

Expertise in action



2018 Unaudited Interim Report

Chief Executive's Statement

The results set out within this unaudited report show the continued growth of the PraxisIFM Group during the half year ended 31 October 2017.

Group Activity

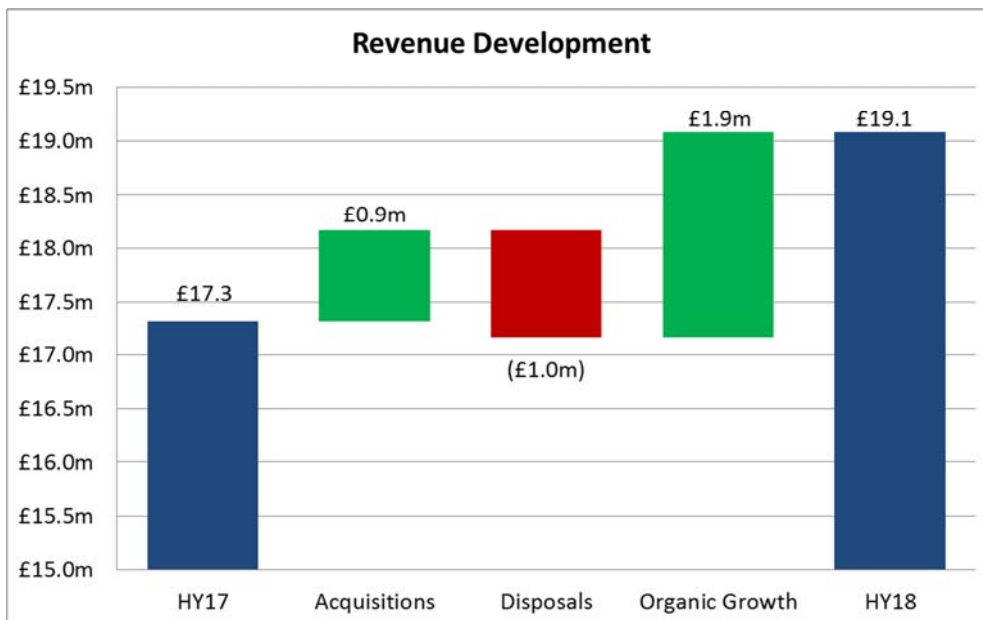
Following the listing on The International Stock Exchange in April 2017, the PraxisIFM Group continues to deliver its strategic objectives of delivering organic growth and the acquisition of carefully selected financial services administration businesses.

After the end of the period, we were delighted to announce the acquisition of a 50% stake of RiskCo Group, a financial and actuarial modelling and pension administration business headquartered in Utrecht, Netherlands. Additionally, subject to obtaining regulatory consent, we have agreed to acquire multi-jurisdictional businesses Kompas International and Private Equity Services, both headquartered in Amsterdam. Together, we expect these Dutch businesses to add €12m of revenues to the Group.

The Confiance integration and remediation has substantially reached its conclusion. The costs of remediating the Confiance business have exceeded our initial estimates and this has led to a charge to the profit and loss in the first half of the year. We are very grateful to our staff who have worked extremely hard to deliver this project so successfully.

Performance

The half year to 31 October 2017 saw Group revenues of £19.1m. Overall, this represents 10.2% uplift against the same period last year. This growth has been achieved through delivery of prior year acquisitions and continued organic growth.



The Group's EBITDA for the half year was £4.0m versus £3.5m in the same period in the prior year. The Group's EBITDA adjusted for post acquisition restructuring costs and other exceptional items, was £4.6m.

The Group's cost base was higher during the period as we establish a platform for delivery of our long term strategic plan. In particular, the two areas highlighted below have led to increased costs when compared to the prior periods;

- The Group's listing has resulted in increased governance and other associated on-going costs totalling approximately £250,000 in the half year compared to the same period last year.
- Our Middle East business has taken longer to bed in than originally anticipated. The start up costs have therefore been charged to the profit and loss account.

These costs have been expensed and not been adjusted in the EBITDA numbers quoted above. Although they have had a significant impact on the reported performance, we believe these businesses are important to the future development of the Group.

As a result of these costs, profit after tax for the period was flat compared to the same period in the prior year. Earnings per share declined as a result of the pre-listing issue of equity.

Group cash at 31 October 2017 was £9.1m, compared to £3.4m at 31 October 2016.

Divisional Performance

The Trust and Corporate division delivered year on year growth of 12.3% after adjusting for discontinued operations, with revenues of £12.6m for the period. The revenue growth was delivered across all jurisdictions.

The Funds division delivered year on year growth on 11.9%. The business continues to recruit key staff in order to boost its service offering.

The Pension Division has grown by 97.8% year on year, This growth came principally from the acquisitions of Cavendish and Ryland Gray. Changes in UK legislation led to lower organic growth of 7.6% year on year. The acquisition of RiskCo will significantly boost the capabilities of our Pension Division.

Ancillary services grew at 3.7% year on year but a decline in corporate finance income masked a particularly strong performance from our Treasury Services business which grew organically by 43%.

Staff

Our staff are fundamental to our success. At the period end, the Group employed more than 325 people across 9 jurisdictions. When the acquisitions noted above complete, we will have 450 people in 13 jurisdictions.

The Group wants its employees to benefit from their collective efforts and the Group's success and it is pleasing to note the take up of existing options held by our employees. We will continue to look for innovative ways to encourage and reward them.

New Business

Despite a relatively subdued macro economic backdrop, the revenues of our core businesses have continued to grow. New business signed up in the period to 31 October 2017 was ahead of the same period last year and the new business pipeline remains good across all three Divisions.

Projects

Exposure to cyber threats and their potential impact is greater in Financial Services than in other businesses. We continue to invest considerable time and resources in order to protect our businesses. Additionally we invest in training, system monitoring and take other appropriate measures in order to limit any impact caused by any potential interruption.

We will continue to put information security at the forefront of our strategic technological planning.

Acquisitions

A key factor in the three recent acquisitions was the quality and experience of the senior management and staff of the businesses.

RiskCo Group develops systems for complex modelling and administration for pension funds and life insurers in Europe, North America and Asia. As well as extending the Group's abilities within its Pension division, over the longer term, we believe we will be able to deploy RiskCo's technology and expertise within other areas of the Group's various businesses.

The combination of Kompas International and Private Equity Services, both based in Amsterdam, provides the Group with a significant hub in the Netherlands for the Group's strategic plans in mainland Europe. Additionally, the Board is looking forward to utilising the extensive experience of the Dutch management teams on a group-wide basis.

The Group continues to see interesting acquisition opportunities across its divisions and jurisdictions.

Dividend

The board is pleased to declare a dividend of 1.5p per share. The interim dividend will be paid on 2 April 2018 to those shareholders on the Company's register as of 23 February 2018.

Summary

As I approach the 26th anniversary of joining PraxisIFM, I would like to take this opportunity to thank our clients, staff and shareholders for their ongoing support. Our listing has delivered the anticipated benefits to the Group and we remain focussed on delivering excellent client service.

Simon Thornton

30 January 2018

Financial Review

	6 months to 31 October 2017	6 months to 31 October 2016
Revenues		
Trust and Corporate	12,198	11,864
Funds	4,318	3,858
Pensions	1,921	971
Other including treasury and asset financing	643	620
Total	19,080	17,313
Gross Profit	9,173	8,506
Gross Profit Margin	48%	49%
Profit after tax	2,616	2,523
Adjust for:		
Depreciation	299	158
Amortisation	609	484
Interest paid	121	58
Interest received	(22)	(7)
Taxation	398	323
EBITDA	4,021	3,539
EBITDA Margin	21%	20%
Adjusted EBITDA	4,630	4,368
Net Profit attributable to group shareholders	2,560	2,515
Earnings per share (pence)	2.87	3.82

Consolidated Financial Statements

Unaudited Consolidated Income Statement

	6 months ended 31 October 2017	Year ended 30 April 2017 (Audited)	6 months ended 31 October 2016
	£'000	£'000	£'000
Turnover	19,080	35,124	17,313
Direct costs	(9,907)	(17,797)	(8,807)
Gross profit	9,173	17,327	8,506
Administrative salaries	(1,640)	(2,203)	(1,069)
Administrative expenses	(1,040)	(2,251)	(1,183)
Technical & training	(152)	(217)	(87)
Marketing	(406)	(855)	(374)
Computer expenses	(1,019)	(1,901)	(823)
Insurance	(212)	(519)	(272)
Travel & entertaining	(119)	(277)	(196)
Accommodation costs	(705)	(1,701)	(837)
Amortisation charge	(609)	(1,040)	(484)
Finance & bad debts	(195)	(533)	(375)
Other operating income	37	291	91
Operating profit	3,113	6,121	2,897
Interest receivable & similar income	22	16	7
Interest payable & similar charges	(121)	(204)	(58)
Profit on ordinary activities before taxation	3,014	5,933	2,846
Tax on profit on ordinary activities	(398)	(833)	(323)
Profit for the financial period/year	2,616	5,100	2,523
Other comprehensive income	(41)	374	196
Total comprehensive income for the financial year	2,575	5,474	2,719
Profit for the financial year attributable to:			
Owners of the parent	2,560	4,857	2,515
Non-controlling interests	15	617	204

Unaudited Consolidated Statement of Financial Position

	31 October 2017		30 April 2017 (Audited)		31 October 2016	
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets						
Intangible assets		20,285		20,848		17,659
Tangible assets		2,253		2,446		3,066
Investments		318		390		881
		<u>22,856</u>		<u>23,684</u>		<u>21,606</u>
Current assets						
Accrued income	2,309		2,262		1,699	
Debtors and prepayments	11,511		11,058		9,229	
Loan to Praxis EBT	3,304		4,526		242	
Cash at bank	9,054		8,902		3,357	
	<u>26,178</u>		<u>26,748</u>		<u>14,527</u>	
Creditors: amounts falling due within one year	<u>(9,805)</u>		<u>(13,873)</u>		<u>(8,575)</u>	
Net current assets		<u>16,373</u>		<u>12,875</u>		<u>5,952</u>
Total assets less current liabilities		<u>39,229</u>		<u>36,559</u>		<u>27,558</u>
Creditors: amounts falling due after more than one year		<u>(4,940)</u>		<u>(4,821)</u>		<u>(6,056)</u>
Net assets		<u>34,289</u>		<u>31,738</u>		<u>21,502</u>
Capital and reserves						
Called up share capital		891		891		658
Share premium		33,169		33,169		14,524
Other reserves		103		159		899
Profit and loss account		51		(2,565)		3,710
		<u>34,214</u>		<u>31,654</u>		<u>17,791</u>
Equity attributable to owners of the parent company		<u>34,214</u>		<u>31,654</u>		<u>17,791</u>
Non-controlling interests		<u>75</u>		<u>84</u>		<u>1,711</u>
		<u>34,289</u>		<u>31,738</u>		<u>21,502</u>

Unaudited Notes to the Financial Statements

Unaudited interim results

The results for the 6 month period to 31 October 2017 and the prior year comparatives are unaudited.

Basis of preparation

This interim report has been prepared on a basis consistent with the annual financial statements.

Restatement of Half Year Comparatives

To ensure consistency between the interim results for the current period, prior year period and audited annual results for the year to 30 April 2017, some items in the consolidated income statement to 31 October 2016, which was issued before the listing, have been reclassified. These reclassifications have no effect on net profit.

The reclassifications and their effect on the consolidated income statement for the six months to 31 October 2016 are shown below.

1. Foreign exchange gain of £131,983 was reclassified from direct costs to OCI.
2. Work in progress movement of £632,341 was reclassified from direct costs to turnover.
3. Professional indemnity insurance of £226,162 was reclassified from direct costs to insurance costs.

	As Issued £'000	Reclassifications			Restated £'000
		1 £'000	2 £'000	3 £'000	
Turnover	16,681	-	632	-	17,313
Direct Costs	8,269	(132)	(632)	(226)	8,807
Gross Margin	8,412				8,506
Insurance Costs	46	-	-	226	272
Operating Profit	3,029				2,897
Other Comprehensive Income	64	132	-	-	196
Net Profit	2,719	-	-	-	2,719

Historically, EBITDA has been calculated from net profit, which included other comprehensive income ("OCI"). As OCI is predominantly a measure of non operating gains and losses, and as the Group expands its overseas presence, it is not an appropriate base on which to measure the operational performance of the business. Therefore, profit after tax is now used as the base point for the calculation of EBITDA. This has had the effect of reducing EBITDA for the year to 30th April 2017 from £8,292k to £7,919k, and the 6 months to 31st October 2016 from £3,671k to £3,539k. This has also had a corresponding effect on adjusted EBITDA.

Taxation on profit on ordinary activities

The tax assessed for the period is higher than the standard rate of income tax on Guernsey corporations on taxable activities of 0% (2016: 0%). The tax charge represents local tax payable by overseas subsidiaries, Jersey and Guernsey tax on fiduciary services and tax due on fund administration services carried out in Guernsey.

Creditors: amounts falling due in less than one year

Creditors falling due within one year are analysed in the table below.

	31 October 2017 £'000	30 April 2017 £'000	31 October 2016 £'000
Creditors and accruals	3,212	2,839	2,469
Fees in advance	1,975	4,619	2,342
Deferred consideration	2,142	3,424	984
Covenants	104	104	104
Loans	1,401	1,801	1,989
Taxation	971	1,086	687
Total	9,805	13,873	8,575

Reserves

There have been no movements in reserves for the period, other than the profit for the period, a small movement on a historic exchange reserve, and dividends relating to minority interests held in a subsidiary of £26,020 (2017: £66,037).