Date:	29 April 2019
On behalf of:	PROACTIS Holdings PLC ('PROACTIS', the 'Company' or the 'Group')
Embargoed until:	0700hrs

PROACTIS Holdings PLC

Interim results for the six months ended 31 January 2019

PROACTIS Holdings PLC, a global Spend Management and B2B commerce solution provider, today announces its interim results for the six-month period ended 31 January 2019.

Trading performance
- Total Contract Value signed was £6.1m (31 January 2018: £5.6m)
- New business deal activity solid: 34 new name deals (31 January 2018: 34)
- Strong upsell activity with existing customers: 54 deals in the period (31 January 2018: 49)

Financial performance
- Reported revenue increased 5% to £27.7m (31 January 2018: £26.4m)
- Reported revenue (excluding the benefit of acquisitions) was £24.9m (31 January 2018: £26.4m)
- Adjusted EBITDA[1] decreased to £8.0m (31 January 2018: £8.4m)
- Adjusted EBITDA[1] (excluding the benefit of acquisitions) was £7.2m (31 January 2018: £8.4m)
- Adjusted EPS[1] decreased to 3.5p (31 January 2018: 5.4p)

Net debt
- Net bank debt[2] increased to £39.3m (31 July 2018: £29.8m) due largely to the acquisition of Esize Holdings BV ("Esize")
- Net cash flow from operating activities was £4.4m (31 January 2018: £1.6m)
- A comprehensive programme is in place to reduce debt levels which includes the suspension of dividends for the foreseeable future

Revenue visibility
- Annualised recurring revenue[3] ("ARR") increased to £47.6m (31 July 2018: £45.1m)
- Order book[4] was £44.6m (31 July 2018: £44.6m)

M&A
- Acquisition of Esize completed on 6 August 2018, a complementary provider of spend management solutions to buyers based in the Netherlands
- Post-acquisition performance of Esize has been encouraging and is in line with management's expectations with reported revenues for the post acquisition period of £2.6m and Adjusted EBITDA of £0.8m

Post period end
- Operational review completed with strategic plan in place
- Appointment of new CFO announced today

1 – Adjusted EBITDA is stated before non-core net expenditure, amortisation of customer related intangible assets and share based payment charges and Adjusted EPS is stated after the equivalent post tax effects of Adjusted EBITDA
2 – Excludes unsecured convertible loan notes of £5.5m maturing during August 2022
3 – Annualised Recurring Revenue is the Group's estimate of the annualised value of revenue of customers currently contracted with the Group
4 – Order Book is the Group's current contracted revenue that is required to be recognised in future accounting periods

Tim Sykes, Chief Executive Officer, commented:

"This set of results is the culmination of a number of the previously reported issues facing the US, French and German parts of the Group, however much work has been undertaken and we are pleased to share the outcome of our review of operations with shareholders today.

"We are focused on executing on our plan and are confident that we have made significant steps in our journey to return the whole of the Group to its attractive core characteristics. We have a proven

proposition to address a large and growing market, and we are confident that this will drive growth going forward after a period of stabilisation."

A video overview of the outcome of the review of the Group's US, French and German operations from Chief Executive Officer Tim Sykes is available to watch here: http://bit.ly/phdh12019

For further information, please contact:

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The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

Notes to editors:

PROACTIS creates, sells and maintains specialist software which enables organisations to streamline, control and monitor all internal and external expenditure, other than payroll. PROACTIS is already used in over 1,000 buy side customers around the world from the commercial, public and not-for-profit sectors. It is the fifth largest independent eProcurement solution provider globally.

PROACTIS is head quartered in the United Kingdom and floated on the AIM market of the London Stock Exchange in June 2006.

CHAIRMAN’S AND CHIEF EXECUTIVE OFFICER’S REPORT

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

The Group’s performance has been mixed during the period with UK operations performing well alongside the newly acquired Dutch business, Esize. Performance from the Group’s US, French and German businesses did not match the Board’s expectations with underlying revenues reducing. As a result, whilst the Group reported a revenue increase of approximately 5% this was the result of the additional contribution from Esize.

The level of new business signed during the period was healthy against the comparative period on a like for like basis and the contribution from Esize was solid. However, as previously indicated in the Group’s February trading update, the Group’s US business unit lost tenders and the French and German business units have experienced deferred decisions. These factors, alongside a higher level of customer churn in those same business units, resulted in the Group adjusting its performance expectations downwards, as previously announced.

The Board believes that this combination of factors has resulted in a level of performance in the period and a short-term outlook for growth that is not reflective of the considerable opportunities available to the Group. Accordingly, the Board is taking corrective action to address this.

Strategy

The Group has a long-term strategy of building a global business focussed on delivering value to its customers through the digital transformation of their procurement systems and processes with the application of technology. The critical success factors in delivering this strategy are a combination of building market relevant solutions supported by strong new business execution teams and customer management processes designed to sustain long-term relationships.

The elements of the Board’s strategy are:

- Adding new customers through the delivery of best in class procurement solutions to buyer customers;
- Retention and a broadening of relationships with existing customers through a high level of service and an energetic approach to the upselling and cross selling of the Group’s broad product portfolio; and
- Accessing a vast new opportunity through the provision of value-added services to a new customer population, the suppliers of the Group’s customers.

Operational review

The Board considers that the Group is well positioned to deliver its strategy and that it is exhibiting these characteristics consistently in its UK and Dutch business units. It has been clear that the Group has struggled to deliver this consistently in its US, French and German business units over the last 12 months and this culminated, on 28 February 2019, in the Board announcing that it would be conducting a comprehensive review of the Group's US, French and German operations (“the Review”) following the guidance provided by the Board that it did not expect the Group to meet its then existing growth targets for the year ending 31 July 2019.

The Review is now complete and the Board has identified the changes that need to be made in order to return the Group to growth and to shareholder value creation. The principal focus of the Review was around new business performance in the US, France and Germany, above average customer churn in those same business units and levels of operating expenditure and product development investment in the US.

The steps to address these issues are underway with some leadership team changes and organisational restructuring already been delivered. The changes that will be made over the coming months are set out in more detail below, focusing on:

- Target market segment and customer profile definition
- Alignment of product portfolio
- Bolstering new business capabilities
- Focusing on retention
- Driving growth within the existing customer base
- Active management and leadership
- Financial position

Target market segment and customer profile definition

The Group delivers a significant level of new business in its UK and Dutch business units to a market segment and customer profile that is well defined around the variables of vertical focus, scale, complexity, existing technology stack and the procurement process of the customer. This approach allows for a more efficient go to market strategy with an increased likelihood of success and a lower average cost of sale. This same market segment and customer profile will be adopted for new business opportunities in the Group's US, French and German operations which have, to date, been less targeted on larger scale general corporate and public sector customers.

Alignment of product portfolio

As a result of the Group's multiple business combinations over time, the Group has an extensive product portfolio. Whilst many of these products are complementary and offer substantial cross-selling opportunities within the customer base there is a degree of overlap within the Group's Spend Management products. Following the shift to focus on the same specific market segments as the UK and Dutch business units for all of its global new business opportunities, the Group will be able to better leverage its product portfolio. The wider product set will remain investible and this will allow the Group to be more reactive to existing customers' requirements.

Bolstering new business capabilities

The Group's value proposition is well established however the Board believes that the field marketing resource in the US, French and German territories has varying levels of maturity, capability and has insufficient capacity to deliver a sustainable volume of leads of the right quality targeted at the right market segment and customer profile. The Group is currently recruiting in the marketing and sales functions, specifically into the US and Germany, to build a capability that can align with the Group's value proposition consistently but with the right level of localisation.

Focusing on retention

During the last 12 months, the Group has experienced a higher level of customer churn than the Board anticipated, principally through its US, French and German business units. This has adversely impacted Annual Recurring Revenue ("ARR") over that period and, whilst operational cost savings have mitigated the loss of profitability to some extent, it has not been possible to mitigate the revenue loss entirely.

The Review has identified a number of mitigating actions to reduce the risk of customer churn going forward through:

- Greater levels of engagement with existing customers both generally and specifically in the US, French and German business units specifically including the application of the Group's existing expert advisory capacity in the digital transformation process;
- Better structured and informed account management teams with an aligned incentivisation package for its executives;

- Stronger levels of interaction between the customers and the Group's product management process through the provision of an interactive online tool for customers to propose their product roadmap ideas and for the Group to respond and report on product roadmap progress; and
- More focussed use of the Group's product management capacity on a product roadmap that is more aligned with existing customers requirements.

Driving growth within the existing customer base

The Board is confident that the existing customer base offers a significant growth opportunity for the Group and the UK and Dutch business units routinely deliver significant additional capabilities into their customer bases. This growth opportunity has not been fully accessed, to date, in the US specifically and, to a lesser degree, in the French and German business units.

The strategic focus of those teams is being re-balanced toward cross-selling to existing customers as well as winning new business and, to this end, training in the Group's wider product portfolio is being delivered to enable the Group's teams to identify customer opportunity and incentive plans are being aligned which will have more balance in performance requirements for retention and cross-selling.

Active management and leadership

Leadership change has already been made at a Group level with the appointment of Tim Sykes as Chief Executive Officer on 9 January 2019. The Board is also pleased to have announced today the appointment of Richard Hughes to the role of Chief Financial Officer who will start work on 20 May 2019. Richard has substantial experience working within and helping to grow publicly-listed companies operating internationally. The Board feels confident that his appointment will bring immediate value to the Group as a whole.

These changes have been supplemented during the period by the appointment of Sophie Tomkins as Senior Independent Non-Executive Director, as announced on 30 October 2018. The Board is committed to the appointment of an additional non-executive director as Chair of the Audit Committee and a suitable candidate is in the process of being identified.

Changes have already been made within the leadership team of the US business unit with a view to bringing greater transparency, rigour and commerciality to decision making. As a temporary measure, the US business unit is being led by the Group's UK Managing Director with close involvement from Tim and the Group's wider, established leadership team.

Financial position

The Group remains profitable and cash generative and has an established long-term, supportive relationship with its bank, HSBC UK Bank plc, that provides the Group with its commercial banking services, its structured debt facilities and also its Accelerated Payment Facility (as announced on 28 February 2019 as an incremental facility to the existing facilities to support a new product through an early adopter programme).

The Board does, however, intend to reduce the level debt in the business, which is higher than originally planned at this point but is fully serviced and within covenants, through a combination of near-term initiatives, namely:

- The reduction of net operating expenditure where the sourcing of services and the structure of teams or processes is inefficient;
- The focussing of the Group's investment in product development on a tighter product portfolio and on a customer informed roadmap; and
- The suspension of the payment of an annual dividend.

The market will be updated on progress in this regard as appropriate.

<u>Acquisition of Esize Holdings BV ("Esize")</u>

On 6 August 2018, the Group acquired Esize, a recognised territory leader in the Netherlands with referenceability in Germany and Belgium. Its solutions cover the full procurement cycle for indirect spend and also provides the Group with additional capabilities in travel and expense management and contract labour management. The Board believes that these capabilities will become increasingly important to its customers going forward. It has approximately 80 customers in the same market segment and with the same customer profile as the Group's UK business unit and approximately 50 employees. The Group has already consolidated its existing operations and is seeing the benefits of a scaled operation in the Netherlands.

Esize has a SaaS-based business model that is consistent with the Group's and which delivers high levels of contracted annual recurring revenue with high retention rates.

Further details are set out in the announcement made at the time of the acquisition.

Performance overview

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

	6 months ended 31 January 2019	6 months ended 31 January 2018	Year ended 31 July 2018
Total TCV[1] signed	£6.1m	£5.6m	£12.1m
TCV of new name buyer deals	£4.0m	£4.5m	£8.7m
Number of new name buyer deals	34	34	64
TCV of upsell buyer deals	£2.1m	£1.1m	£3.4m
Number of upsell buyer deals	54	49	113
Reported revenue	£27.7m	£26.4m	£52.2m
Reported revenue growth	5%	124%	106%
CAGR 3-year revenue growth	47%	46%	45%
Organic revenue growth[2]	(5%)	3%	Nil%
Annual Recurring Revenue ("ARR")	[3]£47.6m	£45.7m	£45.1m

Note 1: Aggregate Total Contract Value

Note 2: Measured in terms of revenue recognised in the income statement excluding the acquisition of Esize

Note 3: Includes £4.4m from Esize.

The Board also considers that retention of existing customers is a key performance indicator and the measure of this indicator is included routinely within its internal financial reporting dashboard. The Board acknowledges that this period's performance against this measure has fallen short of the normal levels of retention achieved in its UK and Dutch business units and the plan to mitigate this situation has formed a key part of the Review.

New business performance analysis

The Group's TCV for buyer new deals and buyer upsell deals can be analysed by market segment as follows:

	6 months ended 31 January 2019		6 months ended 31 January 2018		Year ended 31 July 2018	
	TCV of new name deals	Number of new name deals	TCV of new name deals	Number of new name deals	TCV of new name deals	Number of new name deals
UK segment	£2.4m	25	£2.4m	25	£5.2m	45
EU segment	[1]£0.7m	[1]6	£0.4m	2	£0.8m	7
US segment	£0.9m	3	£1.7m	7	[2]£2.7m	[2]12

Note 1: Includes £0.5m and 3 from Esize

Note 2: For the year ended 31 July 2018, the US segment includes 7 new name deals (with an TCV of £0.8m) from the Group's US based reverse auctions business which was included within the UK segment during the prior year

	6 months ended 31 January 2019		6 months ended 31 January 2018		Year ended 31 July 2018	
	TCV of upsell deals	Number of upsell deals	TCV of upsell deals	Number of upsell deals	TCV of upsell deals	Number of upsell deals
UK segment	£1.1m	48	£1.0m	45	£2.5m	99
EU segment	[1]£0.5m	[1]4	£0.1m	4	£0.9m	14
US segment	£0.5m	2	-	-	-	-

Note 1: Includes £0.5m and 3 from Esize

Revenue performance analysis

The Group's revenues can be analysed by market segment and customer type as follows:

	Buyer revenue		
	6 months ended 31 January 2019 £m	6 months ended 31 January 2018 £m	Year ended 31 July 2018 £m
UK segment	9.4	8.0	16.2
EU segment	[1]7.5	6.0	12.0
US segment	6.3	7.6	14.6
Note 1: Including £2.6m (2018: £Nil) from Esize	23.2	21.6	42.8
	Supplier revenue		
	6 months ended 31 January 2019 £m	6 months ended 31 January 2018 £m	Year ended 31 July 2018 £m
UK segment	2.0	2.1	4.2
EU segment	[1]2.5	2.6	5.2
US segment	-	-	-
Note 1: Including £Nil (2018: £Nil) from Esize	4.5	4.7	9.4
Total revenue	27.7	26.3	52.2

Revenue visibility

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

	As at 31 January 2019 £m	As at 31 January 2018 £m	As at 31 July 2018 £m
UK segment	19.5	17.7	18.2
EU segment	[1]17.4	15.9	15.9
US segment	10.7	12.1	11.0
Note 1: Including £4.4m (2018: £Nil) from Esize	47.6	45.7	45.1

Staff costs and other operating expenses

The aggregate of staff costs and other operating expenses (excluding depreciation of property, plant and equipment and amortisation of intangibles assets increased to £18.0m (2018: £16.0m) with Esize contributing £1.4m (2018: £Nil). Each of the two periods ending 31 January 2019 and 31 January 2018 has included significant items of income or expenditure associated primarily with the Group's acquisition activity and the resultant integration programme (together, "non-core net expenditure"). The Board has estimated the impact of this non-core net expenditure on the aggregate of staff costs and other operating expenses as follows:

	6 months ended 31 January 2019 £m	6 months ended 31 January 2018 £m	Year ended 31 July 2018 £m
Aggregate of staff costs and other operating	18.0	16.0	33.0

Non-core net expenditure	(1.3)	(0.9)	(3.6)
Aggregate of staff costs and other operating expenses (excluding non-core net expenditure)	16.7	15.1	29.4

Non-core net expenditure can be analysed as follows:

	6 months ended 31 January 2019	6 months ended 31 January 2018	Year ended 31 July 2018
	£m	£m	£m
Expenses of acquisition related activities	0.1	0.7	0.7
Costs of restructuring Group operations – staff	0.9	0.3	1.6
Costs of restructuring Group operations – other	0.1	0.5	1.6
Legal and professional fees	0.2	0.1	0.4
Fair value movement on forward contract on acquisition of Perfect	-	(0.7)	(0.7)
	1.3	0.9	3.6

Reported profit and Group Adjusted profit performance

The Board considers that each of the two periods ended 31 January 2019 and 31 January 2018 have been significantly impacted by non-core net expenditure incurred primarily as part the Group's acquisition activity and the resultant integration programmes. A summary of the various profit measures is set out below.

	6 months ended 31 January 2019		6 months ended 31 January 2018		Year ended 31 July 2018	
	Report	[1]Adjusted	Reported	[1]Adjusted	Reported	[1]Adjusted
Earnings before interest, tax, depreciation and amortisation ('EBITDA')[1]	£6.8m	£8.0m	£7.5m	£8.4m	£13.6m	£17.3m
Operating profit	£1.2m	£4.7m	£2.9m	£6.2m	£4.9m	£13.1m
Profit before tax	£0.4m	£4.0m	£2.5m	£5.7m	£3.7m	£12.0m
Profit after tax	£0.2m	£4.2m	£2.6m	£5.8m	£5.4m	£9.9m
Earnings per share (see note	0.2p	3.4p	2.6p	5.4p	5.4p	10.6p

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

Cash flow

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

	6 months ended 31 January 2019	6 months ended 31 January 2018	Year ended 31 July 2018
	£m	£m	£m
Net cash flow from operating activities	4.4	1.6	8.4
- Non-core net expenditure incurred in prior period but paid in current period	0.6	3.4	3.6
- Non-core net expenditure charged and paid within the same period	0.7	0.6	3.3
Adjusted Net cash flow from operating activities	5.7	5.6	15.3
- Purchase of plant and equipment	(0.4)	(0.4)	(1.1)
- Development expenditure capitalised	(3.8)	(2.3)	(5.7)
Adjusted Group Net Free Cash Flow	1.5	2.9	8.5

The total net cash outflow from the acquisition of Esize was approximately £8.4m which was paid through the Group's own cash resources with a further draw down against its bank facilities.

The Group had net bank debt of approximately £39.3m at 31 January 2019 (31 July 2018: £29.8m) with the increase being largely due to the cash element of the acquisition of Esize. Specifically, this net bank debt figure excludes convertible loan notes of approximately £5.5m that mature during August 2022.

Summary and Outlook

New business levels have been solid in the Group's UK and Dutch business units but, as announced on 28 February 2019, were slower than expected in its US, French and German business units. When considered alongside a lower level of retention in its US, French and German business units this has impacted adversely on revenue and on earnings for the reporting period.

These factors prompted a review of the US, French and German business units which is now complete and the Board is confident that the plans being established will allow a return to organic revenue growth after a period of stabilisation during the remainder of this and the next financial year. As well as transitioning the go to market strategy in those territories, which will take some time to take effect, these plans include making some adjustments to operating and investment expenses as well as the suspension of a dividend for the foreseeable future and, as a result, the Board expects to be able to drive enhanced profitability and cash flow through into the next financial year.

This enhanced cash flow will assist in the reduction of the Group's net debt which is higher than originally planned at this point but is fully serviced and within covenants.

The Group's forward investment includes further innovation into both the Spend Management and B2B commerce technologies. Specifically, the Board is seeing substantial progress with the Accelerated Payment Facility and looks forward to delivering further news flow on milestone achievements over the coming months as momentum develops.

The Board is confident that the plans will deliver a return to the Group's attractive core characteristics across the whole Group. The Group's target market segments are both substantial and growing and the Group has a proven value proposition and product fit. Alongside this, the Group's successful customer service processes and go to market strategy in its UK and Dutch business units is transferrable into its US, French and German business units with relatively minor adjustments for internationalisation and localisation. With an enthusiastic, motivated and incentivised team, the Group will work closely together to deliver an enhanced level of customer service and a stronger financial performance for the benefit of the Company and its shareholders.

Alan Aubrey	Tim Sykes
Chairman	*Chief Executive Officer*
29 April 2019	

Consolidated income statement

for the six months ended 31 January 2019

	Unaudited 6 months to 31 January 2019 £000	Unaudited 6 months to 31 January 2018 £000	Audited Year ended 31 July 2018 £000
Revenue	**27,688**	26,355	52,221
Cost of sales	**(3,088)**	(3,204)	(5,963)
Staff costs	**(11,521)**	(11,213)	(21,670)
Other operating expenses	**(6,481)**	(4,754)	(11,332)
Depreciation of property, plant and equipment	**(264)**	(280)	(511)
Amortisation of intangible assets	**(5,282)**	(4,000)	(7,886)
Operating profit	**1,052**	2,904	4,859
Finance income	**5**	1	-
Finance expenses	**(756)**	(453)	(1,110)
Profit before taxation	**301**	2,452	3,749
Income tax credit/(charge)	**(256)**	107	1,602
Profit	**45**	2,559	5,351
Attributable to:			
Equity holders of the parent	**54**	2,399	5,042
Non-controlling interest	**(9)**	160	309
	45	2,559	5,351
Earnings per ordinary share (Note 3)			
- Basic	**0.1p**	2.6p	5.4p
- Diluted	**0.1p**	2.6p	5.3p

Consolidated statement of comprehensive income
for the six months ended 31 January 2019

	Unaudited 6 months to 31 January 2019 £000	Unaudited 6 months to 31 January 2018 £000	Audited Year ended 31 July 2018 £000
Profit for the period	**45**	2,559	5,351
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Share based payment charges	**-**	72	-
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences	**(132)**	535	27
Other comprehensive (loss)/gain, net of tax	**(132)**	607	27
Total comprehensive (loss)/income	**(87)**	3,166	5,378
Attributable to:			
Equity holders of the parent	**(78)**	3,006	5,069
Non-controlling interest	**(9)**	160	309
	(87)	3,166	5,378

Condensed consolidated statement of changes in equity
As at 31 January 2019

	Unaudited Share capital £000	Unaudited Share premium £000	Unaudited Merger reserve £000	Unaudited Capital reserve £000	Unaudited Foreign exchange reserve £000	Unaudited Equity reserve £000	Unaudited Retained earnings £000	Unaudited Total £000	Unaudited Non-controlling interest £000	Unaudited Total equity £000
At 1 August 2017	5,024	17,631	556	449	(1,164)	-	48	22,544	-	22,544
Shares issued during the period	4,243	63,636	-	-	-	-	-	67,879	-	67,879
Share options exercised	23	156	-	-	-	-	-	179	-	179
Issue of convertible notes	-	-	-	-	-	80	-	80	-	80
Arising during the period	-	-	-	-	535	-	-	535	-	535
Arising on acquisition	-	-	-	-	-	-	-	-	2,228	2,228
Result for the period	-	-	-	-	-	-	2,399	2,399	160	2,559
Dividend	-	-	-	-	-	-	(1,299)	(1,299)	-	(1,299)
Share based payment charges	-	-	-	-	-	-	72	72	-	72
At 31 January 2018	9,290	81,423	556	449	(629)	80	1,220	92,389	2,388	94,777
Share options exercised	34	41	-	-	-	-	-	75	-	75
Arising during the period	-	-	-	-	(508)	-	-	(508)	-	(508)
Arising on acquisition	-	-	-	-	-	-	-	-	338	338
Transactions with NCI	-	-	-	-	-	-	(1,042)	(1,042)	(1,271)	(2,313)
Result for the period	-	-	-	-	-	-	2,643	2,643	149	2,792
Share based payment charges	-	-	-	-	-	-	294	294	-	294
Deferred tax on share options	-	-	-	-	-	-	(240)	(240)	-	(240)
At 1 August 2018	9,324	81,464	556	449	(1,137)	80	2,875	93,611	1,604	95,215
Shares issued during the period	129	1,267	-	-	-	-	-	1,396	-	1,396
Share options exercised	10	17	-	-	-	-	-	27	-	27
Loan note conversion	59	915	-	-	-	(20)	20	974	-	974
Issue of convertible notes	-	-	-	-	-	90	-	90	-	90
Arising during the period	-	-	-	-	(132)	-	-	(132)	23	(109)
Result for the period	-	-	-	-	-	-	54	54	(9)	45
Dividend	-	-	-	-	-	-	(1,419)	(1,419)	-	(1,419)
Share based payment charges	-	-	-	-	-	-	189	189	-	189
IFRS15 transition impact	-	-	-	-	-	-	749	749	-	749
At 31 January 2019	9,522	83,663	556	449	(1,269)	150	2,468	95,539	1,618	97,157

Consolidated statement of financial position
as at 31 January 2019

	Unaudited As at 31 January 2019 £000	Unaudited As at 31 January 2018 £000	Audited As at 31 July 2018 £000
Non-current assets			
Property, plant & equipment	**1,703**	1,149	1,499
Intangible assets (Note 4)	**163,749**	151,458	151,412
Deferred tax asset	**1,570**	444	1,360
	167,022	153,051	153,071
Current assets			
Trade and other receivables	**26,524**	18,837	21,664
Cash and cash equivalents	**7,062**	12,670	9,561
	33,586	31,507	31,225
Total assets	**200,608**	184,558	185,496
Current liabilities			
Trade and other payables	**22,562**	18,084	18,023
Obligations under finance leases	**48**	117	77
Deferred income	**17,890**	17,762	18,705
Income taxes	**732**	1,194	507
Borrowings	**3,272**	2,983	2,985
	44,504	40,140	40,297
Non-current liabilities			
Deferred income	**296**	357	653
Deferred tax liabilities	**9,346**	9,703	8,742
Loans and borrowings	**48,628**	39,534	39,766
Obligations under finance leases	**33**	47	40
Provisions	**644**	-	783
	58,947	53,397	49,984
Total liabilities	**103,450**	89,781	90,281
Net assets	**97,157**	94,777	95,215
Equity			
Called up share capital	**9,522**	9,290	9,324
Share premium account	**83,663**	81,423	81,464
Equity reserve	**150**	80	80
Merger reserve	**556**	556	556
Capital reserve	**449**	449	449
Foreign exchange reserve	**(1,269)**	(629)	(1,137)
Retained earnings	**2,468**	1,220	2,875
Equity attributable to equity holders of the parent	**95,539**	92,389	93,611
Non-controlling interest	**1,618**	2,388	1,604
Total equity	**97,157**	94,777	92,215

Consolidated statement of cash flows
for the six months ended 31 January 2019

	Unaudited 6 months to 31 January 2019 £000	Unaudited 6 months to 31 January 2018 £000	Audited Year ended 31 July 2018 £000
Operating activities			
Profit for the period	**45**	2,559	5,351
Amortisation of intangible assets	**5,282**	4,000	7,886
Depreciation	**264**	280	511
Net finance expense	**751**	452	1,110
Movement in fair value of forward contract	**-**	(724)	(806)
Income tax (credit)/charge	**256**	(107)	(1,602)
Share based payment charges	**189**	274	366
Operating cash flow before changes in working capital	**6,787**	6,734	12,618
Movement in trade and other receivables	**(2,935)**	3,852	859
Movement in trade and other payables and deferred income	**1,545**	(8,492)	(4,015)
Operating cash flow from operations	**5,397**	2,094	9,660
Finance income	**5**	1	-
Finance expense	**(627)**	(445)	(804)
Income tax paid	**(329)**	(30)	(492)
Net cash flow from operating activities	**4,446**	1,620	8,364
Investing activities			
Purchase of plant and equipment	**(371)**	(425)	(1,106)
Payments to acquire subsidiary undertakings	**(8,364)**	(94,757)	(93,731)
Development expenditure capitalised	**(3,812)**	(2,265)	(5,702)
Net cash flow from investing activities	**(12,547)**	(97,447)	(100,539)
Financing activities			
Proceeds from issue of new shares	**28**	68,058	68,133
Receipts from bank borrowings	**10,178**	43,373	43,660
Transaction costs related to loans and borrowings	**-**	-	(288)
Acquisition of NCI	**-**	-	(2,313)
Repayment of bank borrowings	**(3,348)**	(6,400)	(9,942)
Finance lease payments	**(35)**	(93)	(151)
Dividend payment	**(1,419)**	(1,299)	(1,299)
Net cash flow from financing activities	**5,404**	103,639	97,800
Effects of currency translation on cash and cash equivalents	**198**	580	(341)
Net (decrease)/increase in cash and cash equivalents	**(2,697)**	7,813	5,625
Cash and cash equivalents at the beginning of the period	**9,561**	4,277	4,277
Cash and cash equivalents at the end of the period	**7,062**	12,670	9,561

Unaudited notes

1. Basis of preparation and accounting policies

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

The condensed financial statements are unaudited and were approved by the Board of Directors on 26 April 2019.
The interim financial information for the six months ended 31 January 2019, including comparative financial information, has been prepared on the basis of the accounting policies set out in the last annual report and accounts, with the exception of the amendment to IAS 1 (Presentation of Financial Statements) referred to below, and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

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

In preparing the interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same, in all material respects, as those applied to the consolidated financial statements for the year ended 31 July 2018.

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

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

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

Consequently, after making enquires, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

Information extracted from 2018 Annual Report
The financial figures for the year ended 31 July 2018, as set out in this report, do not constitute statutory accounts but are derived from the statutory accounts for that financial year.

The statutory accounts for the year ended 31 July 2018 were prepared under IFRS and have been delivered to the Registrar of Companies. The auditors reported on those accounts. Their report was unqualified, did not draw attention to any matters by way of emphasis and did not include a statement under Section 498(2) or 498(3) of the Companies Act 2006.

2. Change in significant accounting policies

The Company has applied IFRS 15 using the retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 August 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. The details of the significant changes and quantitative impact of the changes are set out below.

	Unaudited	Unaudited	Unaudited
	Impact of adoption of IFRS15		
	As reported	**Adjustments**	**Balances without adoption of IFRS 15**
	£000	**£000**	**£000**
Balance sheet			
Trade and other receivables	26,524	813	25,711
Trade and other payables	22,562	182	22,380
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Income statement			
Revenue	27,688	(178)	27,866
Cost of sales	(3,088)	60	(3,148)
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Cash flow statement			
Profit for the period	849	(118)	967
Movement in trade and other receivables	(480)	178	(658)
Movement in trade and other payables and deferred income	(937)	(60)	(877)
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3. Basic and diluted earnings per ordinary share

	Unaudited 6 months to 31 January 2019 £000	Unaudited 6 months to 31 January 2018 £000	Audited Year ended 31 July 2018 £000
Earnings (£000)	**54**	2,399	5,042
Post tax effect of non-core net expenditure (£000)	**1,101**	947	3,417
Post tax effect of customer related intangible assets (£000)	**1,759**	1,173	3,240
Post tax effect of share-based payment charges (£000)	**189**	274	366
Post tax effect of convertible loan note interest (£000)	**57**	-	75
Non-recurring tax factors (£000)	**116**	-	(2,261)
Non-controlling interest (£000)	**(9)**	160	-
Adjusted post tax earnings (£000)	**3,267**	4,953	9,879
Weighted average number of shares (number '000)	**94,612**	91,844	92,893
Dilutive effect of share options (number '000)	**2,011**	2,132	2,243
Fully diluted number of shares in issue (number '000)	**96,623**	93,976	95,136
Basic earnings per ordinary share (pence)	**0.1p**	2.6p	5.4p
Adjusted earnings per ordinary share (pence)	**3.5p**	5.4p	10.6p
Basic diluted earnings per ordinary share (pence)	**0.1p**	2.6p	5.3p
Adjusted diluted earnings per ordinary share (pence)	**3.4p**	5.2p	10.4p

4. Intangible assets

	Unaudited Goodwill £000	**Unaudited Customer related intangibles £000**	**Unaudited Development costs £000**	**Unaudited Software for own use £000**	**Unaudited Total £000**
Cost					
At 31 July 2018	106,672	39,300	22,994	3,688	172,654
Transfers	-	-	70	(70)	-
Internally developed	-	-	3,705	107	3,812
On acquisitions	8,710	3,056	2,075	90	13,931
Foreign exchange differences	-	-	(98)	(2)	(100)
At 31 January 2019	115,382	42,356	28,746	3,813	190,297
Amortisation and impairment					
At 31 July 2018	-	6,655	12,146	2,441	21,242
Amortisation for the period	-	1,752	3,098	432	5,282
Foreign exchange differences	-	(14)	38	-	24
At 31 January 2019	-	8,393	15,282	2,873	26,548
Carrying amounts					
At 31 July 2018	106,672	32,645	10,848	1,247	151,412
At 31 January 2019	**115,382**	**33,963**	**13,464**	**940**	**163,749**

5. Acquisitions

On 6 August 2018, the Group acquired Esize. The provisional fair values of assets and liabilities acquired are set out below.

	Fair value £000
Property, plant and equipment	114
Customer related intangible assets	3,056
Capitalised development costs	2,075
Software for own use	90
Trade and other receivables	771
Cash	210
Trade and other payables	(1,042)
Deferred revenue	(261)
Deferred tax	(713)
Total identifiable net assets acquired	4,300

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

	£000
Cash	8,575
Ordinary shares issued	1,396
Convertible loan note	2,680
Contingent consideration	893
Settlement of pre-existing relationship	(536)
Total consideration transferred	13,008

6. Alternative performance measure – Adjusted EBITDA

Management has presented the performance measure adjusted EBITDA because it monitors this performance measure at a consolidated level and it believes that this measure is relevant to an understanding of the Group's financial performance. Adjusted EBITDA is calculated by adjusting profit before taxation to exclude the impact of net finance costs, depreciation, amortisation, share based payment charges and non-core net expenditure. The non-core net expenditure includes significant items of income or expenditure associated primarily with the Groups acquisition activity and the resultant restructuring programmes (together, "non-core-net expenditure).

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

	6 months to 31 January 2019 £000	6 months to 31 January 2018 £000	Year ended 31 July 2018 £000
Profit before taxation	**301**	2,452	3,749
Adjustments for:			
Net finance costs	**751**	452	1,110
Depreciation	**264**	280	511
Amortisation	**5,282**	4,000	7,886
Share based payment charges	**189**	274	366
Non-core net expenditure:			
▪ Costs of restructuring the Group's operations – staff	**855**	307	1,638
▪ Costs of restructuring the Group's operations – other	**104**	948	1,561
▪ Expenses of acquisition related activities	**120**	353	732
▪ Legal and professional fees	**180**	73	439
▪ Fair value movement on forward contract for acquisition	**-**	(735)	(735)
Adjusted EBITDA	**8,046**	8,404	17,257
R&D capitalised	**(3,812)**	(2,265)	(5,702)
Adjusted cash EBITDA	**4,234**	6,139	11,555

Additional information

Reconciliation of alternative performance measures:

	Reported EBITDA	Adjusted EBITDA	Adjusted operating profit	Adjusted profit before tax	Adjusted profit after tax
	£000	£000	£000	£000	£000
Profit after tax	45	45	45	45	45
Add back:					
Tax charge	256	256	256	256	256
Interest charge	751	751	751	-	-
Share based payment charges	189	189	189	189	189
Depreciation	264	264	-	-	-
Amortisation	5,282	5,282	-	-	-
Non-core net expenditure (note 6)	-	1,259	1,259	1,259	1,259
Non-recurring interest charged on convertible loan notes	-	-	-	70	70
Amortisation charged on fair value uplift of acquired capitalised development costs	-	-	502	502	502
Amortisation charged on customer related intangible assets	-	-	1,752	1,752	1,752
Non-recurring tax factors					116
Total	6,787	8,046	4,754	4,073	4,189