Date: 30 October 2018
On behalf of: Proactis Holdings PLC ("Proactis", the "Group" or the "Company")
Embargoed until: 0700hrs

Proactis Holdings PLC

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

Final Results for the year to 31 July 2018

Proactis Holdings PLC (AIM: PHD), the global spend management and B2B eCommerce solution provider, today announces its audited results for the year ended 31 July 2018.

These results reflect the first full year of ownership of Perfect Commerce, LLC ("Perfect"). This report does not include any contribution from or impact of the acquisition of Esize Holdings BV ("Esize") which was described within the Group's announcement on 7 August 2018.

Financial highlights:

- Reported revenue increased by 106% to £52.2m (2017: £25.4m)
- Annualised Recurring Revenue[1] has increased by 100% to £45.1m (2017: £22.6m)
- Adjusted[2] EBITDA increased by 119% to £17.3m (2017: £7.9m)
- Adjusted[2] operating profit increased by 205% to £13.1m (2017: £4.3m)
- Statutory operating profit was £4.9m (2017: loss £2.6m)
- Adjusted[2] profit before tax increased by 186% to £12.0m (2017: £4.2m)
- Adjusted[2] earnings per share increased by 18% to 10.6p (2017: 9.0p)
- Statutory earnings per share was 5.4p (2017: loss per share 5.9p)
- Adjusted[2] Group net free cash flow increased by 166% to £8.5m (2017: £3.2m)
- Net bank debt[3] of £29.3m (2017: net bank debt £0.9m)
- Increased proposed final dividend of 1.5p per share (2017: 1.4p)

Commercial highlights:

- Total contract value ('TCV') signed increased by 75% to £12.1m (2017: £6.9m)
- New name volumes increased by 19% to 64 (2017: 54)
- Upselling volumes increased by 3% to 113 (2017: 110)

Operational highlights:

- Integration plan complete
- Net annualised cost savings of £5.1m realised
- Buy side growth teams for US and EU market segments in place

Strategic highlights:

- Strategic acquisition of Perfect, completed 4 August 2017
- Three-year revenue CAGR accelerated to 45% (2017: 36%)
- Proactis is now fifth largest procurement solutions business by revenue, globally

Post period end highlights:

- Strategic acquisition of Esize, completed 6 August 2018 consolidating its position in Northern Europe
- Supplier finance product re-started
- Appointment of a new Senior Independent Non-Executive Director, Sophie Tomkins

Note 1: Annualised Recurring Revenue is the Group's estimate of the annualised run rate of subscription, managed service, support and hosting revenues currently contracted with the Group ("ARR") as at 31 July 2018.
Note 2: Before the impact of non-core net expenditure (primarily related to the Group's acquisition during the year and the post-acquisition integration programmes), amortisation of customer related intangible assets and share based payment charges. See Additional information – Reconciliation of alternative performance measures.
Note 3: Following the acquisition of Esize Holdings BV on 6 August 2018, which was financed in part by new debt facilities provided by HSBC Bank plc, net debt has increased to approximately £38m.

Hamp wall, Chief Executive Officer, commented:

"I remain encouraged by the progress the Group has made during the year and the results of the substantial effort of our team. This has been the first full year of ownership of Perfect which has dramatically changed the Group's profile and has accelerated its strategy.

"The Group's new business performance is as strong as we had planned for and our retention performance has recovered to more normalised levels after a disappointing period. The new name and upsell performance was strong in both volume and value and this gives me confidence that we will see a return to sustainable organic growth with a significant opportunity for

enhancement in the United States and North West Europe. We have added to this opportunity following our acquisition of Esize shortly after the year end.

"The Group's profitability and cash flow generation was impressive with £13.1m of Adjusted operating profit converting to £8.5m of Adjusted net free cash flow and an Adjusted EPS of 10.6p. We should see this as a sustainable level of performance going forward. We also met our strategic objective by making £5.1m of annualised cost savings through the integration with Perfect by 31 July 2018.

"The new Group is a substantial global player with excellent potential to exploit its strong geographic reach and its technologies in this growing marketplace. The Group has a platform that can deliver sustainable organic growth on the buy side applications and our organisational structure is now set for the Group to realise those opportunities.

"In addition, and for the longer term, we are starting to move forward with our supply side strategy, incorporating our supplier finance product, which will require some adaptation of our existing technologies but remains a very exciting prospect.

"The Group is well positioned for the coming year, is currently trading in line with management expectations and the Board looks forward to driving value for its shareholders."

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

A presentation for analysts will be held today at 9.30am at Redleaf Communications, Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE. Click the link below to see a video of our CEO discussing our highlights for the year: http://bit.ly/PHD_FY18

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Notes to Editors:
Proactis creates, sells and maintains specialist software and solutions that enable organisations to streamline, control and monitor indirect expenditure. Proactis is used in approximately 1,100 buying organisations around the world from the commercial and public sectors. 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 is head-quartered in London and floated on the AIM market of the London Stock Exchange in June 2006.

Strategic report

The Group continues to deliver on its ambitious long-term strategy of building a global business focussed on delivering value to its customers through the digital transformation of their procurement systems and processes through the application of technology.

The Group is the fifth largest procurement solutions business by revenue, globally, and now has a solution set and operational and technological capability to serve its customers and grow its business in all of the major global markets.

The Group's core strategic proposition to its shareholders is to deliver a business exhibiting profitable, cash generative organic growth with a high level of visibility through contracted forward revenue. The critical success factors in delivering this proposition are a combination of building market relevant solutions supported by strong new business execution teams and customer management processes designed to sustain long-term relationships.

The Group's strategy is to supplement this core proposition with complementary acquisitions. The acquisition of Perfect at the beginning of the period was highly complementary and yet transformational in scale with the combination creating a new group and, with it, a new global player in the market. Prior to that, the Group's acquisition track record was focussed on relatively small-scale complementary bolt-on solutions and consolidation within the UK market. The Group's acquisition strategy continued shortly after the end of the reporting period with the completion of the acquisition of Esize. This acquisition serves to consolidate the Dutch market and provide a mature growth platform for Northern Europe.

The Board's priority, during 2018, has been concentrated on maintaining new business momentum and customer service whilst executing on its integration plan. The integration plan included the creation of a single-branded group and the arrangement of regional commercial and customer facing operational teams supported by a centrally managed service team providing product, technological infrastructure and corporate services. This organisational structure is designed to maintain a high level of service to customers in order to maximise retention and also to realise substantial cost savings through the removal of duplicated and unproductive costs as the two businesses are merged. The execution of the plan has been substantially completed and the Board looks forward to returning the Group's full attention to the delivery of its core proposition.

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 to new customers;
- Retain existing customers through high levels of support and service offerings and, with an energetic approach to the up-selling of the Group's extensive range of solutions, an opportunity to create even broader and deeper customer relationships;
- Utilise the Group's acquired networking technology to open up a vast new opportunity, through the provision of value added services to its customers' supply chains; and
- Undertake selective M&A activity with a focus on complementary customer bases, solutions and technologies.

Strategic performance

The acquisition of Perfect was transformational and the resultant integration programme has fundamentally changed the organisational structures of both businesses, yielding territory led commercial and operational growth teams and a leverageable centralised infrastructure of technology and corporate services to support those teams. As a result of the integration programme, the Group realised £5.1m of annualised cost savings net of re-investment, which was in line with the Board's expectations and which was one of the key elements of the strategic rationale for the business combination. An analysis of the nature of these cost savings is provided within the Chief Financial Officer's report.

Through this period, the Group's reported revenues increased by 106% to £52.2m (2017: £25.4m) and the Group's long-term revenue growth performance accelerated with a three-year cumulative average growth rate of 45% (2017: 36%). A financial analysis of revenue growth is set out within the Chief Financial Officer's report.

A primary indicator of value creation and also of forward years' organic growth (where organic growth is measured in terms of growth in reported revenue) is the rate and value of new deal intake and upselling activity. Due to the Group's business model having shifted substantially toward a fully subscription-based model, new and upsell deals signed during the year contribute relatively little to that year's reported revenue and, hence, its organic growth performance but more toward the subsequent year because revenue is recognised evenly over the long-term contract rather than up front. This model is, however, critical to the Group for long-term value.

The Group secured 64 new names (2017: 54) of which 55 (2017: 44) were subscription deals. The aggregate total contract value ('TCV') sold was £8.7m (2017: £4.1m) of which £2.0m (2017: £1.2m) was recognised during the year. Deal volumes and average deal value returned to normalised levels after a relatively slow performance in the prior year (as was described at the time).

The number of upsell deals sold to existing customers remained at the strong levels experienced in the prior year with 113 (2017: 110) and the TCV sold was £3.4m (2017: £2.8m).

The Board is satisfied with the level and value of new names and upsell deals during the year and is confident that this can be sustained and optimistic that it may be advanced, specifically in the US, German and French markets. This follows the Group's investment in the marketing and sales capacity and the recent development of its go-to-market strategy in those markets.

Note: The definition of segment is described in detail in the Chief Financial Officer's report	Year ended 31 July 2018		Year ended 31 July 2017	
	TCV of new name deals	Number of new name deals	TCV of new name deals	Number of new name deals
UK segment	£5.2m	45	£4.1m	54
EU segment	£0.8m	7	-	-
US segment	[1]£2.7m	[1]12	-	-

Note 1: For 2018, the US segment includes 7 new name deals (with an TCV of £0.8m) from the Group's US based reverse auctions business which was included within the UK segment during the prior year.

Note: The definition of segment is described in detail in the Chief Financial Officer's report	Year ended 31 July 2018		Year ended 31 July 2017	
	TCV of upsell deals	Number of upsell deals	TCV of upsell deals	Number of upsell deals
UK segment	£2.5m	99	£2.8m	110
EU segment	£0.9m	14	-	-
US segment	-	-	-	-

Whilst the volume and value of new business and upsells are good indicators of market traction and growth, the retention of existing customers remains of vital importance to short-term revenue and long-term value protection. Therefore, it was disappointing to have been relatively unsuccessful in this element of performance during the year. This was illustrated by the loss of two of the Group's largest customers during December 2017 which the Board believes was a result of the exceptional circumstances related to the specific customer relationships and the solution sets deployed. The Board considers that these issues are not generally replicated within the wider customer group and that, consequently, retention rates will continue at more normalised levels. Further, where those or similar issues are present, the Board considers that the Group's customer relationships are strong enough to be able to identify them in sufficient time so that they can be addressed or, if not, revenue loss can be forecast sufficiently in advance to be managed out in an orderly fashion.

The Group has incurred significant non-core net expenditure and cash flows through its M&A activity and through the process of realising the cost savings arising from the integration programme. This makes visibility on underlying profitability and cash flows more challenging to present and necessitates a deep analysis of the cost base incurred and the associated cash flows during the year.

Following this analysis, the Group Adjusted EBITDA was £17.3m (2017: £7.9m), in line with expectations. As identified at the time of the acquisition of Perfect, the Group has realised approximately £5.1m of annualised cost savings from its integration programme and was able to leverage the fixed element of its cost base to deliver improved profitability margins with Group Adjusted EBITDA margin increasing to 33% (2017: 31%). Further, the Group Adjusted Free Cash Flow was £8.5m (2017: £3.2m). The Board considers this financial performance to be extremely strong and one that is sustainable.

The analysis of the non-core net expenditure and the definition of Group Adjusted EBITDA and Group Adjusted Free Cash Flow and other alternative performance measures are included within the Chief Financial Officer's report and Additional information – Reconciliation of alternative performance measures.

Perpetual and subscription licence and services models

The Group continues to offer the choice of business model between perpetual and subscription licences, delivered on its Cloud technology platform or on premise, as well as associated services. The mix of business is now weighted heavily toward subscription licences with only £0.2m of the £8.7m new deal TCV coming from new perpetual licences and £0.5m from £3.4m from upselling perpetual licences. This profile is highly advantageous to the Group's long-term value creation objectives.

Buyer and supplier solutions
The Group's position as a leading spend management and B2B e-commerce solution provider has been further enhanced by the continued addition of new functionality and features, the continually evolving UI/UX, the introduction of mobile applications and the increasing requirements around security and data protection. These additions are largely customer driven and our customer engagement process is critical to the Group's solution roadmap.

A further element of the strategic rationale for the acquisition of Perfect included its business networking technology, a potentially vital element of the Group's strategy to deliver digital transformation technologies to its customers. The Group had, hitherto, struggled to create its own technology in this area. The Board is focussed on realising the value from the commercial and technical opportunities of these specific capabilities within the enlarged Group.

Ongoing investment has enabled the Group 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
The Group offers true multi-company, multi-currency and multi-language capabilities and this remains an essential differentiator as the Group increases its presence across more sectors worldwide. During 2018 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 the Group as a cost-effective solution against both big ticket, consultancy led ERP vendors, international procurement vendors' solutions and potential multi-vendor software led solutions. This value proposition is particularly compelling for mid-market sized commercial and public sector market segments, both of which the Group is focused on and performs well in.

The Group's go-to-market strategy is based on a targeted and efficient deployment of its marketing and sales resource within each market segment it operates in. Within those segments, the Group seeks to maximise its return by selecting verticals where its solutions fit well and are referenceable and, with thorough research and with experiential grounding, can attain a leading position as the default provider. This strategy is at varying levels of maturity within the Group's territories and the Board looks forward to the potential accelerated growth rates that could result.

M&A strategy and activity
The Group's M&A strategy is to acquire businesses that fit 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;
- Businesses with long-term customer relationships, ideally contracted and 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 eight acquisitions between February 2014 and August 2018 and all are integrated as products or services within the Group's solution portfolio and have compatible technologies.

As described above, the acquisition of Perfect was transformational due to its size and was much more substantial than previous transactions. The resultant business, a new global player, is now an established organisational platform and is in an extremely strong operational position of being able to continue its M&A strategy as a market consolidator. Further, the Group has a deep understanding of its market which allows it to identify appropriate target businesses and to build relationships with a view to acquisition.

The Board is mindful that, despite the obvious potential accelerated growth that can be delivered, further M&A activity at this point could be too punitive from an equity dilution perspective and, although the Group has some further debt capacity, the Board is reluctant to increase gearing further at this time.

Perfect
The Group acquired Perfect, a provider of spend management and networking solutions, on 4 August 2017. Accordingly, Perfect has contributed to the performance of the Group for the whole of the financial year.

This acquisition has positioned Proactis to leverage Perfect's extensive international capabilities which sees it serve approximately 150 customers, with over 1.3 million users across more than 80 countries, 20 languages and 100 currencies. As part of the acquisition of Perfect, the Group acquired Hubwoo SA ('Hubwoo'), which brought substantial business networking capabilities through its proprietary technology, The Business Network ('TBN'), and which accelerates the Company's market position in the supply side. Previous to this, Proactis was pre-dominantly UK based with a limited US presence. However, now, the Board believes that the Group can become a leading provider of spend management solutions globally, from scaled operations in each of the main global markets of the United States, the United Kingdom and in mainland Europe.

The benefits of the combination include:

- An increased scale, geographic footprint, customer opportunity and solution set;
- Meaningful and multiple commercial and operational efficiencies with net annualised cost savings of approximately £5.1 million;
- Significant cross-sell / up-sell opportunities; and
- Strengthened supplier commerce opportunity through TBN.

The enhanced solution set arising through the combination and the increased reach into the new territories offers a solid platform to continue to execute the Group's growth strategy.

Esize
The Group acquired Esize, a provider of spend management solutions, on 6 August 2018. Accordingly, Esize has not contributed to the performance of the Group during the financial year.

Esize is a recognised territory leader in the Netherlands with some referenceability in Germany and Belgium. Its solutions cover the full procurement cycle for indirect spend and provides the Group with additional capabilities in the travel and expense management and contract labour markets. These two markets are adjacent to and of an equivalent size to the Group's core indirect product procurement proposition. The Board believes that they will become increasingly important to mid-market buyside customers going forward. It has approximately 60 customers across the private and public sectors and approximately 50 employees.

Esize has a SaaS based business model, which is consistent with the Group's and which delivers high levels of contracted annual recurring revenue with high retention rates. Esize's recent growth rates have been above 10% per annum and it has historically delivered comparable profitability margins to the Group.

The acquisition will also benefit the Group by creating a scaled operation in the Netherlands, where it will consolidate its existing operations.

Supplier opportunity
The Group has a mid-term strategic objective to deliver value added services to a new customer group, the suppliers of its buy side customers. The acquisition of Perfect (and, previously, Millstream) greatly enhanced the Group's commercial and operational understanding of this new customer group and also the opportunities to access it. The Group is determining its tactical plans to maximise its opportunities through:

- The acquisition of Perfect and, previously, Millstream is already delivering supplier side revenues and the complementary nature of the solution portfolio provides excellent cross-sell opportunities to be realised during the coming years. Small scale cross-selling activity has already begun with an additional solution being launched into the Millstream customer base designed to aide churn rates and to create incremental sales opportunities for Millstream's Tenders Direct customer base;
- Suppliers that are already connected to TBN and that are already paying for connections and transactions with their connected customers are being marketed to in order create more connections with the Proactis customer base;
- TBN has been selected as the Group's principal networking technology and the forward roadmap for application to the Proactis customer base is under development; and
- The Group intends to offer an accelerated payment service to suppliers to facilitate growth or working capital benefits in return for a small discount. This opportunity has been previously deferred because of the technology transition referred to in the previous paragraph. The Board considers that this is a significant opportunity and the Group is now in a position to pursue it vigorously with new resource being recruited and permanent re-allocation of existing capacity planned.

The technology and commercial model acquired with Perfect is much more advanced than Proactis' own equivalent technology and commercial model and the Board believes that the realisation of the supplier opportunity within the Proactis customer base will, as a result, be de-risked through the adoption of this technology and commercial model.

Corporate Governance

As part of the corporate governance review that the Board undertook earlier this year, the Company was pleased to announce the appointment of Sophie Tomkins as Senior Independent Non-executive Director earlier today. Sophie has considerable public markets experience, gained through a 17-year career in the City. Sophie is a Non-Executive Director of Hotel Chocolat Group PLC, Cloudcall Group PLC and System1 Group PLC. Previous experience includes roles with Cazenove & Co, Collins Stewart and Fairfax. Sophie is a qualified Chartered Accountant and a fellow of the Chartered Institute for Securities and Investment. Sophie will chair the Group's Remuneration Committee and sit on the Group's Audit Committee.

Following the appointment of Sophie Tomkins, the Board consists of six directors of which three are executive and three are non-executive. The Board acknowledges that independence is a skill set that complements the overall balance of the Board and it intends to appoint a further independent non-executive director as Chair of the Audit Committee in due course, where the Board will consider age, skills, background, ethnicity and gender as part of this process in order to promote greater diversity. The Board is supported by two committees: audit and remuneration.

Brexit

The Group has significant operations and customers based within the EU, UK and US. Whilst there is a current uncertainty as to what a post-Brexit political and commercial environment might look like, the Board considers that the Group is unlikely to be impacted significantly by Brexit. The Group largely does not import or export goods or services across the EU border, however that might be determined when considering the current debates, with third parties. Further, its solutions are designed to enable its customers to trade across the EU border, as presently defined, or any other border for that matter and any change to the definition of the EU border is catered for within its workflow design.

Summary and outlook

The activities during the year have culminated in the transformation of Proactis into a truly global leader in the market. The Group has continued to execute its strategy and has grown substantially with a strong rate of new business wins demonstrating the market relevance of its solution set and strength of its go-to-market strategy. This level of performance signals positively for short-term organic revenue growth in the current year and the Group’s investment in marketing and sales capacity, alongside its maturing go-to-market strategy for the US, German and French markets, offers great potential for enhanced value creation for the longer term. This has been achieved whilst undertaking a fundamental restructuring of the Group’s operations which demonstrates the Group’s ability to manage M&A.

The Board notes that the Group’s solutions are being deployed more deeply and widely within the customer base through an impressive rate of upsell activity which, along with an improving retention performance, signals well for the future.

This revenue is being delivered efficiently and profitably and the Group has delivered strong underlying operating margins and an impressive and sustainable underlying cash realisation performance.

Over the coming year, the Group will look to accelerate organic growth as its go-to-market strategies in the United States and in mainland Europe mature and as the Group starts to access and deliver value added services to a new customer group, the suppliers of its 1,100 buy side customers. The scope for growth in this part of the Group’s business is extremely exciting.

The Board is pleased with the Group’s present momentum and, whilst aware of its recent retention performance, is confident that the Group is in a strong position to capitalise on the opportunities open to it.

Alan Aubrey
Chairman

Hamp Wall
Chief Executive Officer

30 October 2018

Chief Financial Officer's Report

Results for the year, performance analysis and key performance indicators

Growth

The Group's reported revenues increased by 106% to £52.2m (2017: £25.4m) and the Group's long-term revenue growth performance accelerated with a three-year cumulative average growth rate of 45% (2017: 36%).

It is necessary to consider a number of different key performance indicators in order to get a full understanding of the Group's growth performance because:

- the Groups' strategy is to grow by a combination of organic and inorganic means and therefore total reported revenue is a key performance indicator as the Group looks to continue to drive toward scale;
- the Group's core proposition is to deliver an organic growth business;
- organic growth is a function of three principle variables; new name deals, upsell deals and retention and the combination of these measures provide a balanced view on the growth drivers of the business; but
- there are often substantial timing differences between the signing of a (new name or upsell) deal and the subsequent recognition of revenue arising from it. These timing differences are routinely as long as 6-12 months; and
- revenue recognition policies for different licence types or revenue streams varies and can influence the impact of (new names and upsell) deals in any one accounting period.

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

	Year ended 31 July 2018	Year ended 31 July 2017	Year ended 31 July 2016
TCV of new name deals	£8.7m	£4.1m	£6.8m
Number of new name deals	64	54	63
TCV of upsell deals	£3.4m	£2.8m	£2.4m
Number of upsell deals	113	110	95
Reported revenue	£52.2m	£25.4m	£19.4m
Reported revenue growth	106%	31%	13%
CAGR 3-year revenue growth	45%	36%	34%
Total deal value signed	£12.1m	£6.9m	£9.2m
Organic revenue growth[1]	Nil%	7%	7%

Note1: Measured in terms of revenue recognised in the income statement and excluding the effects of foreign exchange differences and the full year effect of the acquisition of Millstream during November 2016.

The combination of these issues often means that revenue recognised in the income statement is largely a function of the (new name and upsell) deals signed in the previous year rather than the year in which the (new names and upsell) deals were actually signed. This is illustrated above with the relationship between organic growth in the current year and (new name and upsell) deal volumes and value signed in the prior year.

The Board also considers that retention of existing customers is a key performance indicator and the measure of this indicator is included routinely within its internal financial reporting dashboard. The Board acknowledges that this year's performance against this measure has fallen short of the normal levels of retention historically achieved, largely through the exceptional circumstances resulting in the loss of two large customers during December 2017 but reports that this measure has recovered to more normalised levels since then. The Board expects that this more normalised level of retention is sustainable for the foreseeable future.

The Group's revenues will, in future periods, be reported by market segment using the year ended 31 July 2018 as the base year.

Year ended 31 July 2018	Buyer revenue	Supply revenue	Total
	£m	£m	£m
UK segment	16.2	4.2	20.4
EU segment	12.0	5.2	17.2
US segment	14.6	-	14.6
	42.8	9.4	52.2

Revenue visibility

The level of visibility over future revenue is crucially important to the Group as it can provide:

- An indicator to investors of the amount of revenue from new business required to be won in order to hit market expectations in future periods;
- An indicator to the Group's bank, HSBC Bank plc, in its deliberations as to the level of debt that the business can conservatively support and hence assist in the overall return to investors; and
- An indicator to the Group's customers, suppliers and associates of the overall strength of the Group.

This key performance indicator is the Group's estimate of the annualised run rate of subscription, managed service, support and hosting revenues currently contracted with the Group and is often referred to as Annual Recurring Revenue ('ARR') and can be analysed as follows:

As at 31 July 2018	Buyer revenue	Supply revenue	Total
	£m	£m	£m
UK segment	14.0	4.2	18.2
EU segment	11.7	4.2	15.9
US segment	11.0	-	11.0
	36.7	8.4	45.1

Gross margin

The presentation of the Group's reported results does not include the sub-total of gross profit in order 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 third party revenue share or products.

The Group's business partners and its own direct sales effort sold contracts under both the subscription and perpetual business models. Whilst selling directly, the businesses acquired with Perfect include an element of non-authored products and, accordingly, the revenue from those businesses delivers comparatively high gross margins, as defined above. Consequently, gross margins have continued to improve through the mix shift toward direct selling of authored product. The combined effect of these factors was that the Group reported an improved gross margin (as defined above) over all of 89% (2017: 86%). The Board anticipates that this trend toward directly sold authored product will continue and that gross margin will, consequently, improve over time.

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 during the year to £33.0m (2017: £20.9m) with Perfect contributing £18.6m (2017: £Nil). Each of the two years ending 31 July 2018 has included significant items of income or expenditure associated primarily with the Group's acquisition activity and the resultant integration programme (together, "non-core net expenditure"). The Board has estimated the impact of this non-core net expenditure on the aggregate of staff costs and other operating expenses as follows:

	Year ended 31 July 2018	Year ended 31 July 2017
	£m	£m
Aggregate of staff costs and other operating expenses (reported)	33.0	20.9
Non-core net expenditure	(3.6)	(6.8)
Aggregate of staff costs and other operating expenses (excluding non-core net expenditure)	29.4	14.1

Non-core net expenditure (see note 3) can be analysed as follows:

	Year ended 31 July 2018 £m	Year ended 31 July 2017 £m
Expenses of acquisition related activities	0.7	4.3
Costs of restructuring the Group's operations – staff	1.6	0.7
Costs of restructuring the Group's operations – other	1.6	-
Legal and professional fees	0.4	-
Fair value movement on forward contract on acquisition of Perfect	(0.7)	1.8
	3.6	6.8

Approximately £1.2m of this non-core net expenditure was incurred in realising the £5.1m of annualised cost savings net of re-investment. An analysis of these annualised cost savings net of re-investment is as follows:

	£m
Senior management	0.5
Off-shore customer support	0.1
IT operations	0.9
Finance and corporate administration	0.7
Sales and account management	1.0
Other operations	1.9
Annualised cost savings net of re-investment	5.1

These annualised cost savings net of re-investment were made throughout the course of the year ended 31 July 2018 and the Board estimates that the benefit during the year was as follows:

	£m
Senior management	0.4
Off-shore customer support	0.1
IT operations	0.7
Finance and corporate administration	0.6
Sales and account management	0.5
Other operations	1.4
Estimated benefit of annualised cost savings net of re-investment during the year	3.7

Capitalised development costs and costs of software for own use were £5.7m (2017: £2.8m). The income statement includes a total charge for the amortisation of capitalised development costs and costs of software for own use of £4.7m (2017: £2.4m).

Depreciation of property, plant and equipment

The charge to depreciation of property, plant and equipment increased to £0.5m (2017: £0.2m) due to the depreciation of property, plant and equipment acquired with Perfect. The total cost of property, plant and equipment acquired with Perfect was £0.6m and the depreciation charge for the year ending 31 July 2018 on that property, plant and equipment was £0.3m.

Amortisation of intangible assets

The charge to amortisation of intangible assets increased to £7.9m (2017: £3.3m) due to the amortisation of separately identifiable intangible assets acquired with Perfect. The total of separately identifiable intangible asset value recognised was £26.4m and the amortisation charge for the year ending 31 July 2018 on those assets was £4.5m. Included within the total asset value recognised was £3.0m related to a fair value uplift for the software acquired using a relief from royalty method and the associated increased amortisation charge during the year was £1.0m. The fair value uplift has the effect of incrementally increasing the cost of software capitalised over and above the Group's normal accounting methods and the Board considers that the associated amortisation charge is non-core expenditure (see note 3).

Interest

The Group incurred a net interest charge of £1.1m (2017: £0.1m) of which £1.0m (2017: £0.1m) was bank interest resulting from the Group's increased level of gearing following the acquisition of Perfect. The other element relates to the convertible loan notes issued to continuing management of Perfect and which will cease on 1 January 2019 following conversion.

The Group's £45m debt facility, which was extended shortly after the year end following the acquisition of Esize, was provided by HSBC bank plc ('HSBC') and included a £15.0 million term loan, repayable over five years with a coupon rate of 1.95 per cent. over LIBOR, and a £30.0 million revolving credit facility, repayable after five years with a ratcheted coupon rate no lower than 1.75 per cent. over LIBOR and no higher than 2.5 per cent. over LIBOR.

Taxation

The Group has reported a net credit in its income statement of £1.6m (2017: net charge £0.02m) resulting primarily from a change in estimate of forward income tax rates and the resultant reduced deferred tax liabilities (see note 4).

The Group's charge to current year income tax was £0.9m which was an effective rate of 7% against chargeable profit before tax of £12.8m. This is well below the weighted average income tax rate for the jurisdictions that the Group operates in because of the utilisation of tax losses and allowances within the Group which the Board considers will provide long-term benefit.

Accordingly, the Group has continued to recognise certain deferred tax assets related to tax losses that were not previously recognised of £1.3m (2017: £0.5m) and this has largely offset the current year income tax charge.

Reported profit and Group Adjusted profit performance

The Board considers that each of the two years ended 31 July 2018 have been significantly impacted by non-core net expenditure incurred primarily as part the Group's acquisition activity and the resultant integration programmes. A summary of the various profit measures is set out below.

	Year ended 31 July 2018		Year ended 31 July 2017	
	[1]Reported	[1]Adjusted	Reported	Adjusted
Earnings before interest, tax, depreciation and amortisation ('EBITDA')[1]	£13.6m	£17.3m	£0.9m	£7.9m
Operating profit/(loss)	£4.9m	£13.1m	(£2.6m)	£4.3m
Profit/(loss) before tax	£3.7m	£12.0m	(£2.7m)	£4.2m
Profit/(loss) after tax	£5.4m	£9.9m	(£2.8m)	£4.2m
Earnings/(loss) per share (see note 5)	5.4p	10.6p	(5.9p)	9.0p

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

Cash flow

The Group reported net cash from operating activities of £8.4m (2017: £4.7m) which is higher than the reported operating profit of the Group of £4.9m (2017: loss £2.6m). Cash flows for the year ended 31 July 2018 were affected by costs that were charged in the income statement during the year ended 31 July 2017 and accrued at 31 July 2017 but paid during the year ended 31 July 2018. The cash flow for the year ended 31 July 2018 was also impacted by non-core net expenditure charged to the income statement during the year ended 31 July 2018 related principally to the integration programme.

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

	Year ended 31 July 2018 £m	Year ended 31 July 2017 £m
Reported Net cash flow from operating activities	8.4	4.7
Non-core net expenditure incurred in prior year but paid in current year	3.6	-
Non-core net expenditure charged and paid within the same year	3.3	1.4
Adjusted Net cash flow from operating activities	15.3	6.1
Purchase of plant and equipment and intangible assets	(1.1)	(0.1)
Development expenditure capitalised	(5.7)	(2.8)
Adjusted Group Net Free Cash Flow	8.5	3.2

The Group paid a cash dividend of £1.3m (2017: £0.6m) to its equity investors.

Acquisition of Perfect (see note 6)

The Group acquired Perfect on 4 August 2017 for a gross consideration of $132.5m including additional consideration of $5.0m which was paid following the delivery of certain commercial milestones. The net consideration was $126.2m with Perfect having cash of $6.3m on its balance sheet at the date of acquisition.

The cash consideration for the acquisition was funded by the combination of a placing of new Ordinary shares raising approximately £67.9 million (net of expenses), from debt of £29.9m, drawn from its then £45m debt facility provided by HSBC Bank plc ("HSBC") and from and by the issue £3.8m ($5.0m) of convertible loan notes to two members of the continuing management team.

Acquisition of Proactis Benelux BV ("BV")

The Group acquired BV on 24 October 2017 for a gross consideration of £1.9m including an estimated contingent consideration of £1.5m. The net cash consideration was £1.6m with BV having cash or cash equivalents of £0.3m on its balance sheet at the date of acquisition.

The cash consideration was funded from the Group's existing facilities.

Hubwoo
As part of the acquisition of Perfect, the Group acquired a controlling interest in Hubwoo, a French company listed on the Euronext market in France. On completion of the acquisition of Perfect, the Group became the indirect holder of approximately 79 per cent of the share capital and voting rights of Hubwoo which triggered a mandatory tender offer for those remaining Hubwoo shares that were not owned.

During February 2018, the Group undertook its mandatory tender offer at a price of 20 Euro cents per share and acquired a further 10 per cent of the share capital and voting rights of Hubwoo, making approximately 89 per cent in total. The total cost of the acquisition of the shares was approximately €2.6m (£2.3m) and the associated costs of the transaction were €0.2m (£0.2m).

Acquisition of Esize
The Group acquired Esize on 6 August 2018 for an aggregate consideration of €14.2m with an additional consideration of up to €1.0m depending on certain post-acquisition deliverables. The net consideration was €14.0m with Esize having cash of €0.2m on its balance sheet at the date of acquisition.

In order to facilitate the acquisition of Esize, the Group extended its bank facilities with HSBC creating a new £50m debt facility including a £15.0m term loan, repayable over four remaining years with a coupon rate of 1.95% over LIBOR, and a £35m revolving credit facility, repayable after four remaining years with a ratcheted coupon rate of at least 1.75% over LIBOR and no higher than 2.5% over LIBOR.

The cash consideration for the acquisition was funded from the Group's own cash resources and from debt of €9.6m drawn from the extended £50m debt facility provided by HSBC, from and by the issue of a €3.0m of convertible loan notes and by the issue of 1,292,491 new Ordinary shares.

Net bank debt
The Group reported net bank debt of £29.3m at 31 July 2018, comprising cash balances of £9.6m and gross bank debt of £38.9m of which £3.0m is payable within one year.

The analysis of net bank debt above excludes the $5.0m (approximately £3.8m) convertible loan notes issued to the continuing members of the management team of Perfect because the Group has received notices from those individuals to convert, unconditionally, into an aggregate of 2,360,728 new Ordinary shares between 1 January 2019 and 10 January 2019.

It also excludes the impact of the increase in net bank debt resulting from the acquisition of Esize immediately following the year end which increased net bank debt by approximately £8.6m (€9.6m).

Earnings per share
Basic earnings per share was 5.4p (2017: loss per share 5.9p). The Group reports adjusted earnings per share measure (see note 5) of 10.6p per share (2017: 9.0p per share) to take account of non-core net expenditure and other factors.

Dividend policy
Subject to approval at the General Meeting of Shareholders to be held on 19 December 2018 and subject to the Company having sufficient distributable reserves at the time, a final dividend of 1.5p (2017: 1.4p) per ordinary share is proposed and will be paid on 22 January 2019 to shareholders on the register at 28 December 2018. The corresponding ex-dividend date is 27 December 2018. The Board considers, based on its budgets and forecasts, that the level of distributable reserves at the proposed date of payment of the proposed dividend will be adequate.

Treasury
The Group manages its cash position in a manner designed to minimise interest payable on its structured finance facilities. Surplus cash funds are used to reduce debt.

Tim Sykes
Chief Financial Officer
30 October 2018

Consolidated Income Statement for the year ended 31 July 2018

	Notes	**2018** £000	2017 £000
Revenue		**52,221**	25,404
Cost of sales		**(5,963)**	(3,545)
Staff costs		**(21,670)**	(10,960)
Other operating expenses		**(11,332)**	(9,969)
Depreciation of property, plant and equipment		**(511)**	(216)
Amortisation of intangible assets		**(7,886)**	(3,322)
Operating profit/(loss)		**4,859**	(2,608)
Finance income		**-**	2
Finance expenses		**(1,110)**	(142)
Profit/(loss) before taxation		**3,749**	(2,748)
Income tax credit/(charge)	4	**1,602**	(23)
Profit/(loss) for the year		**5,351**	(2,771)
Profit/(loss) attributable to:			
Owners of the Company		**5,042**	(2,771)
Non-controlling interests		**309**	-
		5,351	(2,771)
Earnings/(loss) per ordinary share:			
- Basic	5	**5.4p**	(5.9p)
- Diluted	5	**5.3p**	(5.7p)

Consolidated Statement of profit or loss and other comprehensive income for the year ended 31 July 2018

	2018 £000	2017 £000
Profit/(loss) for the period	**5,351**	(2,771)
Other comprehensive income		
Items that will never be reclassified to profit or loss		
Share based payment charges	**-**	125
Deferred tax on share options	**-**	240
Items that are or may be reclassified to profit or loss		
Foreign operations – foreign currency translation differences	**27**	(91)
Other comprehensive gain net of tax	**27**	274
Total comprehensive income/(loss)	**5,378**	(2,497)
Total comprehensive income/(loss) attributable to:		
Owners of the Company	**5,069**	(2,497)
Non-controlling interests	**309**	-
	5,378	(2,497)

Consolidated Balance Sheet as at 31 July 2018

	2018	2017
	£000	£000
Non-current assets		
Property, plant & equipment	**1,499**	381
Intangible assets	**151,412**	38,628
Deferred tax asset	**1,360**	500
	154,271	39,509
Current assets		
Trade and other receivables	**21,664**	5,880
Cash and cash equivalents	**9,561**	4,277
	31,225	10,157
Total assets	**185,496**	49,666
Current liabilities		
Trade and other payables	**18,023**	8,104
Obligations under finance leases	**77**	14
Deferred income	**18,705**	10,880
Income taxes	**507**	555
Loans and borrowings	**2,985**	1,400
	40,297	20,953
Non-current liabilities		
Deferred income	**653**	577
Deferred tax liabilities	**8,742**	1,778
Loans and borrowings	**39,766**	3,760
Obligations under finance leases	**40**	54
Provisions	**783**	-
	49,984	6,169
Total liabilities	**90,281**	27,122
Net assets	**95,215**	22,544
Equity		
Called up share capital	**9,324**	5,024
Share premium account	**81,464**	17,631
Merger reserve	**556**	556
Capital reserve	**449**	449
Equity reserve	**80**	-
Foreign exchange reserve	**(1,137)**	(1,164)
Retained earnings	**2,875**	48
Equity attributable to equity holders of the Company	**93,611**	22,544
Non-controlling interest	**1,604**	-
Total equity	**95,215**	22,544

Condensed consolidated statement of changes in equity

	Share capital	Share premium	Merger reserve	Capital reserve	Foreign exchange reserve	Equity component of convertible notes	Retained earnings	Total	Non-controlling interest	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 31 July 2016	3,983	5,962	556	449	(1,073)	-	3,095	12,972	-	12,972
Shares issued during the period	1,041	11,669	-	-	-	-	(3)	12,707	-	12,707
Arising during the period	-	-	-	-	(91)	-	-	(91)	-	(91)
Result for the period	-	-	-	-	-	-	(2,771)	(2,771)	-	(2,771)
Dividend payment of 1.3p per share	-	-	-	-	-	-	(638)	(638)	-	(638)
Share based payment charges	-	-	-	-	-	-	125	125	-	125
Deferred tax on share options	-	-	-	-	-	-	240	240	-	240
At 31 July 2017	5,024	17,631	556	449	(1,164)	-	48	22,544	-	22,544
Shares issued during the period	4,243	63,636	-	-	-	-	-	67,879	-	67,879
Share options exercised	57	197	-	-	-	-	-	254	-	254
Issue of convertible notes	-	-	-	-	-	80	-	80	-	80
Arising during the period	-	-	-	-	27	-	-	27	-	27
Acquisition of subsidiary with NCI	-	-	-	-	-	-	-	-	2,566	2,566
Transactions with NCI	-	-	-	-	-	-	(1,042)	(1,042)	(1,271)	(2,313)
Result for the period	-	-	-	-	-	-	5,042	5,042	309	5,351
Dividend payment of 1.4p per share	-	-	-	-	-	-	(1,299)	(1,299)	-	(1,299)
Share based payment charges	-	-	-	-	-	-	366	366	-	366
Deferred tax on share options	-	-	-	-	-	-	(240)	(240)	-	(240)
At 31 July 2018	9,324	81,464	556	449	(1,137)	80	2,875	93,611	1,604	95,215

Consolidated Cash Flow Statement for the year ended 31 July 2018

	2018	2017
	£000	£000
Operating activities		
Profit/(loss) for the year	**5,351**	(2,771)
Amortisation of intangible assets	**7,886**	3,322
Depreciation	**511**	216
Net finance expense	**1,110**	140
Forward contract provision	**(806)**	1,832
Income tax charge/(credit)	**(1,602)**	23
Share based payment charges	**366**	125
	-------------	-------------
Operating cash flow before changes in working capital	**12,816**	2,887
Movement in trade and other receivables	**859**	148
Movement in trade and other payables and deferred income	**(4,015)**	2,513
	-------------	-------------
Operating cash flow from operations	**9,660**	5,548
Finance income	**-**	2
Finance expense	**(804)**	(142)
Income tax (paid)/received	**(492)**	(743)
	-------------	-------------
Net cash flow from operating activities	**8,364**	4,665
	-------------	-------------
Investing activities		
Purchase of plant and equipment	**(1,106)**	(82)
Payments to acquire subsidiary undertakings, net of cash acquired	**(93,731)**	(14,327)
Development expenditure capitalised	**(5,702)**	(2,765)
	-------------	-------------
Net cash flow from investing activities	**(100,539)**	(17,174)
	-------------	-------------
Financing activities		
Payment of dividend	**(1,299)**	(638)
Proceeds from issue of shares	**68,133**	12,707
Receipts from bank borrowings	**43,660**	4,200
Transaction costs related to loans and borrowings	**(288)**	-
Acquisition of NCI	**(2,313)**	-
Repayment of bank borrowings	**(9,942)**	(3,089)
Finance lease payments	**(151)**	(1)
	-------------	-------------
Net cash flow from financing activities	**97,800**	13,179
	-------------	-------------
Effect of exchange rate movements on cash and cash equivalents	**(341)**	12
Net increase in cash and cash equivalents	**5,625**	670
Cash and cash equivalents at the beginning of the year	**4,277**	3,595
	-------------	-------------
Cash and cash equivalents at the end of the year	**9,561**	4,277
	-------------	-------------

Notes

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 2018.

The consolidated financial statements of the Group for the year ended 31 July 2018 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 2018 or 2017 but is derived from those financial statements. Statutory financial statements for 2017 have been delivered to the Registrar of Companies and distributed to shareholders, and those for 2018 will be distributed to shareholders on or before 23 November 2018. 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 2017 or 2018.

1. 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.

2. Operating segments

2018	United Kingdom £000	Mainland Europe £000	United States £000	Total £000
SaaS revenue	**18,006**	**16,009**	**13,622**	**47,637**
Services revenue	**2,366**	**1,199**	**1,019**	**4,584**
Segment revenue	**20,372**	**17,208**	**14,641**	**52,221**
Direct costs	**(8,731)**	**(5,296)**	**(6,001)**	**(20,028)**
Segment contribution	**11,641**	**11,912**	**8,640**	**32,193**
2017 (Represented)				
SaaS revenue	17,163	-	6,003	23,166
Services revenue	2,082	-	156	2,238
Segment revenue	19,245	-	6,159	25,404
Direct costs	(9,918)	-	(2,655)	(12,573)
Segment contribution	9,327	-	3,504	12,831

As a result of the acquisition of Perfect Commerce LLC during the financial year, the Group has changed its internal organisation and the composition of its reportable segments. Accordingly, the Group has represented the operating segment information for the year ended 31 July 2017.

Reconciliations of information on reportable segments to IFRS measures

	2018 £000	2017 £000
Total contribution reportable segments	**32,193**	12,831
Central costs (including non-core net expenditure, see note 3)	**(18,571)**	(11,776)
Depreciation	**(511)**	(216)
Amortisation	**(7,886)**	(3,322)
Share based payments charges	**(366)**	(125)
Net interest cost	**(1,110)**	(140)
Consolidated profit/(loss) before tax	**3,749**	(2,748)

3. Alternative performance measures

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 associated primarily with the Groups acquisition activity and the resultant restructuring programmes (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.

	2018 £000	2017 £000
Profit/(loss) before taxation	**3,749**	(2,748)
Adjustments for:		
Net finance costs	**1,110**	140
Depreciation	**511**	216
Amortisation	**7,886**	3,322
Share based payment charges	**366**	125
Non-core net expenditure:		
Costs of restructuring the Group's operations - staff	**1,638**	658
Costs of restructuring the Group's operations - other	**1,561**	15
Expenses of acquisition related activities	**732**	4,291
Legal and professional fees	**439**	-
Fair value movement on forward contract for acquisition	**(735)**	1,832
	-------------	-------------
Adjusted EBITDA	**17,257**	7,851
	-------------	-------------

The fair value movement on the forward contract provision is included within other operating expenses in the consolidated income statement.

4. Taxation – Reconciliation of effective tax rate

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit/(loss) before tax for the period	**3,749**	(2,748)
Tax using the UK corporation tax rate of 19% (2017: 19.67%)	**712**	(541)
Effect of differential foreign tax rates~~Effect of differential foreign tax rates~~	**(13)~~(13)~~**	34
Adjustments in respect of prior periods – current tax~~Adjustments in respect of prior periods~~	**(424)~~(424)~~**	160
Disallowable net expenses~~Disallowable net expenses~~	**64~~710~~**	1,023
Losses used not previously recognised[2]~~Losses used not previously recognised[2]~~	**(1,342)~~(1,342)~~**	(462)
Relief from governmental tax incentives[1]~~Relief from governmental tax incentives[1]~~	**(210)~~(371)~~**	-
Effect of change in tax rates on deferred tax (see below)~~Effect of change in tax rates on deferred tax (see below)~~	**(1,430)~~(1,430)~~**	(191)
Current year losses for which no deferred tax asset is recognised~~Current year losses for which no deferred tax asset is recognised~~	**555~~556~~**	-
Adjustments in respect of share-based payments	**296**	-
Adjustments in respect of prior periods – deferred tax	**190**	-
	-------------	-------------
Total tax (credit)/charge	**(1,602)**	23
	-------------	-------------

5. Basic and diluted earnings per ordinary share

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

	2018	2017
Profit/(loss) for the year attributable to owners of the Company (£000)	**5,042**	(2,771)
Post tax effect of non-core net expenditure (note 3) (£000)	**3,417**	6,573
Post tax effect on customer related intangible assets (£000)	**3,240**	777
Post tax effect of share-based payment charges (£000)	**366**	125
Post tax effect of convertible loan note interest (£000)	**75**	-
Non-recurring tax factors (£000)	**(2,261)**	(493)
Post tax effect of adjusted earnings (£000)	**9,879**	4,211
Weighted average number of shares (number '000)	**92,893**	46,944
Dilutive effect of share options (number '000)	**2,243**	1,827
Fully diluted number of shares (number '000)	**95,136**	48,771
Basic earnings/(loss) per ordinary share (pence)	**5.4p**	(5.9p)
Adjusted earnings per ordinary share (pence)	**10.6p**	9.0p
Basic diluted earnings/(loss) per ordinary share (pence)	**5.3p**	(5.7p)
Adjusted diluted earnings per ordinary share (pence)	**10.4p**	8.6p

6. Acquisitions

Perfect

On 4 August 2017, the Group acquired 100% of the voting equity interests of Perfect. This included an indirect controlling interest in 78.95% of the voting equity interests of Hubwoo.

The acquisition of Perfect was undertaken to increase Proactis' global footprint, to enhance the Group's product set and for a strengthened supplier commerce opportunity through The Business Network.

For the 12 months ended 31 July 2018, Perfect and its subsidiaries contributed revenue of £26,418,000 and profit before tax of £2,167,000. This does not factor in the amortisation of intangible assets that will now be recognised in the Group accounts.

The following table summarises the acquisition date fair value of each major class of consideration transferred.

	£000
Cash	93,985
Convertible notes	3,836
Contingent consideration	3,836
Settlement of debt	(13,077)
Total consideration transferred	88,580

The Group agreed to pay the selling shareholders in December 2017 additional consideration of $5,000,000 if certain conditions were met. The Group has included £3,836,000 as contingent consideration related to the additional consideration, which represents its fair value at the date of acquisition. The Group has issued $5,000,000 in convertible loan notes with a redemption date of August 2022.

Perfect had outstanding debts of $17,044,000 with its previous owner at the time of acquisition. The Group has attributed £13,077,000 of the consideration transferred to the settlement of this debt.

The Group incurred acquisition-related costs of £3,055,000 on legal fees and due diligence costs. These costs were accrued in the year ended July 2017.

The following table summarises the recognised amounts of assets acquired, and liabilities assumed at the date of acquisition.

	Fair value £000
Property, plant and equipment	564
Customer related intangible assets	23,220
Capitalised development costs	5,759
Other intangible assets	176
Deferred tax assets	619
Trade and other receivables	16,510
Cash	4,525
Finance lease liabilities	(169)
Trade and other payables	(27,861)
Deferred revenue	(7,464)
Deferred tax liabilities	(8,531)
Total identifiable net assets acquired	7,348

The fair value adjustments relate to the recognition of intangible assets in accordance with IFRSs. Pre-acquisition carrying amounts were determined based on applicable IFRSs, immediately prior to the acquisition. The values of assets and liabilities recognised are estimated fair values.

Goodwill arising from the acquisition has been recognised as follows:

	£000
Consideration transferred	88,580
NCI, based on their proportionate interest in the recognised amounts of the net assets of the Hubwoo subgroup	2,566
Fair value of identifiable net assets	(7,348)
Goodwill	83,798

The goodwill is attributable to the skilled labour force of the acquired business, expected future growth and enhancement of market share, cross selling opportunities and economies of scale available to Perfect and Hubwoo within Proactis. These values were not recognised as a separate intangible asset on the basis that they could not be separated from the value generated from the business as a whole.

Additional information - Reconciliation of alternative performance measures

	Reported EBITDA £000	Adjusted EBITDA £000	Adjusted operating profit £000	Adjusted profit before tax £000
Profit after tax	5,351	5,351	5,351	5,351
Add back:				
Net release of deferred tax liabilities resulting from changes in estimates of the rate of income taxes (note 4)	(1,602)	(1,602)	(1,602)	(1,602)
Interest charge	1,110	1,110	1,110	-
Share-based payment charges	366	366	366	366
Amortisation	7,886	7,886	-	-
Depreciation	511	511	-	-
Non-core net expenditure (note 3)	-	3,635	3,635	3,635
Non-recurring interest charged on convertible loan notes issued in respect of the acquisition of Perfect	-	-	-	92
Amortisation charged on fair value uplift of acquired capitalised development costs	-	-	1,004	1,004
Amortisation charged on customer related intangible assets	-	-	3,202	3,202
	13,622	**17,257**	**13,066**	**12,048**