed to remove the sub-total of gross profit to better reflect the reality of the Group's operational performance. However, gross margin is a relevant measure of performance when considered as revenues less cost of goods and services.

The Group's business partners and its own direct sales effort sold contracts under both the subscription and perpetual business models. Three of the four acquired businesses, including Due North, sell entirely directly to their clients rather than through business partners and, accordingly, the revenue from those businesses delivers comparatively high gross margins. Consequently, gross margins have continued to improve through the mix shift toward direct selling. The combined effect of these factors was that the Group reported an improved gross margin (on the basis described above) over all of 82.4% (2015: 80.4%).

Overhead (defined as the aggregate of staff costs, other operating expenses but excluding depreciation of property, plant and equipment, amortisation of intangibles assets, share based payment charges and non-recurring administrative expenses) remained flat during the year at £10.7m (2015: £10.8m). Due North contributed £0.6m (2015: £Nil).

Accordingly, the Group's Adjusted EBITDA increased to £5.3m (2015: £4.8m) and the associated margin remained flat at 27.3% (2015: 27.9%). The equivalent Adjusted EBITA increased to £3.2m (2015: £3.0m) and the associated margin was maintained at 16.6% (2015: 17.2%).

The statutory operating profit increased to £1.9m (2015: £1.6m).

Capitalised development costs and costs of software for own use were £2.1m (2015: £2.0m). The income statement includes a total charge for the amortisation of capitalised development costs and costs of software for own use of £1.8m (2015: £1.7m).

Acquisition of Due North

The Group acquired Due North on 2 February 2016 for gross consideration of £4.5m, paid in cash at completion. The net cash consideration was £4.4m with Due North having free cash of £0.1m on its balance sheet at the date of acquisition.

The cash consideration for the acquisition was funded by way of bank debt and the Group's own cash resources. Bank debt was provided by HSBC Bank plc by way of a Term Loan of £3.0m repayable over four years at an interest rate of 1.85% per annum over LIBOR.

The annual revenue of the Due North for the year ended 30 November 2014 was approximately £2.0m with an estimated EBITDA of £0.5m. The Group acquired net liabilities with a book value of £0.6m but, with adjustments of £0.6m to reflect the fair value of customer related intangible assets, the fair value of net liabilities acquired was approximately £Nil and the Group recognised £4.5m of goodwill. The goodwill relates to the skilled labour force within Due North. The value of the skilled labour force was not recognised as a separate intangible asset on the basis that it could not be separated from the value generated from the business as a whole. In addition, the goodwill relates to the future potential to realise cross-selling opportunities and operational cost synergies.

During the year period since acquisition, Due North has performed in line with expectations, contributing £1.0m revenue and £0.3m of EBITDA.

Cash flow

The Group remains in a strong financial position with cash balances of £3.6m at 31 July 2016 (2015: £3.4m).

The Group generated cash from operating activities of £5.2m (2015: £3.4m) which is higher than the reported operating profit of the Group of £1.9m (2015: £1.6m), mainly due to the amortisation of intangible assets. The Group invested £2.5m (2015: £2.2m) in capital related expenditure (including internal development costs and costs of software for own use) and £4.4m (net, and before costs) on the acquisition of Due North (2015: £1.1m on the acquisition of Intelligent Capture) which was supported by a further term loan from HSBC Bank plc of £3.0 million.

The Group had a cash outflow of £0.9m (2015: £0.7m) from the servicing of its debt finance and paid a cash dividend of £0.5m (2015: £0.4m) to its equity investors.

Taxation

The Group has, again, reported a significant net credit in its income statement of £0.7m (2015: £0.5m).

Losses in its foreign operations (2015: UK operations) recognised as deferred tax assets during the year were £0.3m (2015: £0.3m) and reductions in forward UK tax rates that were substantively enacted during the year have reduced forward deferred tax liabilities by £0.2m (2015: £Nil). In addition, the Group has recognised a benefit from the deferred tax treatment of its share options of £0.2m (2015: £0.3m) following a further significant increase in share price during the year. All of these items have been adjusted for in the Group's presentation of its adjusted earnings per share calculation because they are non-recurring.

The Group has benefitted from a change in the tax base in the Group's foreign operations during the year and this has resulted in a substantial proportion of profits being untaxed in the year.

Earnings per share

There have been a number of non-recurring administrative expenses and other non-cash expenses related principally to the Group's acquisition related activities. The Group presents an adjusted earnings per share measure to take account of these issues and reports 7.2p per share (2015: 6.1p per share). Basic earnings per share was 6.3p (2015: 5.2p).

Dividend policy

Subject to approval at the General Meeting of Shareholders to be held on 19 December 2016, a final dividend of 1.3p (2015: 1.2p) per Ordinary share is proposed and will be paid on 23 January 2017 to shareholders on the register at 30 December 2016. The corresponding ex-dividend date is 29 December 2016.

Treasury

The Group continues to manage the cash position in a manner designed to maximise interest income, while at the same time minimising any risk to these funds. Surplus cash funds are deposited with commercial banks that meet credit criteria approved by the Board, for periods between one and twelve months.

Key risks

Although the directors seek to minimise the impact of risk factors, the Group is subject to a number of risks which are as follows:

- *Loss of key personnel*: Loss of key management could have adverse consequences for the Group. While the Group has entered into service agreements with each of its executive directors, the retention of their services or those of other key personnel cannot be guaranteed. The Group has strengthened its key management during the course of the year, through the three acquisitions and the appointment of a full-time Chief Financial Officer.
- *Ability to sign up Accredited Channel Partners ("ACPs")*: The Group is reliant in part on generating its revenues through agreements with ACPs. While the Group currently has agreements with a number of ACPs, there is no guarantee that further agreements will be reached with appropriate ACPs nor that the existing agreements will be renewed. This could have an adverse impact on the Group's business. The Group is constantly assessing the performance of its ACPs and how the Group supports those ACPs. During the year, the Group has re-organised its operations to provide greater day-to-day support to its ACPs in India and in Asia Pacific with a view to improving performance in those territories.
- *Government policy*: The Group's strategy is dependent in part on generating revenue from public sector bodies. Any change in the Government's policy of encouraging public sector bodies to develop their e-procurement strategies, including making funds available for such a strategy, could have an adverse impact on the Group's ability to deliver its business strategy. The Group is supportive of the Government's ambitions to bring about the benefits of e-procurement and continues to carry out activities to support its public sector clients in their own e-procurement implementations.
- *Competition*: Competitors may be able to develop products and services that are more attractive to customers than the Group's products and services. In order to be successful in the future, the Group will need to continue to finance research and development activities and continue to respond promptly and effectively to the challenges of technological change in the software industry and competitors' innovations. An inability to devote

sufficient resources to product development activities in order to achieve this may lead to a material adverse effect on the Group's business. The Group continues to invest substantially in the development of its technology and other solutions to enable it to meet the challenge of fast changing market demand and ever increasing levels of technological advancement and is being successful through the rate of sale of new names and number of upsell transactions with existing customers.

Tim Sykes
Chief Financial Officer
11 October 2016

Consolidated Statement of Comprehensive Income for the year ended 31 July 2016

	Notes	2016	2015
		£000	£000
Revenue		**19,374**	17,219
Cost of sales		**(3,401)**	(3,378)
Staff costs		**(8,447)**	(8,467)
Other operating expenses		**(2,925)**	(1,351)
Depreciation of property, plant and equipment		**(224)**	(153)
Amortisation of intangible assets		**(2,495)**	(2,288)
Operating profit before non-recurring administrative expenses, amortisation of customer related intangibles and share based payment charges		**3,227**	2,866
Non-recurring administrative expenses	3	**(579)**	(520)
Amortisation of customer related intangible assets		**(648)**	(618)
Share based payment charges		**(118)**	(146)
Operating profit		**1,882**	1,582
Finance income		**6**	11
Finance expenses		**(87)**	(72)
Profit before taxation		**1,801**	1,521
Income tax credit	4	**684**	495
Profit		**2,485**	2,016
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Share based payment charges		**118**	146
Items that are or may be reclassified to profit or loss			
Foreign operations - foreign currency translation differences		**(792)**	(258)
Other comprehensive income, net of tax		**(674)**	(112)
Total comprehensive income		**1,811**	1,904

	Note		
Earnings per ordinary share:			
- Basic	5	**6.3p**	5.2p
- Diluted	5	**5.9p**	4.9p

All of the Group's operations are continuing.

Consolidated Balance Sheet as at 31 July 2016

	2016	2015
	£000	£000
Non-current assets		
Property, plant & equipment	**391**	364
Intangible assets	**21,613**	16,613
Deferred tax asset	**500**	154
	22,504	17,131
Current assets		
Trade and other receivables	**4,182**	3,274
Cash and cash equivalents	**3,595**	3,424
	7,777	6,698
Total assets	**30,281**	23,829
Current liabilities		
Trade and other payables	**2,769**	2,087
Deferred income	**7,929**	5,533
Income taxes	**270**	295
Borrowings	**1,393**	650
	12,361	8,565
Non-current liabilities		
Deferred income	**473**	225
Deferred tax liabilities	**1,819**	2,304
Borrowings	**2,656**	1,263
	4,948	3,792
Total liabilities	**17,309**	12,357
Net assets	**12,972**	11,472
Equity attributable to equity holders of the Company		
Called up share capital	**3,983**	3,941
Share premium account	**5,962**	5,840
Merger reserve	**556**	556
Capital reserve	**449**	449
Foreign exchange reserve	**(1,073)**	(281)

Retained earnings	**3,095**	967
Total equity	**12,972**	11,472

Consolidated Statement of Changes in Equity

	Share capital £000	Share premium £000	Merger reserve £000	Capital reserve £000	Foreign exchange reserve £000	Retained earnings £000	Total £000
At 31 July 2014	3,825	5,477	556	449	(23)	(766)	9,518
Shares issued during the period	116	363	-	-	-	-	479
Dividend payment of 1.1p per share	-	-	-	-	-	(429)	(429)
Arising during the period	-	-	-	-	(258)	-	(258)
Result for the period	-	-	-	-	-	2,016	2,016
Share based payment charges	-	-	-	-	-	146	146
At 31 July 2015	3,941	5,840	556	449	(281)	967	11,472
Shares issued during the period	42	122	-	-	-	-	164
Dividend payment of 1.2p per share	-	-	-	-	-	(475)	(475)
Arising during the period	-	-	-	-	(792)	-	(792)
Result for the period	-	-	-	-	-	2,485	2,485
Share based payment charges	-	-	-	-	-	118	118
At 31 July 2016	**3,983**	**5,962**	**556**	**449**	**(1,073)**	**3,095**	**12,972**

Consolidated Cash Flow Statement for the year ended 31 July 2016

	2016 £000	2015 £000
Operating activities		
Profit for the year	**2,485**	2,016
Amortisation of intangible assets	**2,495**	2,288
Depreciation	**224**	153
Net finance expense	**81**	61
Income tax credit	**(684)**	(495)
Share based payment charges	**118**	146
Operating cash flow before changes in working capital	**4,719**	4,169

Movement in trade and other receivables	**(530)**	(678)
Movement in trade and other payables and deferred income	**1,229**	(141)
	------------	------------
Operating cash flow from operations	**5,418**	3,350
Finance income	**6**	11
Finance expense	**(87)**	(72)
Income tax (paid)/received	**(145)**	120
	------------	------------
Net cash flow from operating activities	**5,190**	3,409
	------------	------------
Investing activities		
Purchase of plant and equipment	**(169)**	(229)
Purchase of intangible assets	**(304)**	-
Proceeds from sale of plant and equipment	**-**	9
Payments to acquire subsidiary undertakings	**(4,370)**	(1,101)
Development expenditure capitalised	**(2,075)**	(1,985)
	------------	------------
Net cash flow from investing activities	**(6,918)**	(3,306)
	------------	------------
Financing activities		
Payment of dividend	**(475)**	(429)
Proceeds from issue of shares	**164**	179
Receipts from bank borrowings	**3,000**	1,000
Repayment of bank borrowings	**(864)**	(588)
Finance lease payments	**-**	(17)
	------------	------------
Net cash flow from financing activities	**1,825**	145
	------------	------------
Effect of exchange rate movements on cash and cash equivalents	**72**	52
Net increase in cash and cash equivalents	**99**	300
Cash and cash equivalents at the beginning of the year	**3,424**	3,124
	------------	------------
Cash and cash equivalents at the end of the year	**3,595**	3,424
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Notes

1. These preliminary results have been prepared on the basis of the accounting policies which are to be set out in PROACTIS Holdings PLC's annual report and financial statements for the year ended 31 July 2016.

   The consolidated financial statements of the Group for the year ended 31 July 2015 were prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted for use in the EU ("adopted IFRSs") and applicable law.

   The financial information set out above does not constitute the company's statutory financial statements for the years ended 31 July 2016 or 2015 but is derived from those financial statements. Statutory financial statements for 2015 have been delivered to the Registrar of Companies and distributed to shareholders, and those for 2016 will be distributed to shareholders on or before 27 November 2016. The auditors have reported on those financial statements and their reports were:

   (i) unqualified;

(ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and

(iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006 in respect of the financial statements for 2015 or 2016.

2. Basis of preparation

The Group financial statements have been prepared and approved by the directors in accordance with adopted IFRSs.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. Non-recurring administrative expenses

	2016	2015
	£000	£000
Costs to closure of the Group's re-organisation programmes	**65**	240
Costs of restructuring the Group's operations	**354**	214
Expenses of acquisition related activities	**160**	66
	-------------	-------------
	579	520
	-------------	-------------

4. Taxation

Recognised in the income statement

	2016	2015
	£000	£000
Current tax		
Current year	**230**	244
Adjustment in respect of prior periods	**(83)**	[1](151)
	-------------	-------------
Total current tax	**147**	93
Deferred tax		
Released during the current year	**(230)**	(315)
Recognised in current year	**(601)**	(273)

	2016	2015
Total deferred tax	**(831)**	(588)
Total tax in income statement	**(684)**	(495)

Note 1: This item relates includes the effect of tax reliefs in respect of qualifying governmental tax incentives.

Note 2: The Group has substantial operating losses in some of its subsidiary undertakings which have been utilised during the period.

Note 3: Intesource Inc has made a voluntary transition of the tax base of its revenue from a cash basis to an accruals basis and this has had the effect of deferring tax payable on cash received in advance of revenue is recognised.

Note 4: Following the acquisition of Intesource Inc, the operating performance of this business has improved substantially and this has resulted in a greater level of visibility on future profits. Accordingly, the Group has recognised a greater deferred tax asset in respect of tax losses that are expected to be utilised.

5. Basic and diluted loss per ordinary share

The calculation of earnings per ordinary share is based on the profit or loss for the period and the weighted average number of equity voting shares in issue as follows.

	2016	2015
Earnings (£000)	**2,485**	2,016
Effect of non-recurring administrative expenses	**507**	400
Effect on customer related intangible assets	**508**	559
Effect of share based payment charges	**118**	146
Non-recurring tax factors	**(751)**	(739)
Adjusted Earnings (£000)	**2,867**	2,382
Weighted average number of shares (number '000)	**39,746**	39,071
Dilutive effect of share options (number '000)	**2,440**	2,171
Fully diluted number of shares (number '000)	**42,186**	41,242
Basic earnings per ordinary share (pence)	**6.3p**	5.2p
Adjusted earnings per ordinary share (pence)	**7.2p**	6.1p
Basic diluted earnings per ordinary share (pence)	**5.9p**	4.9p
Adjusted diluted earnings per ordinary share (pence)	**6.8p**	5.8p

6. Acquisition

On 2 February 2016, the Group acquired the entire issued ordinary share capital of Due North Limited. The fair values of assets and liabilities acquired are set out below.

	Fair value £000
Property, plant and equipment	82
Customer related intangible assets	583
Trade and other receivables (net of impairment of £9,000)	328
Cash	130
Trade and other payables	(1,156)

Net liabilities acquired	(33)
Goodwill	4,533

	4,500

Purchase consideration	
Cash	4,500
Cash acquired	(130)

Net cash outflow on acquisition	4,370

The revenue of Due North Limited for the period from the date of acquisition to 31 July 2016 was £1,022,000 and the profit before tax for that period was approximately £304,000. This does not factor in the amortisation of intangible assets that will now be recognised in the Group accounts.