



Expanding  
**our** horizons

**2019**

Interim Report and  
Accounts

**PRAXIS**  
IFM

Expertise *in action.*  
Globally.

## Management Report

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The results set out within this report show continued growth of the PraxisIFM Group Limited (“the Group”) during the half year ended 31 October 2018 (“the Period”).

### Highlights

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- Revenue for the Period was £31.9m (2018: £19.1m), up 67% compared to the same period in the prior year.
- Growth has been achieved through a blend of 8% organic growth driven by a strong pipeline and the acquisitions of InAdmin Pension Administration, Global Forward, Nerine and Jeffcote Donnison.
- EBITDA has increased by 58% to £6.3m (2018: £4.0m).
- Adjusted EBITDA, as defined in the annual report, has increased by 52% to £7.0m for the period (2018: £4.6m).
- The Group completed a series of acquisitions in the second half of the year ended 30 April 2018 (“the Year”) and the Period, with the Nerine acquisition completing during December 2018.
- This latest round of M&A activity has increased the Group’s headcount from 300 to 550, and from 9 to 17 jurisdictions.
- The coming 6-12 months will see continued focus on the integration of recent acquisitions, accelerated development of our technology platform and organic growth.
- We continue to encourage staff participation in the Group’s equity. We launched a second BAYE scheme during the Period with significant uptake.
- The Board has declared a dividend of 1.75p per share.

### Group Activity

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

#### Trust and Corporate

Following the acquisitions of Nerine and Jeffcote Donnison, the Trust and Corporate division had revenues of £19.7m (2018: £12.6m) in the period. These acquisitions extend the Group’s jurisdictional reach to include Hong Kong, Isle of Man and BVI.

Our Trust and Corporate business continues to see a strong pipeline of new business driving organic growth. Entry into the Netherlands, UK, Caribbean, Hong Kong and Isle of Man markets gives us access to a fresh client base and opportunities to provide clients with a global service.

#### Funds

Our Fund business had revenues in the period of £4.7m (2018: £4.3m).

After a difficult year in 2018, we recruited a new head of our Fund business who started in December 2018. The new business pipeline is strong, with £490k signed up during the Period and a further £350k to the date of this report.

## Pensions

Our Pension business has grown significantly, with revenues for the Period of £7.0m (2018: £1.9m).

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

The team are focussed on operational improvements and developing an 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. Whilst this process has yet to be completed, it is continuing as expected to plan.

During this development, the margins of InAdmin RiskCo reflect the release of provisions accrued at acquisition.

## Performance

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The Group has a good and progressive new business pipeline. During the Period the Group signed up £4.5m of new business.

Gross margins have improved to 54% (2018: 48%). This is predominantly driven by a change in the operating structure at InAdmin RiskCo.

The Group's central overhead grew during 2018 as it prepared for rapid expansion. We do not foresee any significant growth in the Group central function in the immediate future. The Group's reported EBITDA margin was 20% for the Period (2018: 20%).

## Cash

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Following on from the Year end, the Group's cash generation remains strong with positive net cash less bank debt of £7.3m.

The Group generated £2.4m (2018: £2.2m) of cash during the Period from its operating activities, an improvement of 11% compared to the same period last year. Whilst the Group's operating cash has historically been lower during the first half of the year the working capital profile has had a one-off impact from the working capital cycles of recent acquisitions.

During the Period, the Group paid out £4.4m (2018: 0.3m) for acquisitions. £3.6m (2018: nil) of cash was added to the Group's cash balances within acquired businesses.

In May 2018, the Group secured a new £20m bank facility with RBSI to provide ongoing liquidity for acquisitions and capital expenditure. The first tranche of £10m of this facility was drawn down in June 2018.

At the end of the Period, debtors stood at 27% of annual revenues (2018 year end: 28%).

## People

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Our staff are fundamental to the Group's continued success. At the end of the Period, the Group employed more than 550 people across 17 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 and since inception, 110 members of staff across the Group have participated in this scheme that enables staff to acquire a stake in the business.

### Business Model

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The Group provides professional administration services for corporate and private clients, investment funds and pensions. 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

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The Group has continued to deliver significant geographical diversification over the last 12 months through acquisitions and establishment of new offices. We welcome our new colleagues, whose entrepreneurial and intelligent approach to business fits alongside the Group's existing culture.

The additions to the Group have enabled us to provide a more global and broader service offering to our existing clients and to extend our product offering to the new offices.

The Group has committed significant time to the delivery of the recent acquisitions and planning for the full integration over the coming months. Following the period of acquisition activity, the focus now moves onto the key areas of integration, technology development and delivering synergies, with a view to efficiency enhancement.

To achieve this, the integration team is delivering a common platform for network and systems technology, marketing, human resources, financial and operational reporting and approach to risk and compliance.

By way of example, InAdmin RiskCo is building a technology platform to deliver automation for pension administration and we believe that their skilled team of technicians and project personnel, who have considerable experience of delivering intelligent systems and operational efficiencies, can provide wider benefits to the Group.

In addition, the integration process will open up opportunities to provide new and existing clients with our global administration solutions.

## Financial Review

	6 months to 31 October 2018	6 months to 31 October 2017
<b>Revenues</b>		
Trust	19,650	12,571
Funds	4,689	4,318
Pensions	6,992	1,921
Other including treasury and asset financing	546	643
Consolidation adjustments	-	(373)
<b>Total</b>	<b>31,877</b>	<b>19,080</b>
<b>Gross Profit</b>	<b>17,100</b>	<b>9,173</b>
<b>Gross Profit Margins</b>		
total	54%	48%
<b>Profit after tax</b>	<b>2,733</b>	<b>2,616</b>
Adjust for:		
Depreciation	515	299
Amortisation	2,006	609
Interest paid	372	121
Interest received	(25)	(22)
Taxation	676	398
<b>EBITDA</b>	<b>6,277</b>	<b>4,021</b>
<b>EBITDA Margins</b>		
total	20%	21%
<b>Adjusted EBITDA</b>	<b>7,041</b>	<b>4,630</b>
<b>Net profit attributable to group shareholders</b>	<b>3,040</b>	<b>2,560</b>
<b>Earnings per share</b>	<b>2.94</b>	<b>2.87</b>

## Consolidated Financial Statements

### Unaudited Consolidated Income Statement

	6 months ended 31 October 2018	Year ended 30 April 2018 (Audited)	6 months ended 31 October 2017
	£'000	£'000	£'000
<b>Turnover</b>	31,877	42,451	19,080
Direct costs	(14,777)	(21,764)	(9,907)
<b>Gross profit</b>	<b>17,100</b>	<b>20,687</b>	<b>9,173</b>
Administrative salaries	(4,291)	(4,492)	(1,640)
Administrative expenses	(2,222)	(2,965)	(1,040)
Technical & training	(200)	(286)	(152)
Marketing	(281)	(967)	(406)
Computer expenses	(1,822)	(2,220)	(1,019)
Insurance	(431)	(508)	(212)
Travel & entertaining	(430)	(361)	(119)
Accommodation costs	(1,587)	(1,650)	(705)
Amortisation charge	(2,006)	(1,726)	(609)
Finance & bad debts	(176)	(597)	(195)
Other operating income	102	132	37
<b>Operating profit</b>	<b>3,756</b>	<b>5,047</b>	<b>3,113</b>
Interest receivable & similar income	25	9	22
Interest payable & similar charges	(372)	(264)	(121)
<b>Profit on ordinary activities before taxation</b>	<b>3,409</b>	<b>4,792</b>	<b>3,014</b>
Tax on profit on ordinary activities	(676)	(981)	(398)
<b>Profit for the financial period/year</b>	<b>2,733</b>	<b>3,811</b>	<b>2,616</b>
Other comprehensive income	720	(541)	(41)
<b>Total comprehensive income for the financial year</b>	<b>3,453</b>	<b>3,270</b>	<b>2,575</b>
Profit for the financial year attributable to:			
Owners of the parent	3,040	3,025	2,560
Non-controlling interests	413	245	15

## Unaudited Consolidated Statement of Financial Position

	31 October 2018		30 April 2018 (Audited)		31 October 2017	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Fixed assets</b>						
Intangible assets		61,119		34,757		20,285
Negative goodwill		(571)		-		-
Tangible assets		3,863		2,749		2,253
Investments		2,465		285		318
		<u>66,876</u>		<u>37,791</u>		<u>22,856</u>
<b>Current assets</b>						
Accrued income	6,313		2,544		2,309	
Debtors and prepayments	26,182		20,104		14,575	
Cash at bank	18,199		15,334		9,054	
	<u>50,694</u>		<u>37,982</u>		<u>25,938</u>	
<b>Creditors: amounts falling due within one year</b>	<u>(44,416)</u>		<u>(17,573)</u>		<u>(9,805)</u>	
<b>Net current assets</b>		<u>6,278</u>		<u>20,409</u>		<u>16,133</u>
<b>Total assets less current liabilities</b>		<u>73,154</u>		<u>58,200</u>		<u>38,989</u>
<b>Creditors: amounts falling due after more than one year</b>		<u>(17,950)</u>		<u>(7,589)</u>		<u>(4,940)</u>
<b>Net assets</b>		<u>55,204</u>		<u>50,611</u>		<u>34,049</u>
<b>Capital and reserves</b>						
Called up share capital		1,042		1,025		891
Share premium		52,640		49,953		33,169
Capital reserve		440		(259)		154
Profit and loss account		(262)		(1,182)		(240)
<b>Equity attributable to owners of the parent company</b>		<u>53,860</u>		<u>49,537</u>		<u>33,974</u>
<b>Non-controlling interests</b>		<u>1,344</u>		<u>1,074</u>		<u>75</u>
		<u>55,204</u>		<u>50,611</u>		<u>34,049</u>

## Unaudited Consolidated Statement of Cash Flows

	6 months ended 31 October 2018	Year ended 30 April 2018 (Audited)	6 months ended 31 October 2017
	£'000	£'000	£'000
<b>Cash flows from operating activities</b>			
Profit of operating activities before taxation	3,409	4,792	3,031
Adjustments for:			
Amortisation of intangible assets	2,006	1,726	609
Depreciation of tangible assets	515	851	300
Interest expense	372	264	121
Interest income	(25)	(9)	(22)
Return on investment and servicing of finance	-	(132)	(37)
Realised foreign currency exchange loss	-	17	(139)
Movement in accrued income	(1,979)	(283)	(48)
Movement in debtors	821	(731)	772
Movement in sundry debtors	3,110	(190)	(794)
Movement in provisions	(1,194)	-	-
Movement in creditors	150	1,233	1,049
Movement in fees in advance	(4,747)	785	(2,644)
<b>Cash from operating activities</b>	<b>2,438</b>	<b>8,323</b>	<b>2,198</b>
Income taxes paid	(357)	(444)	(699)
<b>Net cash from operating activities</b>	<b>2,081</b>	<b>7,879</b>	<b>1,499</b>
<b>Cash flows from investing activities</b>			
Purchase of tangible assets	(1,034)	(1,028)	(107)
Purchase of intangible assets	(1,487)	(652)	(46)
Financial investments made	(1,109)	-	157
Disposal of financial investment	-	157	-
Purchase of subsidiary undertakings	(4,405)	(10,022)	(280)
Cash acquired with subsidiary undertakings	3,572	4,546	-
Other investment income	-	132	37
Interest received	25	9	22
<b>Net cash used in investing activities</b>	<b>(4,438)</b>	<b>(6,858)</b>	<b>(217)</b>
<b>Cash flows from financing activities</b>			
Bank loan movements	7,976	(1,436)	(986)
Issue of shares	-	9,732	-
EBT loan movements	(142)	999	481
Net capital flows from finance leases	(240)	(736)	(426)
Contractual covenant payments	(52)	(116)	(52)
Interest paid	(372)	(264)	(121)
Dividends paid	(1,995)	(2,299)	(26)
<b>Net cash from financing activities</b>	<b>5,175</b>	<b>5,880</b>	<b>(1,130)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,818</b>	<b>6,901</b>	<b>152</b>
Cash and cash equivalents at beginning of year	15,334	8,902	8,902
Effect of foreign exchange rate changes	47	(469)	-
<b>Cash and cash equivalents at end of year</b>	<b>18,199</b>	<b>15,334</b>	<b>9,054</b>



## Unaudited Notes to the Financial Statements

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### 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 2018, and the prior year comparatives, comprise the Company and its subsidiaries (the "Group"). Audited comparatives for the full year ended 30 April 2018 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 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 2018, 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.

The value of contingent future purchase consideration payable to the vendors is based on management's estimate of future profits calculated in accordance with the provisions of the Share Purchase Agreement.

*Impairment of debtors*

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.

**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% (2017: 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**

	<b>6 months ended 31 October 2018</b>	<b>Year ended 30 April 2018 (Audited)</b>	<b>6 months ended 31 October 2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Paid during the year	1,995	2,299	-

**7. Earnings per share**

	<b>6 months ended 31 October 2018</b>	<b>Year ended 30 April 2018 (Audited)</b>	<b>6 months ended 31 October 2017</b>
Profit for the period (£'000)	3,040	3,025	2,560
Weighted average number of ordinary shares in issue	103,449,415	91,139,672	89,139,600
Basic and diluted earnings (pence)	2.94	3.3	2.87

**8. Creditors: amounts falling due in less than one year**

	31 October 2018 £'000	30 April 2018 £'000	31 October 2017 £'000
Creditors and accruals	9,255	4,938	3,212
Nerine consideration due	16,864	-	-
Fees in advance	3,244	5,404	1,975
Deferred consideration	7,406	1,749	2,246
Provision for AON client transfer	1,595	2,693	-
Provision for APG client transfer	1,196	-	-
Loans	2,729	1,173	1,401
Taxation	2,127	1,616	971
<b>Total</b>	<b>44,416</b>	<b>17,573</b>	<b>9,805</b>

“Nerine consideration due” is the initial consideration due for the acquisition of Nerine Trust. This was settled in December 2018.

**9. Creditors: amounts falling due in more than one year**

	31 October 2018 £'000	30 April 2018 £'000	31 October 2017 £'000
Loans	8,774	2,431	3,795
Deferred consideration	9,176	4,965	1,145
Taxation	-	193	-
<b>Total</b>	<b>17,950</b>	<b>7,589</b>	<b>4,940</b>

**10. Called up share capital**

	31 October 2018 £'000	30 April 2018 £'000	31 October 2017 £'000
Authorised, allotted and issued Ordinary shares of £0.01 each	1,042	1,025	891

*Reconciliation of share movements*

<b>Closing share capital at 30 April 2018</b>	<b>102,491,432</b>
Issued in acquisition of Global Forward	732,701
Issued in acquisition of Jeffcote Donnison IOM	468,961
Issued in acquisition of Jeffcote Donnison HK	534,299
<b>Closing share capital at 31 October 2018</b>	<b>104,227,393</b>

## 11. Business combinations

The Group has made 6 acquisitions in the 6 month period to 31 October 2018.

### *Acquisition of InAdmin N.V. ("InAdmin")*

On 31 May 2018 the Group acquired 100% of InAdmin N.V. for £1, settled in the form of £1 in cash. On completion £1 cash paid.

### *Acquisition of Global Forward B.V. and Global Forward Trust B.V. ("Global Forward")*

On 15 May 2018 the Group acquired 100% of Global Forward B.V. and Global Forward Trust B.V. for £2,932,595, settled in the form of 990,992 shares in PraxisIFM Group Limited and £1,427,127 in cash. On completion, 732,701 shares were issued and £962,541 cash paid, with the remainder being deferred consideration of £490,884 payable over 18 months and contingent consideration of £420,547 due over 3 years. Contingent consideration is based on future performance of the business.

### *Acquisition of Nerine Trust ("Nerine")*

On 27 June 2018 the Group acquired 100% of Nerine Trust for £24,078,096, settled in the form of 6,380,297 shares in PraxisIFM Group Limited and £14,188,636 in cash. On completion, 4,466,208 shares were issued and £10,069,310 cash paid, with the remainder being deferred consideration of £7,086,164 payable over 2 years.

### *Acquisition of Jeffcote Donnison (Overseas) Limited ("JD IOM")*

On 15 August 2018 the Group acquired 100% of Jeffcote Donnison (Overseas) Limited for £2,656,696, settled in the form of 468,961 shares in PraxisIFM Group Limited and £1,887,600 in cash. On completion, 281,377 shares were issued and £1,426,141 cash paid, with the remainder being deferred consideration of £769,097 payable over 2 years.

### *Acquisition of JD Associates Limited ("JD HK")*

On 15 August 2018 the Group acquired 100% of JD Associates Limited for £1,048,320, settled in the form of 534,299 shares in PraxisIFM Group Limited and £172,069 in cash. On completion, 320,580 shares were issued and £172,069 cash paid, with the remainder being deferred consideration of £350,500 payable over 2 years.

### *Acquisition of Jeffcote Donnison LLP ("JD UK")*

On 15 August 2018 the Group acquired the client book of Jeffcote Donnison LLP for £1,461,047, settled in cash. On completion, £1,131,047 cash was paid, with the remainder being deferred consideration of £330,000 payable over 2 years.

The clients were engaged by a newly created entity, PraxisIFM JD Corporate Services Limited.

In calculating goodwill arising on acquisition, the fair value of the net assets of each acquisition have been assessed and adjustments from book values made where necessary.

	InAdmin £'000	Global Forward £'000	Nerine £'000	JD IOM £'000	JD HK £'000	JD UK £'000
<b>Fixed assets</b>						
Tangible	321	-	264	9	2	-
Intangible	-	-	-	-	-	-
<b>Current assets</b>						
Debtors	1,751	61	4,300	493	322	-
Sundry debtors	2,427	85	1,586	47	43	-
Cash at bank and in hand	-	-	2,862	688	22	-
<b>Total assets</b>	<b>4,499</b>	<b>146</b>	<b>9,012</b>	<b>1,237</b>	<b>389</b>	<b>-</b>
<b>Creditors</b>						
Due within one year	3,928	-	4,652	250	145	-
<b>Fair value of net assets acquired</b>	<b>571</b>	<b>146</b>	<b>4,360</b>	<b>987</b>	<b>244</b>	<b>-</b>
Goodwill	(571)	2,787	19,718	1,670	804	1,461
<b>Total purchase consideration</b>	<b>-</b>	<b>2,933</b>	<b>24,078</b>	<b>2,657</b>	<b>1,048</b>	<b>1,461</b>
Purchase consideration settled in cash	-	963	10,069	1,426	172	1,131
Cash and cash equivalents in subsidiary acquired, as above	-	-	2,862	688	22	-
<b>Cash outflow on acquisition</b>	<b>-</b>	<b>(963)</b>	<b>(7,207)</b>	<b>(738)</b>	<b>(150)</b>	<b>(1,131)</b>

For the period ended 31 October 2018, the results of each acquisition were consolidated from the point control was obtained.

	InAdmin	Global Forward	Nerine	JD IOM	JD HK	JD UK
No. months consolidated	5	6	4	4	4	4
Revenue (£'000)	2,873	434	3,759	236	142	376
Profit (£,000)	494	156	682	47	17	95

**12. Reconciliation of goodwill**

<b>As at 1 May 2018</b>	<b>33,814</b>
Purchased goodwill in the period:	
Global Forward B.V. and Global Forward Trust B.V.	2,787
Nerine Trust	19,718
Jeffcote Donnison (Overseas) Limited	1,670
JD Associates Limited	804
Jeffcote Donnison LLP	1,461
Adjustment to Ampersand SA	233
Exchange movement on goodwill in foreign subsidiaries	208
Amortisation	(1,886)
<b>As at 31 October 2018</b>	<b>58,809</b>