# Expanding our horizons

2020
Interim Report and Accounts

Expertise *in action.*
Globally.

## Management Report

The results set out within this report show continued growth of the PraxisIFM Group Limited ("the Group") during the half year ended 31 October 2019 ("the period").

### Highlights

- Revenue for the period was £35.8m (2019: £31.9m), up 12% compared to the same period in the prior year.
- Growth has been achieved through a blend of 4.5% organic growth driven by a strong pipeline and the full half year effect of the ownership of Nerine and Jeffcote Donnison.
- EBITDA has decreased to £5.0m (2019: £6.1m).
- Adjusted EBITDA, as defined in the annual report, was £6.6m (2019: £6.9m).
- The activities of the group over the period focused on the integration of recent acquisitions, accelerated development of our technology platform and organic growth.

### Group Activity

The Group remains focused on its core activity of professional administration services for private and corporate clients, investment funds and pension funds.

**Private Client and Corporate**

Our Private Client and Corporate division continue to integrate the Nerine and Jeffcote Donnison businesses and now has revenues of £23.0m (2019: £19.7m). The division continues to see strong pipeline generation which is driving organic growth. Our extended jurisdictional reach is providing new service opportunities for existing and new clients.

A major integration project has been the merging of the Nerine Trust and the PraxisIFM Trust businesses in Guernsey. This project is progressing well, with the Nerine staff moving into Sarnia House during the autumn of 2019.

**Funds**

Our Fund business had revenues in the period of £5.4m (2019: £4.7m), representing organic growth of 16%.

The mature fund businesses continue to perform in line with expectations with strong growth in the UK and from International Fund Management Limited. We continue to push the development and growth of the new fund businesses including Jersey, Cayman and ADGM.

There is an encouraging new business pipeline resulting from planned business development initiatives.

**Pensions**

Our Pension business has been stable, with revenues for the period of £6.9m (2019: £7.0m).

With the addition of InAdmin in Amsterdam, InAdmin RiskCo now has annualised revenues of €11.5m and a strong pipeline.

The team is focused on operational improvements and enhancing the end-to-end software solution for pension administration. We believe this will deliver enhanced visibility, information and efficiency for both corporate clients and scheme members.

During this development period, the margins of InAdmin RiskCo reflect the release of provisions accrued at acquisition, which have now been fully released.

## Performance

The Group continues to generate a good and progressive new business pipeline. During the period the Group signed up £2.7m of new business.

Gross margins are consistent at 49% (2019: 47%). This is in line with recent years and reflects the Group's ability to continue to effectively manage client facing resources.

The Group's central overhead grew during 2019 as a result of the acquisitions undertaken over the last 18 months and the integration of these businesses. The continuing integration of these businesses with the associated disruption to day-to-day business and duplication of costs means the Group's reported EBITDA margin has declined to 14% (2019: 19%).

The Group has commenced measures to reduce the overall cost base, as well as to further leverage efficiencies. We expect these to start to deliver change in the second half of 2020.

## Cash

The Group's operating cash flow has historically been lower during the first half of the year.

During the period, the group spent £1.4m on fixed assets, including the Group's IT network refresh and a long-overdue refurbishment of the Guernsey offices.

£1.3m was spent on the ongoing development of the Group's core systems and the InAdmin RiskCo platform.

The Group's debt servicing was £2.3m during the period, including £1.7m of net debt repayments.

## People

Our staff are fundamental to the Group's continued success. At the end of the period, the Group employed more than 550 people across 19 jurisdictions.

The key challenges arising from this rapid growth are to ensure we retain our professional ethos and to continue to nurture and invest in our colleagues' professional development. The Board is convinced that this remains at the core of our culture and business approach.

We want our employees to benefit from their collective efforts. In 2017, the Group established a BAYE scheme that enables staff to acquire a stake in the business. Currently, 157 members of staff across the Group have participated in this.

## Business Model

The Group provides professional administration services for corporate and private clients, investment funds and pension funds. These services are provided in a variety and increasing number of jurisdictions across a common platform that incorporates brand, technology, culture, reporting and governance.

## Strategic approach

The Group now has significant geographical diversification and continues to deliver organic growth in our core businesses. There is a continuing focus on the integration of our recent acquisitions and improving the performance of our start up businesses.

The duplication of costs arising as a result of recent acquisitions is being addressed but the integration work is not fully complete and as a consequence of this, our results do not yet reflect the work that has been done within the Group to reduce the cost base.

An ongoing review of our operating model continues with the aim of increasing Group synergies within our operating businesses and the central functions of the Group.

The Group continues to commit significant resources to the consolidation of our network and core systems including the ongoing enhancement of existing security measures to protect clients' data.

## Financial Review

| | 6 months to 31 October 2019 | 6 months to 31 October 2018 |
|---|---|---|
| **Revenues** | | |
| Trust | 23,045 | 19,650 |
| Funds | 5,438 | 4,689 |
| Pensions | 6,873 | 6,992 |
| Other including treasury and asset financing | 413 | 546 |
| **Total** | **35,769** | **31,877** |
| | | |
| **Gross Profit** | **17,522** | **14,925** |
| | | |
| **Gross Profit Margins** | | |
| total | 49% | 47% |
| | | |
| **Profit after tax** | **858** | **2,499** |
| Adjust for: | | |
| Interest received | (119) | (25) |
| Interest paid | 629 | 402 |
| Taxation | 602 | 701 |
| Depreciation | 679 | 515 |
| Amortisation | 2,377 | 2,006 |
| **EBITDA** | **5,026** | **6,098** |
| | | |
| **EBITDA Margins** | | |
| total | 14% | 19% |
| | | |
| **Adjusted EBITDA** | **6,645** | **6,859** |
| | | |
| **Earnings per share** | **0.8** | **2.4** |

Note: Following the restatement of the audited results for the 12 month period to 30 April 2019 (detailed in the Annual Report for the year ended 30 April 2019), the prior year comparatives for the unaudited 6 month period to 31 October 2018 have been restated so that all results are presented on a consistent basis.

## Consolidated Financial Statements

### Unaudited Consolidated Income Statement

| | 6 months ended 31 October 2019 | Year ended 30 April 2019 (Audited) | 6 months ended 31 October 2018 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Turnover** | 35,769 | 66,913 | 31,877 |
| Direct costs | (18,247) | (34,183) | (16,952) |
| **Gross profit** | **17,522** | **32,730** | **14,925** |
| Administrative salaries | (5,441) | (9,527) | (4,291) |
| Administrative expenses | (3,041) | (5,455) | (2,222) |
| Technical & training | (212) | (398) | (200) |
| Marketing | (408) | (626) | (281) |
| Computer expenses | (3,077) | (5,585) | (1,822) |
| Insurance | (565) | (977) | (431) |
| Travel & entertaining | (492) | (1,006) | (430) |
| Rent and rates | (1,840) | (3,577) | (1,587) |
| Amortisation of intangibles | (2,377) | (4,455) | (2,006) |
| Finance & bad debts | (455) | (1,696) | (174) |
| Other operating income | 2,270 | 4,699 | 2,096 |
| **Operating profit** | **1,884** | **4,127** | **3,577** |
| Share of profit for year in associate | 86 | 34 | - |
| Interest receivable & similar income | 119 | 209 | 25 |
| Interest payable & similar charges | (629) | (1,000) | (402) |
| **Profit on ordinary activities before taxation** | **1,460** | **3,370** | **3,200** |
| Tax on profit on ordinary activities | (602) | (1,046) | (701) |
| **Profit for the financial period/year** | **858** | **2,324** | **2,499** |
| Other comprehensive income | 431 | (156) | 720 |
| **Total comprehensive income for the financial year** | **1,289** | **2,168** | **3,219** |
| Profit for the financial year attributable to: | | | |
| Owners of the parent | 928 | 1,422 | 2,806 |
| Non-controlling interests | 361 | 746 | 413 |

## Unaudited Consolidated Statement of Financial Position

| | 31 October 2019 | | 30 April 2019 (Audited) | | 31 October 2018 | |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Fixed assets** | | | | | | |
| Intangible assets | | 61,677 | | 62,696 | | 60,548 |
| Tangible assets | | 6,944 | | 6,249 | | 3,863 |
| Investments | | 2,664 | | 2,701 | | 2,465 |
| | | **71,285** | | **71,646** | | **66,876** |
| **Current assets** | | | | | | |
| Accrued income | 6,253 | | 5,382 | | 6,313 | |
| Debtors and prepayments | 22,162 | | 25,666 | | 19,710 | |
| Cash at bank | 6,963 | | 13,666 | | 18,199 | |
| | **35,378** | | **44,714** | | **44,222** | |
| **Creditors: amounts falling due within one year** | **(26,113)** | | **(33,889)** | | **(44,894)** | |
| **Net current assets** | | **9,265** | | **10,825** | | **(672)** |
| **Total assets less current liabilities** | | **80,550** | | **82,471** | | **66,204** |
| **Creditors: amounts falling due after more than one year** | | **(23,202)** | | **(24,808)** | | **(16,722)** |
| **Provisions for liabilities** | | **(188)** | | **(2,271)** | | **(2,791)** |
| **Net assets** | | **57,160** | | **55,392** | | **46,691** |
| **Capital and reserves** | | | | | | |
| Called up share capital | | 1,126 | | 1,126 | | 1,042 |
| Share premium | | 66,344 | | 66,344 | | 52,640 |
| Treasury shares | | (8,306) | | (9,134) | | (8,095) |
| ESOP share reserve | | 726 | | 526 | | 515 |
| Capital reserve | | (43) | | (453) | | 440 |
| Profit and loss account | | (4,733) | | (4,682) | | (1,195) |
| **Equity attributable to owners of the parent company** | | **55,114** | | **53,727** | | **45,347** |
| **Non-controlling interests** | | **2,046** | | **1,665** | | **1,344** |
| | | **57,160** | | **55,392** | | **46,691** |

## Unaudited Consolidated Statement of Cash Flows

| | 6 months ended 31 October 2019 | Year ended 30 April 2019 (Audited) | 6 months ended 31 October 2018 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Cash flows from operating activities** | | | |
| Profit of operating activities before taxation | 1,460 | 3,370 | 3,200 |
| | | | |
| Adjustments for: | | | |
| Amortisation of intangible assets | 2,377 | 4,455 | 2,006 |
| Depreciation of tangible assets | 679 | 1,149 | 515 |
| Interest expense | 629 | 1,000 | 402 |
| Interest income | (119) | (209) | (25) |
| Movement in accrued income | (871) | (1,051) | (1,979) |
| Movement in debtors | 3,502 | (2,116) | 3,942 |
| Movement in provisions | (2,109) | (3,660) | (1,194) |
| Movement in creditors | (6,812) | 4,161 | (4,465) |
| **Cash from operating activities** | **(1,264)** | **7,099** | **2,402** |
| Income taxes paid | (772) | (1,334) | (383) |
| **Net cash from operating activities** | **(2,036)** | **5,765** | **2,019** |
| **Cash flows from investing activities** | | | |
| Purchase of tangible assets | (1,374) | (4,373) | (1,034) |
| Purchase of intangible assets | (1,340) | (2,274) | (1,487) |
| Financial investments made | (86) | (1,035) | (1,109) |
| Purchase of subsidiary undertakings | (264) | (14,733) | (4,405) |
| Cash acquired with subsidiary undertakings | - | 3,630 | 3,572 |
| Interest received | 119 | 209 | 25 |
| **Net cash used in investing activities** | **(2,945)** | **(18,576)** | **(4,438)** |
| **Cash flows from financing activities** | | | |
| Bank loan movements | (1,470) | 15,601 | 7,730 |
| Issue of shares | - | 48 | - |
| Treasury shares | 423 | 162 | 102 |
| Net capital flows from finance leases | (197) | (48) | (240) |
| Contractual covenant payments | (45) | (112) | (52) |
| Interest paid | (629) | (1,000) | (402) |
| Dividends paid | (15) | (3,851) | (1,995) |
| **Net cash from financing activities** | **(1,933)** | **10,800** | **5,143** |
| **Net (decrease)/increase in cash and cash equivalents** | **(6,914)** | **(2,011)** | **2,724** |
| Cash and cash equivalents at beginning of year | 13,666 | 15,334 | 15,334 |
| Effect of foreign exchange rate changes | 211 | 343 | 141 |
| **Cash and cash equivalents at end of year** | **6,963** | **13,666** | **18,199** |

## 1. Basis of preparation

PraxisIFM Group Limited is a company limited by shares, domiciled in Guernsey, Channel Islands, registration number 30367. The registered office is Sarnia House, Le Truchot, St Peter Port, Guernsey. The unaudited and consolidated financial statements for the six months end 31 October 2019, and the unaudited prior year comparatives, comprise the Company and its subsidiaries (the “Group”). Audited comparatives for the full year ended 30 April 2019 are also included.

The consolidated results have been prepared on a basis consistent with the annual financial statements.

## 2. Going concern

Based on current trading and three year projections, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the interim and annual financial statements.

## 3. Accounting policies

The Group has applied consistent accounting policies, presentation and methods of calculation as those followed in the preparation of the Group’s consolidated financial statements for the year ended 30 April 2019, in accordance with FRS 102, the Financial Reporting Standard applicable in UK and Republic of Ireland, and applicable law.

## 4. Critical judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following key judgements:

Determine whether there are indicators of impairment of the Group’s tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

**Other key sources of estimation uncertainty**

*Valuation of accrued income*
Accrued income is valued using average recovery rates appertaining during the year. This is reviewed by management to ensure recovery rates are appropriate based on past experience and knowledge of the client.

*Acquisition accounting*
The expected useful life of the goodwill arising on consolidation is estimated based on a variety of factors, such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life, and assumptions that market participants would consider in respect of similar businesses.

*Impairment of debtor*
The trade debtors balance in the Group's Consolidated Statement of Financial Position comprises a large number of relatively small balances. An allowance is made for the estimated irrecoverable amounts from debtors and this is determined by reference to past default experience.

*Impairment of intangible assets*
Should any of the factors taken into account in determining the expected useful life of goodwill arising on consolidation experience a significant change, an impairment charge will be recognised to the extent that the value and estimated remaining useful life of the goodwill are a true reflection of its value to the business, based on the factors above.

*Release of provision for the AON client transfer*
The provision for the AON client transfer was first recognised in the year ended 30 April 2018 and relates to the transfer of pensions administration customers from AON Hewitt to RiskCo Group BV. The provision includes the costs of adapting the pensions administration system of RiskCo Group BV and transferring of the client data.

*Release of provision for the APG client transfer*
The provision for the APG client transfer was first recognised in the year end 30 April 2019 and relates to the transfer of pensions administration customers from APG Deelnemingen N.V. to RiskCo Group BV. The provision includes the costs of adapting the pensions administration system of RiskCo Group BV and transferring of the client data.

*Share option expense valuation*
The estimation of the fair value of share options uses a Black-Scholes model, with significant judgement around the key model inputs of volatility, dividend yield and risk-free interest rate.

*Brexit*
The Group continues to appraise the potential of the United Kingdom's referendum on EU membership ("Brexit"). Based on management's judgement, the impact of Brexit itself in the global alternatives market is unlikely to damage the overall demand for services. The Group's presence in the EU has benefitted from an increase in demand. The Group therefore believes that it is well protected against any uncertainty with regards to Brexit.

## 5. Taxation on profit on ordinary activities

The tax assessed for the period is higher than the standard rate of corporation tax in Guernsey on taxable activities at 0% (2018: 0%). The tax charge represents local tax on overseas subsidiaries, Jersey and Guernsey tax on fiduciary services and tax due on fund administration services carried out in Guernsey.

## 6. Dividends

| | 6 months ended 31 October 2019 | Year ended 30 April 2019 (Audited) | 6 months ended 31 October 2018 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Paid during the year | 15 | 3,851 | 1,995 |

## 7. Earnings per share

| | 6 months ended 31 October 2019 | Year ended 30 April 2019 (Audited) | 6 months ended 31 October 2018 |
|---|---|---|---|
| Profit for the period (£'000) | 858 | 2,324 | 2,499 |
| Weighted average number of ordinary shares in issue | 112,607,690 | 106,753,407 | 103,449,415 |
| Basic earnings (pence per share) | 0.8 | 2.2 | 2.4 |

## 8. Called up share capital

| | 31 October 2019 £'000 | 30 April 2019 £'000 | 31 October 2018 £'000 |
|---|---|---|---|
| Authorised, allotted and issued Ordinary shares of £0.01 each | 1,126 | 1,126 | 1,042 |