PROACTIS
The Spend Control Company

Annual Report & Accounts 2016

“A sustained level of growth and momentum looking to continue and accelerate even further”

Alan Aubrey Chairman

Contents

35%

Three year cumulative average growth rate

Deferred multi year revenue

£26.1m

Upsell activity

95 deals

Annualised contracted revenues

£17.6m

New deal intake

46 new names

Adjusted EBITDA

£5.3m

"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."

strong performance

Board Members

Alan Aubrey
Non-Executive Chairman

Mr Aubrey is the Chief Executive Officer of IP Group plc, a FTSE 250 company that specialises in commercialising intellectual property.

He is also the non-executive chairman of Ceres Power Holdings plc, a manufacturer of advanced solid oxide fuel cells, a non-executive director of Avacta Group plc, an AIM listed company that develops new detection and diagnostic devises for the bio-pharmaceutical markets and a non-executive director of Oxford Nanopore Technologies, currently developing a new generation of nanopore-based electronic systems for analysis of single molecules.

From 2008 to 2014, he was also a non-executive director of the Department for Business, Innovation & Skills (BIS). Mr Aubrey is a fellow of the Institute of Chartered Accountants of England and Wales. Mr Aubrey is a member of the Remuneration Committee and the Chair of the Audit Committee.

Rodney Potts
Non-Executive Director

Mr Potts was one of the founders and former Chief Executive of CODA Group plc, the global provider of accounting systems.

Mr Potts is the Chair of the Remuneration Committee and a member of the Audit Committee.

Rod Jones
Chief Executive Officer

Mr Jones was appointed Chief Executive Officer during 2002.

He has held senior management roles in a number of global technology companies. These include European Vice President at Cincom Systems Inc, International Director of Western Data Systems Inc and President of NASDAQ listed Ross Systems Inc.

Tim Sykes
Chief Financial Officer

Tim is a fellow of the Institute of Chartered Accountants of England and Wales. Over the last ten years, he has built up an expertise within the small cap AIM listed market with over 25 financial years' experience across 5-10 companies as consulting CFO, before joining PROACTIS on a full-time basis from January 2016. Prior to that, he held senior positions within corporate finance at KPMG and as Commercial Director at Mountain Warehouse.

Sean McDonough
Chief Operating Officer

Mr McDonough joined the Group during 2005 as Director of Professional Services from Azolve Limited, which he co-founded.

Previous roles include Director of Professional Services for CODA Group plc, UK Technical Director for BaaN, Head of Professional Services – Europe for Silknet Limited and VP of Professional Services EMEA for Kana Communications.

"The customer supply chain is more than 1 million in number and that annual value traded is more than £100 billion"

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.

strong performance on revenue visibility and profitability

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 the Group 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).

> "It is very encouraging that the Group has maintained its very high levels of renewal."

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 customers are spending over £100 billion per annum with their suppliers.

Ongoing investment has enabled PROACTIS to move ahead of the competition

“The Group currently has a **healthy pipeline of opportunities** under review”

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 up-selling 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 No.	Revenue £000	[1]Organic Growth %	[2]Adjusted EBITDA £000	[3]Adjusted EBITA £000
Existing Group	46	18,352	6.6%	4,975	2,923
Due North	17	1,022	9.0%	325	304
	63	**19,374**	**7.1%**	**5,300**	**3,227**

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 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).

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: £1.7m) 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).

" The annualised contracted revenue increased by 23.1% to £17.6m (2015: £14.3m) "

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 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 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.

> "The Group remains in a **strong financial position** with cash balances of **£3.6m** at 31 July 2016"

The Group remains in a **strong financial position** with cash balances of £3.6m

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.

A final dividend of 1.3p (2015: 1.2p) per Ordinary share is proposed and will be paid on 23 January 2017 to shareholders

"The Group has appointed a full-time CFO during the year"

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 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.

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

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 July 2016.

Business activity and review

The principal activity of the Group is the development and sale of business software, installation and related services.

A review of the Group's operations and future prospects is covered in the Strategic Report and the Chief Financial Officer's Report. Specifically this includes sections on strategy and markets and the Chief Financial Officer's Report considers key risks and key performance indicators.

Financial results

Details of the Group's financial results and position are set out in the Consolidated Statement of Comprehensive Income, other primary statements and in the Notes to the Financial Statements on pages 28 to 53.
The directors have reviewed the results for the years ended 31 July 2016 and 31 July 2015, including the annual report and accounts, preliminary results statement and the report from the external auditor. In reviewing the statements and determining whether they were fair, balanced and understandable, the directors considered the work and recommendations of management as well as the report from the external auditor.

Enhanced business review

The Companies Act 2006 requires that the Directors present an enhanced business review. These enhancements are provided within the Strategic Report.

Dividend policy

The Directors are keen to ensure that shareholders benefit from the trading performance of the Group through a dividend policy. Subject to approval at the Annual General Meeting of Shareholders to be held on 19 December 2016, a final dividend of 1.3p 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. The payment of future dividends is subject to availability of distributable reserves whilst maintaining an appropriate level of dividend cover and having regard to the need to retain sufficient funds to finance the development of the Group's activities.

Directors

The Directors who served on the Board and on Board Committees during the year are set out on page 6. Under the Articles of Association of the Company, one third of the Directors is subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not less than one third, shall retire. Each retiring director is eligible for re-election. Each Director must retire at the third Annual General Meeting following his last appointment or re-appointment.

The Directors retiring by rotation at the forthcoming Annual General Meeting are Rodney Potts and Sean McDonough. Both of these Directors, being eligible, offers themselves for re-appointment. In relation to the re-appointment of both of the Directors, the Board is satisfied that both of these Directors continues to be effective and to demonstrate commitment to the Company. Information on Directors' remuneration and share option rights is given in the Directors' Remuneration Report on pages 19 to 22.

"The middle market price of the Company's ordinary shares on 31 July 2016 was 113.5p"

Substantial shareholders

At 11 October 2016, shareholders with a beneficial holding of more than 3% of the Company's issued share capital were as follows:

	Number of shares	% of issued share capital
Rodney Potts	8,892,830	22.3%
Henderson Alphagen Volantis Catalyst Fund	3,564,056	9.0%
Rod Jones	1,952,720	4.9%
Investec Wealth & Investment Clients	1,809,613	4.5%
Marlborough Nano-cap Growth Fund	1,800,000	4.5%
Marlborough UK Micro cap Growth Fund	1,307,500	3.3%
Kevin Chidlow	1,330,860	3.3%
Artemis VCT Plc	1,192,500	3.0%

Directors' shareholdings

The beneficial interests of the Directors in the share capital of the Company at 31 July 2016 was as follows:

	Number of Shares	% of issued share capital
Non-executive Directors		
Alan Aubrey	1,070,853	2.7%
Rodney Potts	8,892,830	22.3%
Executive Directors		
Rod Jones	1,952,720	4.9%
Sean McDonough	321,666	0.8%
Tim Sykes	208,001	0.5%

None of the Directors had any interest in the share capital of any subsidiary company. Further details of options held by the Directors are set out in the Directors' Remuneration Report on pages 19 to 22.

At 11 October 2016 the respective holdings of the Directors had not changed from those at 31 July 2016. The middle market price of the Company's ordinary shares on 31 July 2016 was 113.5p and the range from 1 August 2015 to 31 July 2016 was 87.0p to 152.5p with an average price of 120.7p.

Tim Sykes continued...

Research and development
The Group capitalised £2,075,000 during the year (2015: £1,985,000) on development of software products and on software for own use.

Donations
The charitable donations in the year were £400 (2015: £5,300). There were no political donations.

Employee involvement
It is the Group's policy to involve employees in its progress, development and performance. Applications for employment by disabled persons are fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. The Group is a committed equal opportunities employer and has engaged employees with broad backgrounds and skills. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who is fortunate enough not to suffer from a disability. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues.

Financial instruments
An indication of the financial risk management objectives and policies and the exposure of the group to price risk, credit risk, liquidity risk and cash flow risk is provided in Note 20 to the financial statements.

Qualifying third party indemnity
The Group has provided an indemnity for the benefit of its current Directors which is a qualifying third party indemnity provision for the purpose of the Companies Act 2006.

“ It is the Group's policy to involve employees in its progress, development and performance ”

Supplier payment policy and practice
The Group does not operate a standard code in respect of payments to suppliers. The Group agrees terms of payment with suppliers at the start of business and then makes payments in accordance with contractual and other legal obligations.

The ratio, expressed in days, between the amount invoiced to the Group by its suppliers during the year to 31 July 2016 and the amount owed to its trade creditors at 31 July 2016, was 33 days (2015: 29 days).

Disclosure of information to auditor
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Re-appointment of auditors
A resolution for the re-appointment of KPMG LLP as auditors and the fixing of their remuneration will be put to the forthcoming Annual General Meeting to be held on 19 December 2016.

By order of the Board

Tim Sykes Secretary

11 October 2016

Directors' Remuneration Report

General policy
The remuneration of the executive directors is determined by the Remuneration Committee ("the Committee") in accordance with the remuneration policy set by the Board upon recommendation from the Committee.

The Committee, which consists solely of the non-executive directors of the Company (whose biographical details are given on page 6), determines the detailed terms of service of the executive directors, including basic salary, incentives and benefits and the terms upon which their service may be terminated.

Non-executive directors have no personal financial interest in the Company, except the holding of shares, no potential conflict of interest arising from cross directorships and no day-to-day involvement in the running of the Company. Details of shareholdings are given on page 17.

PROACTIS' remuneration policy for executive directors is designed to attract, retain and motivate executives of the highest calibre to ensure the Group is managed successfully to the benefit of shareholders. The policy is to pay base salary at median levels with a performance related bonus each year. Share ownership is encouraged and all of the executive directors are interested in the share capital and share options over the share capital of the Company.

In setting remuneration levels, the Committee takes into consideration remuneration within the Group and the remuneration practices in other companies of a similar size in the markets and locations in which PROACTIS operates. PROACTIS is a dynamic, growing company which operates in a specialised field and positions are benchmarked against comparable roles in AIM companies. AIM is considered to be the most appropriate market against which to benchmark executive pay given the business strategy of PROACTIS.

Executive Directors Short term incentives

Basic salary
Basic salary is based on a number of factors including market rates together with the individual director's experience, responsibilities and performance. Individual salaries of directors are subject to review annually and the results of that review are effective from 1 November each year.

Performance related bonus
The Company operates an annual performance related bonus scheme for executive directors. The bonus scheme is discretionary dependent entirely upon the performance of the Group.

Benefits in kind
The Company provides benefits in kind comprising a car allowance, life assurance and private healthcare insurance.

Pensions
The Company makes payments into defined contribution Personal Pension Plans on behalf of the executive directors. These payments are at a rate of 5% of basic salary.

Executive Directors Long term incentives

Share interests
The Committee considers that the long term motivation of the executive directors is secured by their interests in the share capital of the Company. The interests of the Directors in the share capital of the Company are set out on page 17 and their interests in options held over shares in the Company are set out on page 21.

Executive Directors' service agreements
The Board's policy on setting notice periods for directors is that these should not exceed one year. All directors have service agreements for a fixed period of one year terminable on twelve months' notice.

The details of the service contracts of the executive directors are shown below.

	Date of service contract	Initial term of contract	Notice period following initial term
Rod Jones	26 May 2006	1 year	1 year
Sean McDonough	26 May 2006	1 year	1 year
Tim Sykes	10 December 2015	None	1 year

It is the Group's policy to **involve employees in its progress,** development and performance.

Non-executive directors

The Board determines the fees paid to non-executive directors, the aggregate limit for which is laid down in the Articles of Association.

The fees, which are reviewed annually, are set in line with prevailing market conditions and at a level which will attract individuals with the necessary experience and ability to make a significant contribution to the Group's affairs.
Non-executive directors are not involved in any discussion or decision about their own remuneration. The same applies to the Chairman of the Board whose remuneration is determined by the Board on the recommendation of the Committee.

The non-executive directors do not participate in any of the Company's pension schemes or bonus arrangements nor do they have service agreements. They were both appointed for an initial term of one year by letter of appointment dated 26 May 2006 and are entitled to three months' notice following that initial term.

External appointments
The Committee recognises that its Directors may be invited to become executive or non-executive directors of other companies or to become involved in charitable or public service organisations. As the Committee believes that this can broaden the knowledge and experience of the Company's Directors to the benefit of the Group, it is the Company's policy to approve such appointments provided there is no conflict of interest and the commitment required is not excessive. The Director concerned can retain the fees relating to any such appointment.

Total remuneration (audited information)
The remuneration of each of the directors of the Company for the year ended 31 July 2016 is set out below. These values are included within the audited accounts.

	Basic Salary	Fees received by 3rd parties for services	Performance related bonus	Pension	Benefits in kind	**Total 2016**	Total 2015
	£000	£000	£000	£000	£000	**£000**	£000
Alan Aubrey	30	-	-	-	-	**30**	29
Rodney Potts	-	30	-	-	-	**30**	29
Rod Jones	184	-	55	-	11	**250**	186
Sean McDonough	149	-	48	7	10	**214**	156
Tim Sykes	96	54	48	4	6	**208**	127
	459	84	151	11	27	**732**	527

Details of directors' interests in share options in the Executive Share Option Schemes

	At 31 July 2015	Granted	Exercised	Lapsed	At 31 July 2016	Exercise price	Market price at date of exercise pence	Date from which exercisable	Expiry date
Non – executive Directors									
Alan Aubrey	-	-	-	-	-	-	-	-	-
Rodney Potts	-	-	-	-	-	-	-	-	-
Executive Directors									
Rod Jones	50,000	-	-	-	50,000	4.80p	-	5 May 2006	4 May 2016
	175,000	-	-	-	175,000	18.75p	-		Note 1
	635,960	-	-	-	635,960	36.50p	-		Note 2
	-	210,000	-	-	210,000	114.50p	-		Note 3
Sean McDonough	300,000	-	-	-	300,000	18.75p	-		Note 1
	635,960	-	-	-	635,960	36.50p	-		Note 2
	-	210,000	-	-	210,000	114.50p	-		Note 3
Tim Sykes	451,842	-	-	-	451,842	43.00p	-	6 June 2007	25 May 2016
	75,000	-	-	-	75,000	18.75p	-		Note 1
	635,960	-	-	-	635,960	36.50p	-		Note 2
	-	210,000	-	-	210,000	114.50p	-		Note 3

The aggregate gain made by current directors on the exercise of share options was £Nil (2015: £194,000).

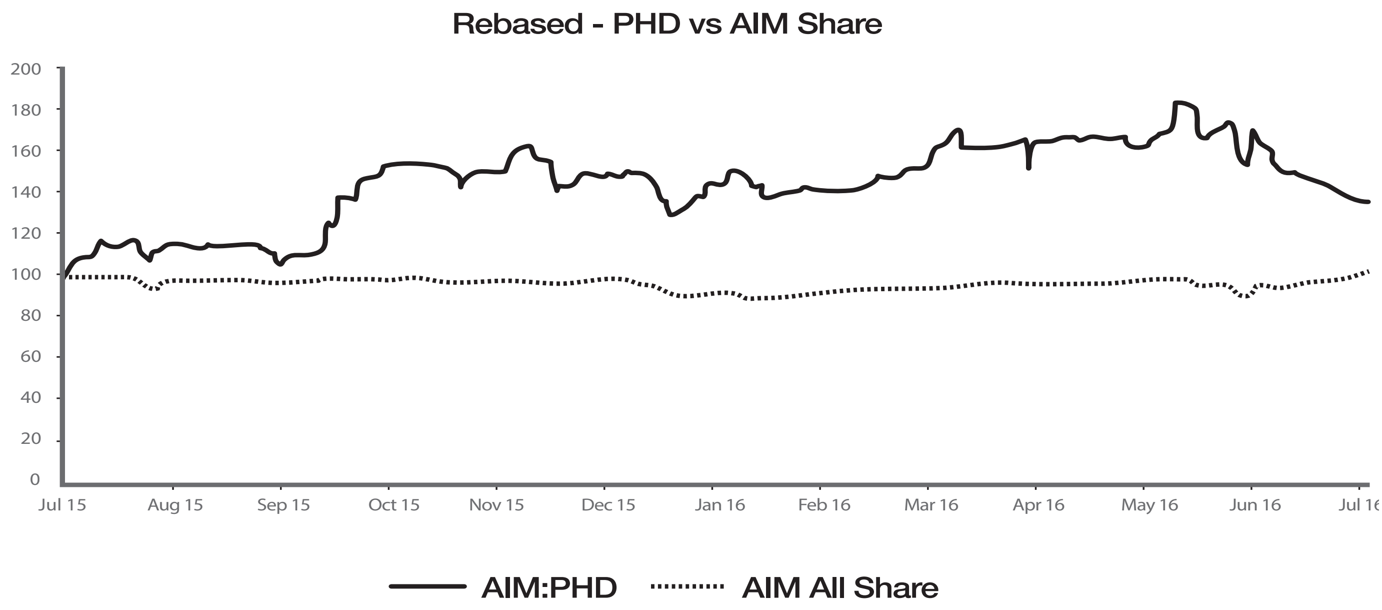
Note 1 – Each of the directors' options were granted on 29 September 2008 and vested as to one third on each anniversary of the date of grant of the option for each of the three years following the date of grant of the option, conditional upon the share price performance of the Company being better than the AIM all share index. Each option must be exercised by 28 September 2018.

Note 2 – Each of the directors' options were granted on 14 January 2014 and vest as to one third on the occurrence of each of the following events:
First tranche: the average closing mid-market share price of the Company being 60p;
Second tranche: the average closing mid-market share price of the Company being 75p; and
Third tranche: the average closing mid-market share price of the Company being 90p. In the case of Tim Sykes, the third tranche has a second condition related to the proportion of his time spent providing services to the Company.

Note 3 – Each of the directors' options were granted on 12 February 2016 and vest as to one third on each anniversary of the date of grant of the option for each of the three years following the date of grant of the option. Each option must be exercised by 12 February 2026.

Performance graph

The following graph shows the Company's share price (rebased) compared with the performance of the FTSE AIM all share (rebased) for the year to 31 July 2016.



The Committee has selected the above index because it is most relevant for a company of PROACTIS' size and sector.

On behalf of the Board

Rodney Potts, Chair of the Remuneration Committee

11 October 2016

Corporate Governance

Code on Corporate Governance
Whilst the Company is listed on AIM, it is not required to adopt the provisions of the 2014 UK Corporate Governance Code published by the Financial Reporting Council ("the Combined Code"). However, the Board is committed to the maintenance of high standards of corporate governance and after due consideration it has adopted many aspects of the Combined Code as described below.

The Board of Directors and Committees of the Board of Directors
The Board, which is headed by the Chairman who is non-executive, comprises one other non-executive and three executive members as at 31 July 2016. The Board met regularly throughout the year with ad hoc meetings being held also. The role of the Board is to provide leadership of the Company and to set strategic aims but within a framework of prudent and effective controls which enable risk to be managed.

The Board has agreed the Schedule of Matters reserved for its decision which includes ensuring that the necessary financial and human resources are in place to meet its obligations to its shareholders and others. It also approves acquisitions and disposals of businesses, major capital expenditure, the annual financial budgets and recommends interim and final dividends.

It receives recommendations from the Audit Committee in relation to the appointment of auditors, their remuneration and the policy relating to non-audit services. The Board agrees the framework for executive directors' remuneration with the Remuneration Committee and determines fees paid to non-executive directors. Board papers are circulated before Board meetings in sufficient time to be meaningful.

The division of responsibilities between the Chairman and the Chief Executive Officer is clearly defined. The Chairman's primary responsibility is ensuring the effectiveness of the Board and setting its agenda. The Chairman has no involvement in the day-to-day business of the Group. The Chief Executive Officer has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group.

The performance of the Board is evaluated on an ongoing basis with reference to all aspects of its operation including, but not limited to: the appropriateness of its skill level; the way its meetings are conducted and administered (including the content of those meetings); the effectiveness of the various Committees; whether Corporate Governance issues are handled in a satisfactory manner; and, whether there is a clear strategy and objectives.

A new director, on appointment, is briefed on the activities of the Company. Professional induction training is also given as appropriate. The Chairman briefs non-executive directors on issues arising at Board meetings if required and non-executive directors have access to the Chairman at any time. Ongoing training is provided as needed. Directors are continually updated on the Group's business and on issues covering insurance, pensions, social, ethical, environmental and health and safety by means of Board presentations.

In the furtherance of his duties or in relation to acts carried out by the Board or the Company, each director has been informed that he is entitled to seek independent professional advice at the expense of the Company. The Company maintains appropriate cover under a Directors and Officers insurance policy if legal action is taken against any director.

The non-executive directors are considered by the Board to be free to exercise independence of judgement. They have never been employees of the Company nor do they participate in any of the Company's pension schemes or bonus arrangements. They receive no other remuneration from the Company other than their fees.

It is recognised that the Combined Code does not treat the Chairman as independent due to his shareholding and it is considered best practice that he should not sit on the Audit or Remuneration Committees. However the Board takes the view that as the number of non-executive directors is only three, including the Chairman, and as the Chairman does not chair either of those Committees, his participation will continue as each of the Committees gain the benefit of his external expertise and experience in areas which the Company considers important.

The table below shows the number of Board, Audit Committee and Remuneration Committee meetings held during the year from the date of the approval of the last set of financial statements to the date of approval of these financial statements and the attendance of each director.

	Board meetings		Committee meetings			
			Audit		Remuneration	
	Possible	Attended	Possible	Attended	Possible	Attended
Non-executive Directors						
Alan Aubrey	9	9	1	1	3	3
Rodney Potts	9	8	1	1	3	3
Executive Directors						
Rod Jones	9	9	-	-	-	-
Sean McDonough	9	9	-	-	-	-
Tim Sykes	9	9	-	-	-	-

The Audit Committee

The Audit Committee ("the Committee") is established by and is responsible to the Board. It has written terms of reference. Its main responsibilities are:

- **to monitor and be satisfied with the truth and fairness of the Company's financial statements before submission to the Board for approval, ensuring their compliance with the appropriate accounting standards and the law;**
- **to monitor and review the effectiveness of the Company's system of internal control;**
- **to make recommendations to the Board in relation to the appointment of the external auditors and their remuneration, following appointment by the shareholders in general meeting, and to review and be satisfied with the auditors' independence, objectivity and effectiveness on an ongoing basis; and**
- **to implement the policy relating to any non-audit services performed by the external auditors.**

Alan Aubrey is the Chair of the Committee. The other member of the Committee is Rodney Potts who is a non-executive director, having gained wide experience in regulatory and risk issues. The Committee is authorised by the Board to seek and obtain any information it requires from any officer or employee of the Company and to obtain external legal or other independent professional advice as is deemed necessary by it.

Meetings of the Committee are held normally once a year to coincide with the external audit and observations arising from their work in relation to internal control and to review the financial statements. The external auditors meet with the Audit Committee with management being present at least once a year.

The Committee carries out a full review of the year-end financial statements and of the audit, using as a basis the Report to the Audit Committee prepared by the external auditors and taking into account any significant accounting policies, any changes to them and any significant estimates or judgments. Questions are asked of management of any significant or unusual transactions where the accounting treatment could be open to different interpretations.

The Committee receives reports from management on any shortfall in the system of internal controls as and when such matters are identified. It also receives from the external auditors a report of matters arising during the course of the audit which the auditors deem to be of significance for the Committee's attention. The statement on internal controls and the management of risk, which is included in the annual report, is approved by the Committee.

The 1998 Public Interest Disclosure Act ("the Act") aims to promote greater openness in the workplace and ensures "whistle blowers" are protected. The Company maintains a policy in accordance with the Act which allows employees to raise concerns on a confidential basis if they have reasonable grounds in believing that there is serious malpractice within the Company.

The policy is designed to deal with concerns, which must be raised without malice and in good faith, in relation to specific issues which are in the public interest and which fall outside the scope of other Company policies and procedures. There is a specific complaints procedure laid down and action will be taken in those cases where the complaint is shown to be justified. The individual making the disclosure will be informed of what action is to be taken and a formal written record will be kept of each stage of the procedure.

The external auditors are required to give the Committee information about policies and processes for maintaining their independence and compliance regarding the rotation of audit partners and staff. The Committee considers all relationships between the external auditors and the Company to ensure that they do not compromise the auditors' judgement or independence particularly with the provision of non-audit services.

The Remuneration Committee

The Remuneration Committee, which is chaired by Rodney Potts, also comprises Alan Aubrey, the non-executive Chairman, and meets when required, but meets at least once a year with the Chief Executive Officer in attendance as appropriate. It has written terms of reference. The Committee agrees the framework for executive directors' remuneration with the Board.

Re-election

Directors are subject to election at the Annual General Meeting following their appointment and are subject to re-election at least every three years.

Shareholder communications

The Chairman, Chief Executive Officer and the Chief Financial Officer regularly meet with institutional shareholders to foster a mutual understanding of objectives.

The directors encourage the participation of all shareholders, including private investors, at the Annual General Meeting and as a matter of policy the level of proxy votes (for, against and vote withheld) lodged on each resolution is declared at the meeting.

The Financial Statements are published on the company's website, www.proactis.com, and can be accessed by shareholders.

Internal controls

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group highlights potential financial and non-financial risks which may impact on the business as part of the monthly management reporting procedures. The Board receives these monthly management reports and monitors the position at Board meetings.

The Board confirms that there are ongoing processes for identifying, evaluating and mitigating the significant risks faced by the Group and that these processes are consistent with the guidance for directors on internal control issued by the Turnbull Committee.

The Group's internal financial control and monitoring procedures include:

- **clear responsibility on the part of line and financial management for the maintenance of good financial controls and the production of accurate and timely financial management information;**
- **the control of key financial risks through appropriate authorisation levels and segregation of accounting duties;**
- **detailed monthly budgeting and reporting of trading results, balance sheets and cash flows, with regular review by management of variances from budget;**
- **reporting on any non-compliance with internal financial controls and procedures; and**
- **review of reports issued by the external auditors.**

The Audit Committee on behalf of the Board reviews reports from the external auditors together with management's response regarding proposed actions. In this manner they have reviewed the effectiveness of the system of internal controls for the period covered by the accounts.

Statement Of Directors' Responsibilities In Respect Of The Strategic Report, The Directors' Report And The Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- **select suitable accounting policies and then apply them consistently;**
- **make judgements and estimates that are reasonable and prudent;**
- **for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;**
- **for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and**
- **prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.**

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

Independent Auditor Report to the Members of PROACTIS Holdings PLC

We have audited the financial statements of PROACTIS Holdings PLC for the year ended 31 July 2016 set out on pages 28 to 53. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Opinion on financial statements

In our opinion:

- **the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2016 and of the group's profit for the year then ended;**
- **the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;**
- **the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.**

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

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

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

Johnathan Pass (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Sovereign Square
Sovereign Street
Leeds
LS1 4DA
11 October 2016

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

	Notes	2016 £000	2015 £000
Revenue		**19,374**	17,219
Cost of sales		**(3,401)**	(3,378)
Staff costs	3	**(8,877)**	(6,810)
Other operating expenses		**(2,495)**	(3,008)
Depreciation of property, plant and equipment	11	**(224)**	(153)
Amortisation of intangible assets	12	**(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	5	**(579)**	(520)
Amortisation of customer related intangible assets	12	**(648)**	(618)
Share based payment charges	4	**(118)**	(146)
Operating profit	6	**1,882**	1,582
Finance income	7	**6**	11
Finance expenses	8	**(87)**	(72)
Profit before taxation		**1,801**	1,521
Income tax credit	9	**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
Earnings per ordinary share:			
- Basic	10	**6.3p**	5.2p
- Diluted	10	**5.9p**	4.9p

All of the Group's operations are continuing. The following notes form an integral part of these financial statements.

Consolidated Balance Sheet as at 31 July 2016

	Notes	2016 £000	2015 £000
Non-current assets			
Property, plant & equipment	11	**391**	364
Intangible assets	12	**21,613**	16,613
Deferred tax asset	17	**500**	154
		22,504	17,131
Current assets			
Trade and other receivables	13	**4,182**	3,274
Cash and cash equivalents	14	**3,595**	3,424
		7,777	6,698
Total assets		**30,281**	23,829
Current liabilities			
Trade and other payables	15	**2,769**	2,087
Deferred income	16	**7,929**	5,533
Income taxes		**270**	295
Borrowings	20	**1,393**	650
		12,361	8,565
Non-current liabilities			
Deferred income	16	**473**	225
Deferred tax liabilities	17	**1,819**	2,304
Borrowings	20	**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	18	**3,983**	3,941
Share premium account	19	**5,962**	5,840
Merger reserve	19	**556**	556
Capital reserve	19	**449**	449
Foreign exchange reserve	19	**(1,073)**	(281)
Retained earnings		**3,095**	967
Total equity		**12,972**	11,472

The following notes form an integral part of these financial statements.

The financial statements on pages 28 to 53 were approved by the Board of Directors on 11 October 2016 and signed on its behalf by:

Rod Jones - Chief Executive Officer Tim Sykes - Chief Financial Officer

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**

Details of the nature of each component of equity are given in Note 19.

Consolidated Cash Flow Statement for the year ended 31 July 2016

	Notes	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		**5,192**	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	25	**(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**	248
Cash and cash equivalents at the beginning of the year		**3,424**	3,124
Cash and cash equivalents at the end of the year	14	**3,595**	3,424

The following notes form an integral part of these financial statements.

1 Accounting policies

Significant accounting policies

PROACTIS Holdings PLC (the 'Company') is a public company incorporated and domiciled in the United Kingdom, with subsidiary undertakings in the United States and Australia. The address of its registered office is 1 Riverview Court, Castle Gate, Wetherby, LS22 6LE.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Company financial statements present information about the Company as a separate entity and not about its Group.

The Group is principally engaged in the development and sale of business software, installation and related services.

The following paragraphs summarise the significant accounting policies of the Group, which have been applied consistently in dealing with items which are considered material in relation to the Group's consolidated financial statements.

Basis of preparation

The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 as applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The Company has elected to prepare its Company financial statements in accordance with FRS 101 "Reduced Disclosure Framework" ("FRS 101").

The financial statements are presented in pounds sterling, which is the functional currency of the parent company and the presentational currency of the Group, and in round thousands.

The Consolidated Financial Statements are presented in sterling, rounded to the nearest thousand.

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.

Judgements made by management in the application of IFRSs that have a significant effect on the Group financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 23.

After making enquiries, the directors have confidence that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Report & Accounts.

New standards, amendments to standards or interpretations
The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements.

Standards in effect in 2016

- **IFRS 10 and IAS 28 (amendments), 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'**
- **IFRS 10, IFRS 12 and IAS 28 (amendments), 'Investment Entities: Applying the Consolidation Exemption'**
- **IFRS 11 (amendments), 'Accounting for Acquisitions of Interests in Joint Operations'**
- **IAS 1 (amendments), 'Disclosure Initiative'**
- **Annual improvements to IFRS 2010-2012**

None of these had a material impact on these financial statements.

No new standards becoming effective and applied in the current year have had a material impact on the financial statements.

IFRS in issue but not applied in the current financial statements
The following IFRS and IFRIC Interpretations have been issued but have not been applied by the Company in preparing these financial statements as they are not as yet effective. The Company intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early.

- **IFRS 9, 'Financial instruments', effective date 1 January 2018 (not yet adopted by the EU)**
- **IFRS 15, 'Revenue from Contracts with Customers', effective date 1 January 2018 (not yet adopted by the EU)**
- **IAS 16 and IAS 41 (amendments), 'Clarification of Acceptable Methods of Depreciation and Amortisation'**
- **IAS 16 and IAS 41 (amendments), 'Agriculture: Bearer Plants'**
- **IAS 27 (amendments), 'Equity Method in Separate Financial Statements'**
- **Annual Improvements to IFRSs: 2012-2015 – various clarifications**
- **IFRS 16 'Leases'**

It is expected that IFRS 9 will impact both the measurement and disclosure of financial instruments and IFRS 15 will have an impact on revenue recognition and related disclosures. IFRS 16 will impact the classification of operating leases. Beyond this, it is not practicable to provide a reasonable estimate of the effect of IFRS 9, IFRS 15 and IFRS 16 until a detailed review has been completed.

A number of IFRS and IFRIC interpretations are also currently in issue which are not relevant for the Company's activities and which have not therefore been adopted in preparing these financial statements.

The Group continues to monitor the potential impact of other new standards and interpretations which may be endorsed by the European Union and require adoption by the Group in future reporting periods.

The following principal accounting policies have been applied consistently to all periods presented in these Group financial statements.

Basis of consolidation

Subsidiaries are entities controlled by the Company. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and its ability to affect those returns through its power to direct the activities of the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated fully on consolidation.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are recognised in the statement of comprehensive income.

Property, plant and equipment
Property, plant and equipment are held at cost less accumulated depreciation and impairment charges. Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of property, plant and equipment over their estimated useful lives as follows:

Computer equipment – 10 to 50%
Office fixtures and fittings – 10 to 25%

Intangible assets – Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Acquired intangible assets – business combinations
Intangible assets that are acquired as a result of a business combination but that can be separately measured at fair value on a reliable basis are separately recognised on acquisition at their fair value. Amortisation is charged on a straight-line basis to the consolidated statement of comprehensive income over their expected useful economic lives. For the Groups' intangible assets this has been assessed to be between 3 and 25 years (2015: between 3 and 25 years) depending on the individual asset.

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment when events or a change in circumstances indicate that the carrying amount may not be recoverable.

Research and development
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, the Group can demonstrate all of the following:

- **the technical feasibility of completing the intangible asset so that it will be available for use or sale;**
- **its intention to complete the intangible asset and use or sell it;**
- **its ability to use or sell the intangible asset;**
- **how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;**
- **the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and**
- **its ability to measure reliably the expenditure attributable to the intangible asset during its development.**

Internally generated intangible assets are amortised over their useful economic life, over a period not exceeding five years (2015: five years). Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment
The carrying amount of the Group's non-financial assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated statement of comprehensive income.

An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. For the purposes of assessing impairments, assets are grouped at the lowest levels for which there are identifiable cash flows.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets of the unit (group of units) on a pro-rata basis.

Trade and other receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Financial assets
The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired: Fair value through profit or loss: These assets are carried in the balance sheet at fair value with changes in the fair value recognised in the consolidated statement of comprehensive income.

Loans and receivables: These assets are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (trade debtors). They are carried at amortised cost using the effective interest method.

Cash and cash equivalents: These assets comprise cash balances held by the Group.

Financial liabilities
Financial liabilities are comprised of trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. The Group derives revenue from the sale of software as a perpetual licence, the provision of software as a service and also complimentary managed services, consultancy, support and hosting services.

Sale of software as a perpetual licence – the Group recognises the revenue capable of being allocated to perpetual software licences, at the time of an initial sale or subsequently as an upsell, when all the following conditions have been satisfied:

- **The Group has transferred to the buyer the significant risks and rewards of ownership of the licence;**
- **The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;**
- **The amount of revenue can be measured reliably;**
- **It is probable that the economic benefits associated with the transaction will flow; and**
- **The costs incurred or to be incurred in respect of the transaction can be measured reliably.**

Provision of Software as a Service – revenue from provision of Software as a Service under contracts, at the time of an initial sale or subsequently as an upsell, with extended terms which combine software and support service elements are recognised evenly over the period to which the services relate. Customers pay a fee quarterly (generally) for a defined contractual term, normally three or five years, and the contracts provide the customer with current software products, rights to received unspecified future software products and rights to support services during the term of the contract. This policy reflects the continuous nature of the transfer of value to the customer. Revenue invoiced but not recognised in the income statement under this policy is classified as deferred income in the balance sheet.

Consultancy services – revenue capable of being allocated to consultancy services is recognised when the service is performed.

Support services – revenue capable of being allocated to support services is recognised on a straight-line basis over the term of the support contract. Revenue invoiced but not recognised in the income statement under this policy is classified as deferred income in the balance sheet.

Hosting Services – revenue capable of being allocated to hosting services is recognised on a straight-line basis over the term of the hosting contract. Revenue invoiced but not recognised in the income statement under this policy is classified as deferred income in the balance sheet.

In the case where a single contract involves the combination of any or all of sale of software as a perpetual licence, provision of Software as a Service, consultancy services and support services and hosting services, the amount of consideration is derived from an assessment of the fair value of each of the individual constituent elements of the goods and services provided. The revenue allocated to each element is recognised as outlined above. The Group is able to reliably measure the fair value of each element of these contracts using a combination of factors including the contract price agreed with the client, through consideration of the relative value of each element of the contract and through the contract price charged for those elements in similar circumstances with other clients.

The Group utilises business partners to access certain markets as distributors. Where a business partner sells the Group's products or services, the sale is treated as revenue by the Group and the commission payable to the business partner is treated as a cost of sale.

Following the acquisition of the entire issued share capital of Intesource Inc. on 2 June 2014, a material proportion of the origin and destination of revenue now arises in the US, although all of the Group's revenue continues to relate to one class of business.

Leases

Leases where the lessor retains substantially all of the risks and rewards of ownership are classified as operating leases. Payments made under operating lease rentals are charged to the income statement on a straight line basis over the term of the lease.

Post-retirement benefits

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the income statement represents the contributions payable to the scheme in respect of the accounting period.

Share based payments

The fair value of awards to employees that take the form of shares or rights to shares is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which an asset can be utilised.

Notes to the Consolidated Financial Statements

2 Operating segments

The Group determines and presents operating segments based on the information that internally is provided to the Board of Directors, which is considered to be the Group's chief operating decision maker.

IFRS 8 requires consideration of the Chief Operating Decision Maker ("CODM") within the Group. In line with Group's internal reporting framework and management structure, the key strategic and operating decisions are made by the Board of Directors, which reviews internal monthly management reports, budget and forecast information as part of this. Accordingly the Board of Directors is deemed to be the CODM.

Operating segments have then been identified based on the internal reporting information and management structures within the Group and take into consideration the relative size of the operation. The Board has determined there is one reportable operating segment. As the Group continues to develop and expand, the number of reportable segments will be kept under review.

The table below shows a segmental analysis of revenue and gross assets, based on the location of the customer which is not materially different from the location where the order is received.

	2016 Revenue %	**2016 Gross assets £000**	2015 Revenue %	2015 Gross assets £000
Europe	**73**	**23,467**	70	17,565
United States	**27**	**6,814**	30	6,264

There are no customers who represent more than 10% of revenue for the current or prior year.

3 Employees and Directors' remuneration

	2016 £000	2015 £000
Staff costs :		
- Wages and salaries	**9,270**	7,345
- Social security costs	**1,032**	801
- Other pension costs	**224**	175
- Share based payments	**118**	146
	10,644	8,467
Amounts capitalised within Development costs and Software for own use (note 12)	**(1,767)**	(1,657)
	8,877	6,810
Average number of employees (including directors) during the year		
- Sales and production	**138**	118
- Administrative	**22**	16
	160	134

Details of Directors' remuneration subject to audit are provided in the Directors' remuneration report.

4 Share based payments

The Group operates two Inland Revenue approved executive incentive plans (EMI scheme and EMI rollover scheme), and an unapproved share option plan (unapproved scheme). Details of the option grants remaining unexercised at 31 July 2016 are given below:

Grant date	Employees entitled	Number of options granted	Performance conditions	Exercise price (p)	Earliest exercise date	Expiry date
26 May 2006	1	50,000	None	4.80	27 May 2006	26 May 2016
26 May 2006	1	451,842	Time served	43.00	1 December 2006	26 May 2016
29 September 2008	3	550,000	Time served and share price performance	18.75	29 September 2009	28 September 2018
28 September 2010	6	52,500	Time served and share price performance	34.00	28 September 2011	27 September 2019
21 October 2013[1]	4	23,335	Time served and share price performance	30.50		Note 1
14 January 2014[2]	3	1,907,880	Share price performance	36.50		Note 2
16 May 2014[3]	1	50,000	Time served	52.50		Note 3
2 June 2014[4]	4	200,000	Time served	49.00		Note 4
1 August 2014[5]	1	25,000	Time served	49.00		Note 5
1 August 2014[5]	2	100,000	Time served	56.00		Note 5
4 November 2015[6]	5	325,000	Time served	127.50		Note 6
12 February 2016[7]	4	680,000	Time served	114.50		Note 7

Note 1: 13,336 options vest on 21 October 2016. These options must be exercised on or before 21 October 2023.
Note 2: See page 14. These options have vested.
Note 3: These options have vested and must be exercised on or before 7 February 2024.
Note 4: These options have vested and must be exercised on or before 2 June 2024.
Note 5: These options have vested and must be exercised on or before 1 August 2024.
Note 6: These options vest as to one third on the first anniversary of the date of grant, as to one third on the second anniversary of the date of grant and as to one third on the third anniversary of the date of grant. These options must be exercised on or before 3 November 2025.
Note 7: These options vest as to one third on the first anniversary of the date of grant, as to one third on the second anniversary of the date of grant and as to one third on the third anniversary of the date of grant. These options must be exercised on or before 11 February 2026.

4 Share based payments (continued)

The number and weighted average exercise price of share options are as follows:

	2016 Weighted average exercise price (p)	**2016 Number of options (number)**	2015 Weighted average exercise price (p)	2015 Number of options (number)
Outstanding at start of year	**35.8**	**3,838,058**	34.0	4,399,723
Granted during the year	**118.7**	**1,005,000**	53.7	150,000
Exercised during the year	**39.2**	**(417,501)**	27.1	(661,665)
Lapsed during the year	**34.0**	**(10,000)**	24.0	(50,000)
Outstanding at end of the year	**54.5**	**4,415,557**	35.8	3,838,058
Exercisable at end of the year	**36.9**	**3,447,221**	36.1	3,654,722

Options outstanding at 31 July 2016 have exercise prices in the range 4.8p to 127.5p.
During the current and prior period, the Group has not granted equity as consideration for goods or services received.

Fair value assumptions of share based payments

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of fair value is measured using the Black-Scholes model. The following assumptions were used to determine fair value of the options:

	Black Scholes
Weighted average share price at grant date (pence)	118.7
Exercise price (pence)	118.7
Expected volatility (%)	39.6%
Average option life (year)	6.0
Expected dividend (%)	1.0%
Risk free interest rate (%)	1.0%

The expected volatility is based on the historic volatility of the company's share price.

Charge to the income statement

The charge to the income statement comprises:

	2016 £000	2015 £000
Share based payment charges	**118**	146

5 Non-recurring administrative expenses

	2016 £000	2015 £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

Following the acquisitions of EGS Holdings Limited, Intesource Inc, Intelligent Capture Limited and Due North Limited and a strategic review of some of the operations of the Group, the Directors have made and announced a number of strategic decisions including the transferring of the day to day management of the Group's Indian and Asia Pacific interests back to the UK, the closing of one of the Group's UK offices, the restructuring of elements of the Group's management team and the centralising of the UK operations. The implementation of these decisions has been completed or is in the process of being implemented and the actual and estimated costs of that implementation are included within non-recurring administrative costs above.

6 Operating profit

	2016 £000	2015 £000
Operating profit is stated after charging :		
Depreciation of property, plant and equipment	**224**	153
Amortisation of software for own use and development costs (see note 12)	**1,847**	1,670
Amortisation of customer related intangible assets (see note 12)	**648**	618
Operating lease rentals:		
- Land and buildings	**351**	324
- Other equipment	**3**	-

Auditor's remuneration:		
Audit of these financial statements	**31**	31
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	**30**	23
- Other services relating to taxation	**20**	14

7 Finance income

	2016 £000	2015 £000
Bank interest receivable	6	11

8 Finance expenses

	2016 £000	2015 £000
Bank interest	84	69
Other interest	3	3
	87	72

9 Taxation

Recognised in the income statement

	2016 £000	2015 £000
Current tax		
Current year	**230**	244
Adjustment in respect of prior periods	**(83)**	(151)
Total current tax	**147**	93
Deferred tax		
Released during the current year	**(230)**	(315)
Recognised in current year	**(601)**	(273)
Total deferred tax	**(831)**	(588)
Total tax in income statement	**(684)**	(495)

Reconciliation of effective tax rate

	2016 £000	2015 £000
Profit before tax for the period	**1,801**	1,521
Tax using the UK corporation tax rate of 20% (2015: 20%)	**360**	304
Effect of differential foreign tax rates	**92**	-
Adjustments in respect of prior periods	**(83)**	[1](151)
Disallowable net expenses	**103**	174
Utilisation of losses[2]	**(88)**	(234)
Effect of change in tax base of foreign operations[3]	**(292)**	-
Effect of losses not recognised as deferred tax assets	**105**	-
Relief from governmental tax incentives	**(50)**	-
Effect of losses recognised as deferred tax assets[4]	**(346)**	(263)
Effect of change in tax rates on deferred tax (see below)	**(230)**	-
Effect on deferred tax of other movements	**(255)**	(325)
Total tax (income)	**(684)**	(495)

Note 1: This item 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 being 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.

Reduction in the UK corporation tax rate from 20 per cent to 19 per cent (effective from 1 April 2017) and to 18 per cent (effective 1 April 2020) were substantively enacted on 26 October 2015. In future, this will reduce the Group's current tax charge accordingly. In accordance with accounting standards, the effect of these rate reductions on deferred tax balances has been reflected in these financial statements, dependent upon when temporary timing differences are likely to reverse.

In his budget of 16 March 2016, the Chancellor of the Exchequer announced that the UK corporation tax rate will reduce to 17 per cent (effective 1 April 2020). This will supersede the rate of 18 per cent already enacted. This announced reduction in rate is not expected to significantly affect the deferred tax assets and liabilities of the Group.

10 Basic and diluted earnings 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
Post tax effect of non-recurring administrative expenses	**507**	400
Post tax effect on customer related intangible assets	**508**	559
Post tax effect of share based payment charges	**118**	146
Non-recurring tax factors	**(751)**	(739)
Post tax effect of 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

11 Property, plant and equipment

	Computer equipment £000	Office fixtures & fittings £000	Motor vehicles £000	**Total £000**
Cost				
At 31 July 2014	416	226	26	**668**
Additions	174	61	-	**235**
On acquisitions	110	13	-	**123**
Disposals	(169)	(145)	(26)	**(340)**
At 31 July 2015	531	155	-	**686**
Additions	85	84	-	**169**
On acquisitions	177	47	-	**224**
Disposals	(70)	(3)	-	**(73)**
At 31 July 2016	723	283	-	**1,006**
Depreciation				
At 31 July 2014	279	205	16	**500**
Charge for the year	116	36	1	**153**
Disposals	(169)	(145)	(17)	**(331)**
At 31 July 2015	226	96	-	**322**
Charge for the year	180	44	-	**224**
On acquisitions	100	42	-	**142**
Disposals	(70)	(3)	-	**(73)**
At 31 July 2016	436	179	-	**615**
Net book value				
At 31 July 2015	305	59	-	364
At 31 July 2016	**287**	**104**	**-**	**391**

12 Intangible assets

	Goodwill £000	Customer related intangibles £000	Development costs £000	Software for own use £000	Total £000
Cost					
At 31 July 2014	2,742	10,369	6,416	1,089	**20,616**
Internally developed	-	-	1,400	585	**1,985**
On acquisitions	577	974	-	-	**1,551**
At 31 July 2015	3,319	11,343	7,816	1,674	**24,152**
Additions	-	-	-	304	**304**
Internally developed	-	-	1,465	610	**2,075**
On acquisitions	4,533	583	-	-	**5,116**
At 31 July 2016	7,852	11,926	9,281	2,588	**31,647**
Amortisation and impairment					
At 31 July 2014	-	1,251	3,919	81	**5,251**
Amortisation for the year	-	618	1,177	493	**2,288**
At 31 July 2015	-	1,869	5,096	574	**7,539**
Amortisation for the year	-	648	1,294	553	**2,497**
At 31 July 2016	-	2,517	6,390	1,127	**10,034**
Carrying amounts					
At 31 July 2015	3,319	9,474	2,720	1,100	16,613
At 31 July 2016	**7,852**	**9,409**	**2,891**	**1,461**	**21,613**

Goodwill and customer related intangibles have arisen on the acquisitions of Due North in February 2016 (provisional goodwill £4,533,000), Intelligent Capture in August 2014 (goodwill £577,000), EGS Group in February 2014 (goodwill £150,000), Intesource in June 2014 (goodwill £1,502,000) and Requisoft and Alito in 2007 (goodwill £1,090,000). The value is attributed to the cash-generating-units (CGUs) in accordance with this except in the case of Requisoft and Alito which are assessed on the group CGU because their cash flows are not monitored separately to the group. The group tests these assets annually for impairment or more frequently if there are indications that an impairment may have occurred.

The recoverable amount of these assets is assessed against their value in use according to the CGU to which they relate. The key assumptions for these value in use calculations are set out below. The value in use calculations are based upon detailed budgets and forecasts prepared over a 20 year period, followed by an extrapolation of expected cash flows at growth rates given below, discounted at the rates provided below. The growth rate reflects a prudent estimate of the long-term growth rate for each cash generating unit. The discount rates reflect the different risk profiles the Directors attach to each income stream. The directors have reviewed the recoverable amount of the CGUs and do not consider there to be any indication of impairment.

	2016 %	2015 %
Long term growth rate	**2.50**	2.50
Discount rate (post tax rate) Group CGU	**8.65**	9.35
Discount rate (post tax rate) EGS CGU	**13.00**	13.00
Discount rate (post tax rate) Intesource CGU	**13.00**	13.00
Discount rate (post tax rate) Intelligent Capture CGU	**15.00**	15.00
Discount rate (post tax rate) Due North CGU	**15.00**	-

The Directors' key assumptions relate to revenue growth, length of contract, gross and operating margins and discount rate. Sensitivity analysis has been performed and a reasonably possible change in the key assumptions would not cause the carrying amount to exceed the recoverable amount of each CGU.

The Directors determine the initial recognition of development costs and software for own use by reference to the amount of time spent by relevant staff on development, subject to the expectation that the development will be completed and there will either be an external market for the development or the asset will be used internally to assist in generating future economic benefits. The Directors currently consider that only 80% of the direct salary costs of the Group's development teams and all of the costs of development resource bought in from third parties and, in addition, 20% of the direct salary costs of an element of its implementation and support team resource meet the criteria to be capitalised. This estimate has not changed during this or the previous financial year. This estimate is a significant judgement and a change in that estimate could materially affect the amount of development cost capitalised during the year.

Amortisation and impairment
The amortisation charge is recognised in the following line items in the income statement:

	2016 £000	2015 £000
Development costs	**1,294**	1,177
Customer related intangible assets	**648**	618
Software for own use	**553**	493
	2,495	2,288

Development costs, customer related intangibles and software for own use is amortised on a straight line basis over their useful life, which is the period during which they are expected to generate revenue. The estimated useful life of development costs and software for own use is three years (2015: 3 years) which resulted in an amortisation charge of £1,294,000 (2015: £1,177,000) and £553,000 (2015: £493,000) respectively. The Director's currently consider that three years is a suitably short estimate of the useful economic life of the development costs capitalized because of the fast rate of change of technological advancement and market demand and this estimate has not changed during this or the previous financial year. This estimate is a significant judgement and a change in that estimate could materially affect the associated charge to amortization during the year. During September 2011 a customer list was acquired for consideration of £160,000 and this is being amortised over the useful life of five years (2015: 5 years) and resulted in an amortisation charge of £35,000 (2015: £35,000). The estimated useful life of the customer related intangible assets of Due North limited is 10 years and that of other customer related intangible assets is 25 years (2015: 25 years). This has resulted in a charge of £648,000 (2015: £583,000).

13 Trade and other receivables

	2016 £000	2015 £000
Trade receivables (net of impairment of £55,000, 2015: £38,000)	**2,677**	2,202
Prepayments and accrued income	**1,505**	1,072
	4,182	3,274

Included within trade and other receivables is £Nil (2015: £Nil) expected to be recovered in more than 12 months.

Trade and other receivables denominated in currencies other than sterling comprise £456,000 (2015: £613,000) of trade receivables denominated in US dollars, £139,000 (2015: £34,000) denominated in Euros and £70,000 (2015: £8,000) denominated in Australian dollars. The fair values of trade and other receivables are the same as their book values.

The movement on the Group's provisions against trade receivables is as follows:

	2016 £000	2015 £000
At the start of the year	**38**	116
On acquisitions	**9**	-
Utilised in the period against uncollectable amounts	**(16)**	(2)
Charged/(released) to the income statement	**24**	(76)
At the end of the year	**55**	38

Trade receivables that are past due are considered individually for impairment. The Group uses a monthly ageing profile as an indicator for impairment. The summarised ageing analysis of trade receivables past due but not impaired is as follows:

	2016 £000	2015 £000
Under 30 days overdue	**643**	789
Between 30 and 60 days overdue	**140**	71
Over 60 days overdue	**459**	208
	1,242	1,068

The other classes within trade and other receivables do not contain impaired assets.

14 Cash and cash equivalents

	2016 £000	2015 £000
Cash and cash equivalents	**3,595**	3,424

Cash and cash equivalents denominated in foreign currencies other than sterling comprise £1,056,000 (2015: £230,000) denominated in US dollars, £93,000 (2015: £5,000) denominated in Euros and £159,000 (2015: £45,000) in Australian dollars.

15 Trade and other payables

	2016 £000	2015 £000
Trade payables	**654**	458
Other taxes and social security	**763**	656
Accruals and other creditors	**1,352**	973
	2,769	2,087

Trade and other payables denominated in currencies other than sterling comprise £35,000 (2015: £22,000) of trade payables denominated in US dollars and £53,000 (2015: £10,000) in Australian dollars.

16 Deferred income

Deferred income arises from certain products and services sold by the Group. In return for a single upfront payment or series of upfront payments, the Group commits to a fixed term contract to provide those products and services to customers. In these circumstances, income is recognised evenly over the term of the contract.

Movement in the Group's deferred income liabilities during the current and prior year are as follows:

	2016 £000	2015 £000
Balance at the beginning of the period	**5,758**	5,454
On acquisitions	**903**	280
Income deferred to future periods	**7,130**	4,943
Release of income deferred from previous periods	**(5,389)**	(4,919)
	8,402	5,758

The deferred income liabilities fall due as follows:

Within one year	**7,929**	5,533
After more than one year	**473**	225
	8,402	5,758

Income recognised during the year is as follows:

Income received	**15,416**	11,359
Income deferred to future periods	**(7,130)**	(4,943)
Release of income deferred from previous periods	**5,389**	4,919
Income recognised in the year	**13,675**	11,335

17 Deferred tax assets and liabilities

Deferred tax assets and liabilities are analysed below and are disclosed as non-current assets or liabilities in the balance sheet.

Deferred tax asset	**2016 £000**	2015 £000
Trading losses arising in foreign operations	**500**	154

Deferred tax liabilities	**2016 £000**	2015 £000
On customer related intangible assets, development costs and software for own use	**2,939**	3,248
Share options	**(533)**	(357)
Trading losses	**(587)**	(587)
	1,819	2,304

Movement in deferred tax for the year ended 31 July 2016

	As at 31 July 2015 £000	Foreign exchange movements £000	Income statement £000	**As at 31 July 2016 £000**
Deferred tax assets				
Trading losses arising in foreign operations	154	-	346	**500**

	As at 31 July 2015 £000	On acquisitions £000	Income statement £000	**As at 31 July 2016 £000**
Deferred tax liabilities				
On customer related intangible assets, development costs and software for own use	3,248	-	(309)	**2,939**
Share options	(357)	-	(176)	**(533)**
Trading losses	(587)	-	-	**(587)**
	2,304	-	(485)	**1,819**

Deferred tax asset not recognised	**2016 £000**	2015 £000
UK tax, not recognised as future economic benefit is uncertain	**761**	675
US tax, not recognised as future economic benefit is uncertain	**830**	827

18 Share capital

	2016 £000	2015 £000
Allotted, called up and fully paid		
- 39,835,159 Ordinary shares of 10p each (2015: 39,417,658)	**3,983**	3,941

On various dates throughout the year, the Group issued a total of 417,501 Ordinary shares of 10p each at a weighted average price of 39.2p per share pursuant to the exercising of options by past and present employees or directors.

The Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The Group sets the amount of capital in proportion to risk.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

During 2016, the Group's strategy, which was unchanged from 2015, was to maximise net cash. Gross cash at 31 July 2016 was £3,595,000 (2015: £3,424,000).

Share option schemes

The Company operates three share option schemes; an EMI Rollover Scheme and an EMI Scheme (together 'the EMI schemes') and an Unapproved Option Scheme. At 31 July 2016, options had been granted (but not exercised) under the EMI schemes over a total of 2,190,732 Ordinary shares of the Company (5.5% of the issued share capital of the Company). At 31 July 2016, options had been granted (but not exercised) under the Unapproved Option Scheme over a total of 2,224,825 Ordinary shares of the Company (5.6% of the issued share capital of the Company).

19 Capital and reserves

Share premium

The Group has issued 471,501 Ordinary shares of 10p each during the year at a weighted average price of 39.2p per share, creating a share premium of £122,000.

Merger reserve

The merger reserve of £556,000 (2015: £556,000) arose from the application of merger accounting principles to the financial statements on implementation of the capital reorganisation of the Group during the year ended 31 July 2006. The Directors considered that this treatment was required for the accounts to present a true and fair view of the Group's results and financial position.

Capital reserve

The capital reserve arose on issue of share options as part of the consideration for the purchase of Alito (UK) Limited. The reserve is not distributable.
Foreign exchange reserve

The foreign exchange reserve arises through the translation of the net assets of the Group's US subsidiary undertakings, PROACTIS US Holdings Inc, PROACTIS Inc and Intesource Inc and the Group's Australian subsidiary, PROACTIS Pty Limited.

20 Financial risk management

Overview

The Group has exposure to the following risks:

- Credit risk
- Interest rate risk
- Currency risk
- Liquidity risk

This note presents information about the Group's exposure to each of the above risks and the Group's objectives and processes for managing this risk. Further disclosures are included throughout these consolidated financial statements.

Financial instruments policy

Treasury and financial risk policies are set by the Board and have remained unchanged from the previous period. All instruments utilised by the Group are for financing purposes. The day-to-day financial management and treasury function is controlled centrally for all operations. During the year the Group had no derivative transactions.

Financial assets and liabilities

The Group's financial instruments comprise cash and liquid resources, and various items such as trade receivables and trade payables that arise directly from its operations.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Interest rate risk

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 six months. At the year-end date there was no material exposure to movements in interest rates as borrowings are at a low level.

Liquidity risk management
The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring both forecast as well as actual cash flows to enable matching of the maturity profiles of financial assets and liabilities. Sufficient cash is retained to service short-term financing needs.

Currency risk
The Group is exposed to fluctuations in exchange rates as some of its future revenues will be denominated in foreign currencies, comprising US dollars, Euros and Australian Dollars. The Group seeks to remove this risk by invoicing in Sterling. Where this is not possible, the Group may hedge such transactions through foreign exchange forward contracts. There were no such contracts in place at 31 July 2016 or 31 July 2015.

Interest rate and currency profile

Financial assets	**2016 £000**	2015 £000
Loans and receivables:		
Trade receivables	**2,677**	2,202
Cash at bank	**3,595**	3,424
	6,272	5,626

Cash at bank attracted interest at floating rates, which were between 0.00% and 0.80% at the year-end (2015: 0.00% and 0.80%).

Financial liabilities	**2016 £000**	2015 £000
Trade payables	**654**	458
Other short term liabilities	**763**	656
Bank borrowings	**4,049**	1,913
	5,466	3,027

All of the financial assets and liabilities detailed above are recorded at amortised cost. Bank borrowings are in the form of a series of Term Loans repayable over four years at interest rates between 1.85% and 2.65% per annum above LIBOR. The Term Loans are secured by way of a debenture over the assets of the Group and has certain performance criteria related to its ongoing availability.

Maturity profile of financial liabilities	**2016 £000**	2015 £000
In one year or on demand	**2,810**	1,764
In one to two years	**1,293**	650
In two to five years	**1,363**	613
	5,466	3,027

Fair value of financial instruments
At 31 July 2016 the difference between the book value and the fair value of the Group's financial assets and liabilities was £Nil (2015: £Nil).

Sensitivity analysis
The Group is not materially exposed to changes in interest or exchange rates as at 31 July 2016.

21 Commitments

(a) Capital commitments
There were no capital commitments existing at 31 July 2016 or 31 July 2015.

(b) Operating leases commitments
Total future operating lease commitments at the balance sheet date are as follows:

	2016		2015	
	Land and buildings £000	**Other equipment £000**	Land and buildings £000	Other equipment £000
- Within one year	**358**	**10**	328	-
- Between one and two years	**313**	**10**	295	
- Between two and five years	**487**	**29**	712	-
- After more than five years	**78**	**-**	114	-
	1,236	**49**	1,449	-

The Group leases eight office facilities under operating leases. During the year £351,000 was recognised as an expense in the income statement in respect of operating leases (2015: £324,000).

22 Pensions

The Group operates a defined contribution pension scheme for its employees. The pension cost charge for the year represents contributions payable by the Group to the scheme and other personal pension plans and amounted to £214,000 (2015: £175,000). There were outstanding contributions at 31 July 2016 of £26,000 (2015: £18,000).

23 Accounting estimates and judgements

The Directors discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these polices and estimates. The accounting policies are set out in Note 1.

The Directors consider that the key judgements and sources of estimation made in preparation of the financial statements are:

Intangible fixed assets
A number of commercial and financial assumptions, judgements and estimates have been made to support the initial recognition and carrying amounts of the intangible asset categories of goodwill, customer related intangible assets, development costs and software for own use. These are described within note 12.

Revenue recognition
The Group's revenues are derived from the sale of software as a perpetual licence, provision of software as a service, managed services, consultancy services, support services and hosting services. The Directors have applied judgement to determine the most appropriate revenue recognition principles for each distinct type of revenue which reflects the transfer of value to the customer.

It is often the case that more than one type of revenue is included in the same contractual arrangement. IAS18 requires that the Directors apply judgement in assessing the entire arrangement in order to attribute an appropriate amount of revenue to each different element. This assessment can differ from the legally contracted values.

In addition the Group utilises business partners to access certain markets as distributors. Where sales of the Group's products or services are made through a business partner, the Directors judge whether the Group is responsible for the majority of the risks and responsibilities in the transaction and where the Directors judge that this is the case, the sale is treated as revenue of the Group and the commission payable to the business partner is treated as a cost of sale.

Fair values
The Group has undertaken a fair value assessment on each of the acquisitions during the year. This assessment includes a detailed analysis of the accounting policies and methods adopted by the acquired businesses and an estimate of the value of separately identifiable intangible assets, principally customer related intangible assets and capitalised development costs. This estimate requires the Directors to judge the likely revenues from and costs of the delivery of future services to the customers of the acquired businesses at the date that the businesses were acquired.

24 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and have therefore not been disclosed.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is provided in the audited part of the Directors' Remuneration Report on pages 19 to 22. In addition, the Group recognised a share-based payment charge under IFRS2 'Share-based payment' in respect of the Directors of £69,000 (2015: £60,000).

25 Acquisitions

On 2 February 2016, the Group acquired the entire issued ordinary share capital of Due North Limited. The provisional 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 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. In determining the fair value of intangible assets, the Group applied a discount rate of 15.0% to estimated cash flows.

The goodwill is attributable to the skilled labour force of the acquired business. 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.

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.

Company Balance Sheet as at 31 July 2016

	Notes	**2016 £000**	2015 £000
Fixed assets			
Investments	29	**11,156**	6,656
Current assets			
Debtors	30	**6,175**	6,149
Cash at bank and in hand		**667**	1,355
		6,842	7,504
Creditors – amounts falling due within one year	31	**(2,651)**	(1,156)
Net current assets		**4,191**	6,348
Total assets less current liabilities		**15,347**	13,004
Creditors – amounts falling due after more than one year	32	**(2,656)**	(1,263)
Net assets		**12,691**	11,741
Capital and reserves			
Called up share capital	33	**3,983**	3,941
Share premium account	34	**5,962**	5,840
Capital reserve	34	**449**	449
Profit and loss account	34	**2,297**	1,511
Shareholders' funds		**12,691**	11,741

The balance sheet was approved by the Board of Directors on 11 October 2016 and signed on its behalf by:

Rod Jones – Chief Executive Officer

Tim Sykes – Chief Financial Officer

Company number 5752247

Company Statement of Changes in Equity

	Share capital £000	Share premium £000	Capital reserve £000	Retained earnings £000	Total £000
At 31 July 2014	3,825	5,477	449	738	10,489
Shares issued during the period	116	363	-	-	479
Dividend payment of 1.1p per share	-	-	-	(429)	(429)
Result for the period	-	-	-	1,056	1,056
Share based payment charges	-	-	-	146	146
At 31 July 2015	3,941	5,840	449	1,511	11,741
Shares issued during the period	42	122	-	-	164
Dividend payment of 1.2p per share	-	-	-	(475)	(475)
Result for the period	-	-	-	1,143	1,143
Share based payment charges	-	-	-	118	118
At 31 July 2016	**3,983**	**5,962**	**449**	**2,297**	**12,691**

Details of the nature of each component of equity are given in Note 34.

Company Cash Flow Statement for the year ended 31 July 2016

	Notes	**2016 £000**	2015 £000
Operating activities			
Profit for the year		**1,143**	1,056
Net finance expense		**78**	59
Income tax (credit)/charge		**(33)**	6
Share based payment charges		**118**	146
Operating cash flow before changes in working capital		**1,306**	1,267
Movement in trade and other receivables		**(16)**	1
Movement in trade and other payables and deferred income		**775**	(601)
Operating cash flow from operations		**2,065**	667
Finance income		**6**	10
Finance expense		**(84)**	(69)
Income tax received		-	17
Net cash flow from operating activities		**1,987**	625
Investing activities			
Payments to acquire subsidiary undertakings	25	**(4,500)**	(1,250)
Net cash flow from investing activities		**(4,500)**	(1,250)
Financing activities			
Payment of dividend		**(475)**	(429)
Proceeds from issue of shares		**164**	180
Receipts from bank borrowings		**3,000**	1,000
Repayment of bank borrowings		**(864)**	(587)
Net cash flow from financing activities		**1,825**	164
Net decrease in cash and cash equivalents		**(688)**	(461)
Cash and cash equivalents at the beginning of the year		**1,355**	1,816
Cash and cash equivalents at the end of the year		**667**	1,355

26 Company accounting policies

Basis of preparation
As used in the financial statements and related notes, the term 'Company' refers to PROACTIS Holdings PLC. The separate financial statements of the Company are presented as required by the Companies Act 2006.

These financial statements, for the year ended 31 July 2016, are the first the company has prepared in accordance with FRS 101 "Reduced Disclosure Framework" ("FRS 101"), as issued by the Financial Reporting Council. For periods up to and including the year ended 31 July 2015, the company prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Principles (UK GAAP).

Accordingly, the company has prepared financial statements that comply with FRS 101 applicable as at 31 July 2016, together with the comparative period data for the year ended 31 July 2015. In preparing the financial statements, the Company's opening balance sheet was prepared as at 1 August 2014, the Company's date of transition to FRS 101. There were no transitional adjustments.

These financial statements have been prepared in pounds sterling (£), which is also the functional currency of the company.

Where relevant, equivalent disclosures have been given in the group accounts of PROACTIS Holdings PLC. The group accounts of PROACTIS Holdings PLC are available to the public and can be obtained as set out in note 1. Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The parent company had a profit of £1,143,000 for the year ended 31 July 2016 (2015: £1,056,000).

These financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

Certain disclosures have been included in the consolidated notes section of these financial statements in pages 32 to 47.

These include:

disclosures in respect of share-based payments (see note 4);
certain disclosures required by IFRS 7 Financial Instrument Disclosures on the basis that the consolidated financial statements include the equivalent disclosures (see note 13);
disclosures in respect of capital management (see note 18); and
disclosures in respect of the compensation of Key Management Personnel (see note 21).

Investments
Fixed asset investments are stated at cost less provision for impairment where appropriate. The Directors consider annually whether a provision against the value of investments on an individual basis is required. Such provisions are charged in the profit and loss account in the year.

Cash and liquid resources
Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at close to their carrying values or traded in an active market. Liquid resources comprise term deposits of more than seven days.

Taxation
The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Share based payments
The Company accounting policies followed are the same as the Group's policy under IFRS2 'Share-based payment'. The policy is shown in the Group accounting policies in Note 1.

27 Employees

The only employees of the Company were the Directors. Details of Directors' remuneration, share options and Directors' pension entitlements are disclosed in the Directors' Remuneration Report on pages 19 to 22.

28 Employee share options schemes

The Company has granted share options to employees under two Inland Revenue approved executive incentive plans (EMI scheme and EMI rollover scheme), and an unapproved share option plan (unapproved scheme). The Company recognised total expenses of £69,000 (2015: £60,000) in relation to these equity settled share-based payment transactions. Details of the schemes are given in Note 4.

29 Investments

	Shares in subsidiary undertakings £000
Cost	
At 31 July 2015	6,656
Acquisition of Due North Limited	4,500
At 31 July 2016	**11,156**

On 24 May 2006, pursuant to the terms of the share exchange agreement 20,462,900 Ordinary shares of 10p were issued to the shareholders of PROACTIS Group Limited at nominal value as consideration for the purchase by the Company of the entire issued share capital of PROACTIS Group Limited.

The companies in which PROACTIS Holdings PLC's interest is more than 20% at the year-end are as follows:

Subsidiary undertakings	Country of incorporation	Principal activity	Class & percentage of shares held	Holding
PROACTIS Group Limited	England and Wales	Software sales and development	Ordinary 100%	Direct
Requisoft Plc	England and Wales	Dormant	Ordinary 100%	Indirect
Alito Limited	England and Wales	Software sales	Ordinary 100%	Indirect
Proactis Inc	USA	Software sales	Ordinary 100%	Indirect
Proactis Pty Limited	Australia	Software sales	Ordinary 100%	Indirect
Alito (UK) Limited	England and Wales	Dormant	Ordinary 100%	Direct
PROACTIS Overseas Limited	England and Wales	Dormant	Ordinary 100%	Direct
PROACTIS Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Get Real Systems Limited	England and Wales	Dormant	Ordinary 100%	Indirect
PHD Developing Markets Limited	Mauritius	Intermediate Holding Company	Ordinary 100%	Direct
Proactis Total Procure Pvt Limited	India	Managed services	Ordinary 50%	Indirect
EGS Group Holdings Limited	England and Wales	Software sales	Ordinary 100%	Indirect
e-Government Solutions (UK) Limited	England and Wales	Software sales	Ordinary 100%	Indirect
FE Online limited	England and Wales	Dormant	Ordinary 100%	Indirect
Unity Marketplace Limited	England and Wales	Dormant	Ordinary 100%	Indirect
PROACTIS US Holdings Inc	USA	Intermediate Holding Company	Ordinary 100%	Indirect
Intesource Inc	USA	Managed services	Ordinary 100%	Indirect
Intelligent Capture Limited	England and Wales	Software sales	Ordinary 100%	Direct
Intelligent Capture Managed Services Limited	England and Wales	Managed services	Ordinary 100%	Indirect
Image Integrators Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Due North Limited	England and Wales	Software sales	Ordinary 100%	Direct

Alito Limited is a subsidiary of Alito (UK) Limited. PROACTIS US Holdings Inc, Proactis Pty Limited and PHD Developing Markets Limited are subsidiaries of PROACTIS Overseas Limited. Proactis Inc and Intesource Inc are subsidiaries of Proactis Overseas Limited. Proactis Total Procure Pvt Limited is a subsidiary of PHD Developing Markets Limited. Intelligent Capture Managed Services Limited and Image Integrators Limited are subsidiaries for Intelligent Capture Limited. All other indirectly held subsidiaries are directly held subsidiaries of PROACTIS Group Limited except for e-Government Solutions (UK) Limited, FE Online Limited and Unity Marketplace Limited which are subsidiaries of EGS Group Limited.

30 Debtors

	2016 £000	2015 £000
Prepayments and accrued income	**22**	6
Income taxes	**10**	-
Other taxes and social security	**15**	17
Amounts owed by subsidiary undertakings	**6,128**	6,126
	6,175	6,149

31 Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Bank loans	**1,393**	650
Trade creditors	**53**	54
Accruals and deferred income	**89**	135
Amounts owed to subsidiary undertakings	**1,116**	294
Corporation tax	**-**	23
	2,651	1,156

32 Creditors: Amounts falling due after more than one year

	2016 £000	2015 £000
Bank loans	**2,656**	1,263
Bank loans are repayable as follows:		
Within one year	**1,393**	650
Between one and two years	**1,293**	650
Between two and five years	**1,363**	613
	4,049	1,913

33 Share capital

	2016 £000	2015 £000
Allotted, called up and fully paid		
- 39,835,159 Ordinary shares of 10p each (2015: 39,417,658)	**3,983**	3,941

34 Reserves

	Share premium account £000	Capital reserve £000	Profit and loss account £000
At 31 July 2015	5,840	449	1,511
Shares issued during the period	122	-	-
Profit for the period	-	-	1,143
Dividend paid	-	-	(475)
Share based payment charges (see Note 4)	-	-	118
At 31 July 2016	**5,962**	**449**	**2,297**

Share premium
The Group has issued 471,501 Ordinary shares of 10p each during the year at a weighted average price of 39.2p per share, creating a share premium of £122,000.

Capital reserve
The capital reserve arose on issue of share options as part of the deferred contingent consideration for the purchase of Alito (UK) Limited. The reserve is not distributable.

35 Commitments

(a) Capital commitments
There were no capital commitments existing at 31 July 2016 or 31 July 2015.

(b) Operating leases commitments
Total future operating lease commitments at the balance sheet date are as follows:

	Land and buildings	
	2016	2015
	£000	£000
- Within one year	**84**	84
- Between one and two years	**84**	84
- Between two and five years	**75**	159
	243	327

36 Contingent liabilities

The Company has guaranteed the overdrafts of its subsidiaries, the amount outstanding at 31 July 2016 was £Nil (2015: £Nil).

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