31 July 2019

StatPro Group plc

Continued increase in profitability as cloud services continue to grow strongly

StatPro Group plc, (AIM: SOG, "StatPro", "the Group"), a leading provider of portfolio analysis and asset pricing services for the global asset management industry, has published its interim results for the six months ended 30 June 2019.

	Six months ended 30 June 2019	Six months ended 30 June 2018 Restated [3]	% change	% change at constant currency
Revenue	**£28.25 m**	£27.24 m	+3.7%	+3.2%
Annualised Recurring Revenue ("ARR") [1]	**£56.48 m**	£52.25 m	+8.1%	+5.7%
Adjusted EBITDA [2]	**£5.68 m**	£5.18 m	+9.7%	+10.2%
(Loss)/profit before tax	**(£0.26) m**	£0.81 m		
Earnings per share – adjusted [2]	**3.8p**	3.3p	+15%	
(Loss)/earnings per share – basic	**(0.3)p**	1.0p		
Interim dividend per share	**0.85p**	0.85p	-	

Financial highlights:

- Group revenue up 3.7% to £28.25 million (2018: £27.24 million)
  - Recurring revenue grew to 98% (2018: 96%) of total Group revenue
  - Revolution platform ARR grew by 22.9% [4] (2018: 19.0%) to £17.64 million (2018: £14.35 million)
  - Software as a service (SaaS) as a percentage of software ARR grew to 85% (2018: 84%)
- Adjusted EBITDA increased by 9.7% to £5.68 million (2018: £5.18 million)
- Free cash flow (before acquisition and restructuring costs) increased to £3.53 million from £3.16 million

Operating highlights:

- Strategic partnership signed with J.P. Morgan to develop Risk and Performance Attribution capabilities for portfolio managers and distribute through J.P. Morgan's data and analytics platform
- Environmental, social and governance ("ESG") research and index business unit of ECPI acquired in July 2019
- Fixed Income module released on StatPro Revolution - enabling final phase of conversions of clients from StatPro Seven to Revolution

(1) Annualised Recurring Revenue is the annual value of revenue contractually committed at period end.
(2) Adjusted EBITDA and adjusted earnings/loss per share are EBITDA and earnings/loss per share after adjustment for amortisation of acquired intangible assets, acquisition transaction, redundancy and other integration costs, and share-based payments (see notes 2 and 5).
(3) The interim and full year accounts for 2018 have been restated to take into account the adoption of IFRS 16 and deferred tax (see note 1) and the SiSoft provision (see note 4).
(4) Underlying ARR growth relates to revenue on the Revolution platform and excludes the acquired cloud revenues from Delta and Investor Analytics, and includes clients converted from Seven and other products at constant currency (see note 3).

Justin Wheatley, Chief Executive of StatPro, commented:

"We have continued to execute on our strategy to grow organically whilst switching our clients from legacy software onto our expanding Revolution platform cloud service – which saw another period of strong ARR growth.

"The stand-out development in H1 was our new partnership with J.P. Morgan. It strengthens our market position and equally importantly, it is a step change in our distribution capacity.

"As we approach the end of our conversion programme - which will result in a marked improvement in margins - we are developing our routes to market and also expanding our services for both our fund administration and asset manager clients."

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014 (MAR).

A presentation for analysts of the interim results will be held at 9.30am today at the offices of Instinctif Partners, 65 Gresham Street, London, EC2V 7NQ.

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About StatPro

StatPro Group (www.statpro.com) provides cloud-based portfolio analytics, asset data services and data management tools for the global asset management industry and asset management service providers.

The Group has 10 offices in Europe, North America, South Africa and Australia, servicing 450+ clients in 38 countries. It is organised into three divisions: Revolution, Source: StatPro and Infovest.

Revolution is a global provider of award-winning portfolio analytics solutions. The cloud-based platform offers vital analysis of portfolio performance, attribution, risk and compliance. Revolution helps clients reduce costs, improve client communication and control investment decisions.

Source: StatPro is a global market data business and provides Data-as-a-Service to Revolution to enable analytics. The division's integrated and global data coverage includes millions of securities covering the full range of financial instruments and benchmarks.

Infovest supplies data management solutions for the global asset management market, including data warehouse technology, ETL, compliance and reporting tools, as well as portfolio management solutions.

StatPro Group plc shares are listed on AIM.

Overview

At the start of the year, StatPro was reorganised into three divisions - Revolution (analytics), Source: StatPro (data) and Infovest (data integration). All three divisions performed well with the business units working closely together to provide clients with effective solutions. The new structure has also provided more visibility for the products and services of Source: StatPro (data) and Infovest (data integration).

The key strategic development in H1 2019 was the new partnership announced with J.P. Morgan's Data and Analytics business. StatPro and J.P. Morgan will develop Risk and Performance Attribution capabilities for portfolio managers for distribution through J.P. Morgan's flagship data and analytics platform.

This agreement represents a significant new channel partnership for StatPro services.

The first half of the year saw adjusted EBITDA increase by 9.7% to £5.68 million (2018: £5.18 million) with H1 revenues up 3.7% to £28.25 million (2018: £27.24 million). ARR, the core measure of the Group's strategy of growing recurring revenue contracts, was up 8.1% to £56.48 million (2018: £52.25 million). Including the ECPI contracts acquired on 1 July 2019, ARR was £57.27 million on a pro-forma basis.

StatPro Revolution ARR growth accelerated to 22.9% at constant currency to £17.64 million (2018: £14.35 million).

Free cash flow (before one-off restructuring and acquisition costs) increased to £3.53 million from £3.16 million.

Current trading and outlook

StatPro expects to see overall growth accelerate as a result of the new divisional structure and the continued expansion of functionality now available on Revolution. With the operational gearing of Revolution's cloud-based technology, the Group also expects to see continued growth in margins, particularly over the next few years as the remaining clients of StatPro Seven switch to cloud services.

There were a number of notable deals in H1 and the Group has a healthy H2 pipeline.

The Group continues to trade in line with expectations for the current financial year.

Divisional review

Revolution

The strategy of the *Revolution* division is to provide a world-class, cloud-based analytics platform that covers every type of analytics needed in the middle or front office for any asset class of any asset manager.

The core functions are performance, attribution (in a wide variety of forms) and risk. Out of these core functions various applications are built such as regulatory reporting, client reporting, exposure monitoring and investment decision support.

Whilst the division currently comprises a number of products (Revolution, Delta, Alpha and StatPro Seven), the operational aim is to consolidate all the clients on these products onto the Revolution platform within three years.

Divisional revenue grew 3.4% to £23.0 million (2018: £22.2 million) and adjusted EBITDA rose 11.2% to £4.6 million (2018: £4.2 million).

ARR grew 7.8% to £45.5 million (2018: £42.2 million). ARR arising solely from the Revolution platform grew 22.9% to £17.64 million (2018: £14.35 million) at constant currency. ARR from the Delta platform grew by 5.8%. Consulting revenue continued to decline, as expected, to £0.45 million (2018: £0.70 million) as cloud-based solutions do not require the same level of professional services as traditional software. The division is focused on building ARR which now represents 98% of its revenue.

In March 2019, the Fixed Income module was released on StatPro Revolution enabling the final phase of conversions of clients from StatPro Seven to Revolution. The importance of this was exemplified by the win announced in early July 2019 when a large insurance company signed up to convert to Revolution and agreed to a 77% uplift in subscription.

There remains about £5.0 million in ARR on three modules of StatPro Seven that can now convert to StatPro Revolution. The Group expects to complete this process over the next two to three years.

There is around £7.6 million of ARR in the GIPS Composites module of StatPro Seven that will be upgraded to be part of Revolution from the end of this year with the beta release coming out in September 2019.

Importantly for the clients of GIPS Composites, there is no conversion to do as all inputs and outputs remain the same. Only the user interface changes as it becomes part of the Revolution platform. StatPro expects the process of upgrading clients of GIPS Composites to Revolution GIPS to be completed over the next two years.

This means that the process of conversion will be all but completed by the end of 2021. The benefits of this will be opportunities to increase the subscription base via uplifts in contract values, and a significant reduction in overlapping costs estimated at over £1.0 million per annum including the removal of the management distraction.

Delta is also being moved from UBS's IT platform to form part of the Revolution platform on AWS. This too will involve no changes to the inputs and outputs for the clients of Delta. This makes the move of Delta clients to Revolution an upgrade rather than a conversion.

The Group expects this process to be completed by the end of 2020. Once the clients of Delta have all moved to the Revolution platform, further savings will be made estimated to be around £1.5 million a year.

StatPro plans to increase the size of this Division's salesforce steadily in order to maximise sales growth by direct sales and via indirect sales channels such as the recently announced partnership with J.P. Morgan. It is expected to be a significant new source of business opportunity.

In order to optimise the J.P. Morgan opportunity, the Group will support its large salesforce with product specialists. J.P. Morgan has numerous asset management, hedge fund and pension fund clients which it serves across the world and a large salesforce to promote the service. The initial focus will be in Europe and Asia, but in 2020, the Group will be targeting the huge US market once it has added J.P. Morgan's wide coverage of US assets to the platform.

The combination of Revolution Delta and the J.P. Morgan data will make Revolution best in class.

Source: StatPro

The strategy of the *Source: StatPro* division is to monetise and expand its extensive data assets. In order to make Revolution straightforward to implement, high quality market data is needed. This was the key strategic reason why the Group acquired FRI in 2006.

The Group's data now can be sold in its own right to feed multiple systems. By expanding the Group's coverage for data clients, StatPro will also expand its coverage of data for Revolution clients in a symbiotic relationship. Revolution also produces meta data as part of its analytics, such as credit curves, and this data can be sold in its own right as well.

Divisional revenue (including intra-group revenue) grew 6.7% to £4.2 million (2018: £3.9 million) and adjusted EBITDA was flat at £0.34 million (2018: £0.35 million). ARR rose 8.0% to £5.8 million (2018: £5.4 million). Adding the acquisition of ECPI, proforma ARR is £6.6 million.

Source: StatPro is subdivided into three groups of services: Valuations, Indexes and Meta Data. Under Valuations, StatPro currently provides a global equity price feed with fundamental data and corporate actions. It also provides an evaluated bond pricing service for about 100,000 bonds daily covering global sovereign and corporate debt as well as selected US Municipal bonds.

The Group aims to expand this coverage to several million bonds in the course of the next 18 months as it deploys the credit curves generated by Delta to the valuations team. In a market where the number of bond evaluation services has been dramatically consolidated, there is a real need for alternative sources of data. This will help drive sales.

Index services include index delivery to Revolution as an additional service and the supply of indexes into other platforms that a client might have. The larger asset managers and fund administrators might have 10 to 50 different applications that need index data. The complexity of managing the multiple formats of index providers and the multiple destinations of that data, as well as the task of keeping an audit of licencing usage, makes this an ideal task to outsource.

StatPro has already signed up numerous clients to this new service and expects the revenue generated to cover the costs within 12 months.

The Meta Data service consists of credit curves, global equity factor models and complex asset pricing services. The credit curves originated from Delta and are of extremely high quality. The global equity factor model will be enhanced by the ESG data and provides a multi-faceted view of the investible world equity market. The complex asset pricing service is a by-product of the Group's risk service. It is frequently very difficult for clients to value hard-to-price illiquid assets and, in the absence of traded or evaluated prices, StatPro can offer model prices.

Separately, the Group publishes its indexes under the brand name of "The Freedom Index". These indexes will consist of both global equity and global bond indexes. The recent acquisition of ECPI adds extremely valuable ESG (Environment, Social and Governance) indexes and research data to the service. StatPro is looking to develop further specialist value-added indexes where supply is limited. The ESG research data will also be integrated into Revolution to provide clients with enhanced ways to analyse their portfolios.

The division will expand its sales team and leverage the extensive Group client base to cross-sell its services. There is a real opportunity to develop the division's revenue.

Infovest

The strategy of Infovest is to provide simplified data integration for asset managers as well as compliance and portfolio management solutions. The success or failure of any implementation of an analytics solution depends on the quality of the input data. Infovest's visual ETL (Extract, Transform, Load) tools make data management straight forward, providing a business analyst an easy way to manage a large number of complex operations on data.

Divisional revenue was flat at £2.6 million (2018: £2.6 million) and adjusted EBITDA rose 6.6% to £0.69 million (2018: 0.65 million). ARR however grew 11.2% to £5.2 million (2018: 4.7 million). Consulting revenue was down to £0.15 million (2018: £0.27 million) as the focus of the division has swung to building ARR.

Infovest has three products, Infostore, Compliance and Portfolio Management. Infovest has been extremely useful for the Group since it was fully acquired in early 2018. The software was used to enable StatPro to migrate the 10 clients using the ODDO-BHF service off the acquired risk service to Revolution. Migrating 10 clients with 2,500 portfolios in under nine months would not have been possible without the Infovest platform.

Infovest has also been selected to replace the previous platform used for the Index Service in the Source: StatPro division. It is the ideal platform to handle multiple inputs and outputs whilst maintaining full visibility on all processes. Source: StatPro is also using Infovest for The Freedom Index.

There is frequently interest in using some aspect of Infovest to enable smooth implementations. StatPro anticipates further growth in the European markets which is the focus of Infovest's expansion from its South African home market. The Infovest division is expected to grow well as demonstrated by the strong growth in organic ARR over the last 12 months.

Financial review

Revenue
Group revenue increased by 3.7% to £28.25 million (2018: £27.24 million). The revenue increase was driven by growth in Group ARR including solid growth in ARR from clients on the StatPro Revolution platform (including conversions) of 22.9% at constant currency (2018: 19.0%).

These results are therefore presented under the new divisional reporting regime and the revenue bridge from H1 2018 is shown below.

	Revolution	Infovest	Source: StatPro	Intra-group	Group
	£m	**£m**	**£m**	**£m**	**£m**
Revenue bridge					
H1 2018 at actual rates	**22.23**	**2.57**	**3.94**	**(1.50)**	**27.24**
Change year on year	**0.76**	**(0.01)**	**0.26**	**-**	**1.01**
H1 2019 at actual rates	**22.99**	**2.56**	**4.20**	**(1.50)**	**28.25**
Change %	**3.4%**	**(0.4%)**	**6.7%**	**-**	**3.7%**

Both Revolution and Source: StatPro saw positive revenue growth but Infovest was flat due to lower consulting revenue. The percentage of Group revenue that is recurring revenue grew to 98% (2018: 96%) and one-off professional consulting revenue reduced to 2% (2018: 4%) as StatPro's cloud services are becoming simpler to implement and configure.

Recurring revenue
Over the last year, there has been an increase in the rate of new contract revenue, coupled with a higher renewal rate. As a result, Group ARR increased by 8.1% in the 12 months to the end of June 2019 to £56.48 million (2018: £52.25 million). With the addition of the contracts acquired from ECPI on 1 July 2019, Group ARR was £57.27 million on a pro-forma basis.

The ARR by division (excluding intra-group revenue) at the end June of 2019 was as follows:

ARR by division	**As at 30 June 2019**	As at 30 June 2018	Change
	£m	£m	%
Revolution	**45.46**	42.18	7.8%
Infovest	**5.19**	4.67	11.2%
Source: StatPro (excluding intra-divisional revenue)	**5.83**	5.40	8.0%
	56.48	52.25	8.1%

Group gross new sales (excluding conversions) increased by 19% to £5.50 million (2018: £4.64).
Approximately 87% of new recurring contracted revenue came from existing clients (2018: 84%).

StatPro's revenue derives from contracts in a mix of currencies, primarily being EUR, USD, GBP and CAD. The business is impacted by movements in currency rates but the spread of currencies for both revenues and costs provides an element of natural hedging in the reported results.

There has been a further increase (13%) in average revenue per client to £122,200 (2018: £107,800).

SaaS-based KPIs

The ratio of costs of acquiring each customer ("CAC") compared to the Lifetime Value of the customer contracts ("LTV"), an important KPI used by SaaS businesses, on a 12-month trailing basis is:

All contracts (unaudited)	**Year to 30 June 2019**	Year to 30 June 2018
Average Cost of Acquiring Customer ("CAC") (£'000s)	**181.2**	158.1
Implied Customer Lifetime (years)	**11.9**	10.2
Average ARR per customer (£'000s)	**122.2**	107.8
Implied Customer Lifetime Value ("LTV") (£'000s)	**1,459**	1,103
LTV: CAC	**8.0**	7.0

Whilst the average cost of acquiring customers has increased, the average ARR is up, as is the implied customer lifetime, resulting in a 14% increase in the LTV:CAC ratio.

Operating expenses

Operating expenses (before amortisation of intangible assets and other adjustments) were 3.8% lower at £20.99 million (2018: £21.83 million). Excluding the impact of currency and additional ODDO-BHF costs, the reduction in operating expenses was 5.5%. The average number of employees reduced to 285 (2018: 304).

Profitability

The underlying profitability of the business continued to improve with adjusted EBITDA increasing to £5.68 million (2018: £5.18 million). The adjusted EBITDA margin was 20.1% (2018: 19.0%).

Gross profit margin increased to 54.0% (2018: 53.0%).

All divisions reported a positive adjusted EBITDA, and Revolution and Infovest increased their EBITDA margins to 20.2% (from 18.8%) and 27.1 % (from 25.3%) respectively. Additional investment in the Source: StatPro division resulted in a small reduction in adjusted EBITDA and the margin reduced to 8.2% from 8.9%.

Divisional results – adjusted EBITDA

	Unaudited Six months to 30 June 2019 Revenue £000s	**Unaudited Six months to 30 June 2019 Adjusted EBITDA £000s**	**Unaudited Six months to 30 June 2019 Adjusted EBITDA margin %**	Unaudited Six months to 30 June 2018 Revenue £000s	Unaudited Six months to 30 June 2018 Adjusted EBITDA £000s	Unaudited Six months to 30 June 2018 Adjusted EBITDA margin %
Revolution	22,991	4,642	20.2	22,230	4,173	18.8
Infovest	2,561	694	27.1	2,571	651	25.3
Source: StatPro	4,201	343	8.2	3,936	352	8.9
	29,753	5,679		28,737	5,176	
less: intra-divisional revenue	(1,500)			(1,500)		
Total	**28,253**	**5,679**	**20.1**	27,237	5,176	19.0

Group adjusting items

One-off adjusting items of £1.13 million include:

- £0.56 million for additional onerous contractual costs in relation to the ODDO-BHF acquisition; and,
- £0.57 million related to additional restructuring and redundancy charges following the implementation of the new divisional structure.

In addition, the provision for the SiSoft litigation has been increased by £1.03 million following the ruling by the French Court of Appeal. StatPro is still contemplating the merits of whether to appeal to the French Supreme Court ("*Cour de cassation*"). This has been treated as a prior year adjustment and the 2018 profit and loss and balance sheet restated accordingly to reflect this (see note 4).

IFRS 16 'Leases'

IFRS 16 'Leases' is effective for the current year ending 31 December 2019 and requires all leases to be recognised on the balance sheet (with some limited exceptions). The Group has adopted the full retrospective application rather than the modified retrospective application.

As a result of the adoption of IFRS 16, the profit before tax was impacted by additional non-cash cost of £0.03 million (2018: £0.09 million) and adjusted EBITDA increased by £0.97 million (2018: £0.84 million) as result of including right-of-use assets on the balance sheet (see note 1). The impact on adjusted eps was immaterial.

Finance income and expense

Net finance expense was £1.26 million (2018: £1.18 million), as a result of increased average net debt associated with the financing of acquisitions, the impact of the unwinding of the discount on deferred consideration and the IFRS 16 impact.

(Loss)/profit before tax

The adjusted operating profit increased by 10% to £3.92 million (2018: £3.55 million). The loss before taxation was £0.26 million (2018: profit £0.81 million).

Taxation

The tax credit was £0.06 million (2018: charge £0.16 million).

Earnings/losses per share

Adjusted earnings per share was up 15% to 3.8p (2018: 3.3p). Actual basic loss per share was 0.3p (2018: earnings per share 1.0p) and diluted loss per share was 0.3p (2018: diluted earnings per share 0.9p).

Interim dividend

An interim dividend of 0.85 pence per ordinary share (2018: 0.85 pence) will be paid on 6 November 2019 to shareholders on the register at the close of business on 4 October 2019 (ex-div date will be 3 October 2019).

Cash flow and financing

StatPro continues to be cash generative with cash generated from operations of £7.04 million (2018: £7.02 million). The free cash flow (before one-off restructuring and acquisition costs) increased year-on-year to £3.53 million (2018: £3.16 million). The Group ended the period with net debt (excluding lease liabilities) of £24.21 million (December 2018: £23.35 million). The increase in net debt arose primarily because of the deferred payment on the ODDO-BHF acquisition, using the Group's debt facilities, and payments related to restructuring costs.

Balance sheet

The Group's net assets at the period end were £26.10 million (December 2018: £26.22 million). The primary movements in the six-month period were the decrease in intangible assets, mainly relating to the amortisation of acquired intangibles from acquisitions, and the increase in borrowings related to acquisition payments. Deferred revenue, which is a non-cash liability, increased to £17.45 million (December 2018: £17.08 million).

Financing facility
In April 2019, StatPro increased and extended its financing facilities with Wells Fargo Capital Finance. The facility has been increased by adding an additional £5.2 million of committed facility and an additional £6 million of uncommitted capital. This secured financing facility is available for acquisitions, share buy-backs and general corporate purposes.

Following the increase, the total facilities are approximately £48.8 million and comprise:

- £10 million committed revolving credit facility
- £28.8 million committed term/deferred drawdown multi-currency loans
- £10 million uncommitted additional facility available

The term for the committed facility has been extended to April 2024, subject to compliance with agreed covenants, primarily linked to recurring revenue, adjusted EBITDA and available liquidity. The financing costs are being amortised over the term of the loan. This facility strengthens the Group's long-term financial structure and provides financing flexibility at a competitive cost, and the Board believes that the Group is well-positioned to manage the business risks. In the absence of any corporate activity, the increasing operating cash generation and growing adjusted EBITDA is expected to result in reduced future gearing.

Post-balance sheet event - Acquisition
On 1 July 2019, StatPro acquired the environmental, social and governance ("ESG") research and index business unit ("ECPI") from ECPI Group Srl for a total estimated consideration (including deferred contingent consideration) of €2.9 million (£2.6 million), payable in cash.

ECPI has annualised recurring revenues of approximately €0.9 million (£0.8 million) and generated €0.3 million (£0.2 million) EBITDA in 2018. It will enhance Source: StatPro's benchmark offerings with growing demand for ESG ratings and indices.

Research and development and capex
R&D expenditure was £4.44 million (2018: £4.17 million), equating to 15.7% of Group revenue (2018: 15.3%). The focus of R&D remains the enhancement of the Revolution platform. Capitalised development costs were £3.64 million (2018: £2.53 million) and amortisation on internal development was £3.45 million (2018: £1.80 million). As a result, the net impact to the profit and loss account in relation to development costs reduced to £0.19 million (2018: £0.73 million). Capital expenditure on property, plant and equipment was £0.92 million (2018: £1.25 million), of which £0.55 million (2018: £0.89 million) was financed under lease arrangements.

Principal risks and uncertainties
The directors continue to evaluate the principal business risks and uncertainties affecting the Group and further discussion of the principal risks and uncertainties can be found on pages 32 to 35 of the StatPro 2018 Annual Report.

Group Income Statement
For the six months ended 30 June 2019

	Notes	**Unaudited**	Unaudited	Audited
		Six months to 30 June	Six months to 30 June	Year to 31 December
		2019	2018	2018
		£'000s	£'000s	£'000s
			Restated	Restated
Revenue	3	**28,253**	27,237	54,841
Operating expenses before amortisation of intangible assets and other adjustments *		**(20,994)**	(21,830)	(42,194)
Amortisation of acquired intangible assets		**(1,510)**	(1,518)	(3,161)
Amortisation of other intangible assets		**(3,624)**	(1,893)	(5,498)
Increase in SiSoft legal provision *	4	**-**	-	(1,030)
Acquisition-related and restructuring costs	4	**(1,126)**	-	(2,977)
Operating expenses		**(27,254)**	(25,241)	(54,860)
Operating profit/(loss)		**999**	1,996	(19)
Finance income *		**62**	59	124
Finance credit – fair value reduction in deferred consideration		**-**	-	399
Finance expense *		**(1,322)**	(1,243)	(2,678)
Net finance expense		**(1,260)**	(1,184)	(2,155)
(Loss)/profit before taxation	5	**(261)**	812	(2,174)
Taxation *		**58**	(163)	506
(Loss)/profit for the period		**(203)**	649	(1,668)
Profit attributable to non-controlling interests		**-**	21	21
(Loss)/profit attributable to equity shareholders		**(203)**	628	(1,689)
		(203)	649	(1,668)
(Loss)/earnings per share – basic	2	**(0.3)p**	1.0p	(2.6)p
– diluted	2	**(0.3)p**	0.9p	(2.6)p

* Prior year figures have been restated in relation to the implementation of IFRS 16 and deferred tax (see note 1) and the SiSoft provision (see note 4).

Group Statement of Comprehensive Income
For the six months ended 30 June 2019

	Unaudited	Unaudited	Audited
	Six months to 30 June	Six months to 30 June	Year to 31 December
	2019	2018	2018
		Restated	Restated
	£'000s	£'000s	£'000s
(Loss)/profit for the period *	**(203)**	649	(1,668)
Other comprehensive income to be reclassified to the income statement:			
Translation of foreign operations	**1,153**	(838)	(979)
Net (loss)/gain on hedge of net investments	**(61)**	(39)	(143)
Total comprehensive income/(loss) for the period - restated	**889**	(228)	(2,790)
Attributable to:			
Non-controlling interests	**-**	21	21
Equity shareholders *	**889**	(249)	(2,811)
Total comprehensive income/(loss) for the period - restated	**889**	(228)	(2,790)

* Prior year figures have been restated in relation to the implementation of IFRS 16 and deferred tax (see note 1) and the SiSoft provision (see note 4).

Group Balance Sheet

At 30 June 2019	Notes	**Unaudited At 30 June 2019 £'000s**	Unaudited At 30 June 2018 £'000s Restated	Audited At 31 December 2018 £'000s Restated
Non-current assets				
Goodwill	10	**45,203**	43,708	44,069
Other intangible assets	10	**18,592**	19,706	19,632
Property, plant and equipment *	1	**2,142**	2,054	2,200
Right-of-use assets *	1	**6,316**	6,084	5,302
Financial lease asset *		**578**	863	742
Other receivables		**227**	128	155
Deferred tax assets *		**1,024**	1,197	970
		74,082	73,740	73,070
Current assets				
Trade and other receivables *	1	**14,425**	12,962	12,925
Financial lease asset *	1	**396**	377	386
Financial instruments – other		**-**	-	47
Current tax assets *		**2,180**	1,459	2,881
Cash and cash equivalents		**3,919**	3,239	2,571
		20,920	18,037	18,810
Liabilities				
Current liabilities				
Financial liabilities – borrowings *	1	**(4,250)**	(4,834)	(7,022)
Financial instruments - other		**(73)**	(85)	(30)
Lease liabilities *	1	**(2,881)**	(2,910)	(2,769)
Trade and other payables *	1	**(9,382)**	(9,727)	(9,164)
Current tax liabilities		**-**	(461)	-
Deferred income		**(17,422)**	(16,582)	(17,054)
Provisions	11	**(1,622)**	(176)	(1,891)
		(35,630)	(34,775)	(37,930)
Net current liabilities		**(14,710)**	(16.738)	(19,120)
Non-current liabilities				
Financial liabilities – borrowings *		**(23,877)**	(19,717)	(18,900)
Lease liabilities *		**(4,876)**	(5,003)	(4,148)
Other creditors	11	**(3,472)**	(2,140)	(3,605)
Deferred tax liabilities *		**(1,023)**	(614)	(1,053)
Deferred income		**(27)**	(40)	(26)
		(33,275)	(27,514)	(27,732)
Net assets		**26,097**	29,488	26,218
Shareholders' equity				
Share capital	12	**689**	688	688
Share premium		**24,669**	24,600	24,600
Shares to be issued		**-**	63	-
Treasury shares		**(2,298)**	(2,298)	(2,298)
Other reserves		**8,810**	7,963	7,718
Retained earnings *	1	**(5,822)**	(1,528)	(4,539)
Total shareholders' equity		**26,048**	29,488	26,169
Non-controlling interests		**49**	-	49
Total equity		**26,097**	29,488	26,218

* Prior year figures have been restated in relation to the implementation of IFRS 16 and deferred tax (see note 1) and the SiSoft provision (see note 4).

Group Statement of Cash Flows
For the six months ended 30 June 2019

	Notes	**Unaudited Six months to 30 June**	Unaudited Six months to 30 June	Audited Year to 31 December
		2019	2018	2018
		£'000s	£'000s	£'000s
Operating activities			Restated	Restated
Cash generated from operations *	6	**7,037**	7,024	14,641
Finance income *		**62**	59	124
Finance costs *		**(1,084)**	(856)	(2,295)
Tax received		**889**	262	584
Tax paid		**(221)**	(508)	(1,347)
Net cash flow from operating activities		**6,683**	5,981	11,707
Investing activities				
Acquisition of subsidiaries and other businesses (net of cash acquired)	9	**(362)**	(2,527)	(3,417)
Investment in intangible assets		**(4,155)**	(2,690)	(6,901)
Purchase of property, plant and equipment		**(372)**	(358)	(893)
Net cash flow used in investing activities		**(4,889)**	(5,575)	(11,211)
Financing activities				
Net proceeds from bank loan	7	**2,124**	1,167	2,089
Net payment of lease liabilities/proceeds from finance leases *	7	**(1,451)**	(1,379)	(2,850)
Proceeds from financial assets *		**160**	138	295
Proceeds from issue of ordinary shares		**70**	147	147
Dividends paid to non-controlling interests		**-**	(76)	(76)
Dividends paid to shareholders		**(1,350)**	(1,346)	(1,904)
Net cash flow used in financing activities		**(447)**	(1,349)	(2,299)
Net increase/(decrease) in cash and cash equivalents		**1,347**	(943)	(1,803)
Cash and cash equivalents at start of period		**2,571**	4,311	4,311
Effect of exchange rate movements		**1**	(129)	63
Cash and cash equivalents at end of period		**3,919**	3,239	2,571

* Prior year figures have been restated in relation to the implementation of IFRS 16 and deferred tax (see note 1) and the SiSoft provision (see note 4).

Group Statement of Changes in Shareholders' Equity
For the six months ended 30 June 2019

Unaudited - restated	Share capital £'000s	Share premium £'000s	Shares to be issued £'000s	Treasury shares £'000s	Other reserves * £'000s	Retained earnings £'000s	Total shareholders' equity £'000s	Non-controlling interest £'000	Total equity £'000s
At 1 January 2018	687	24,454	63	(2,328)	6,911	687	30,474	142	30,616
Adjustment related to IFRS 16 (note 1)	-	-	-	-	-	(11)	(11)	-	(11)
At 1 January 2018 as restated	687	24,454	63	(2,328)	6,911	676	30,463	142	30,605
Profit for the period	-	-	-	-	-	628	628	21	649
Other comprehensive loss	-	-	-	-	(877)	-	(877)	-	(877)
Total comprehensive loss - restated	-	-	-	-	(877)	628	(249)	21	(228)
Transactions with owners:									
Acquisition of non-controlling interests	-	-	-	-	1,929	(1,842)	87	(87)	-
Share-based payment transactions	-	-	-	-	-	353	353	-	353
Tax relating to share option scheme	-	-	-	-	-	33	33	-	33
Treasury shares issued on exercise of share awards	-	-	-	30	-	(30)	-	-	-
Shares issued	1	146	-	-	-	-	147	-	147
Dividends	-	-	-	-	-	(1,346)	(1,346)	(76)	(1,422)
At 30 June 2018 - restated	**688**	**24,600**	**63**	**(2,298)**	**7,963**	**(1,528)**	**29,488**	**-**	**29,488**

Unaudited	Share capital £'000s	Share premium £'000s	Shares to be issued £'000s	Treasury shares £'000s	Other reserves * £'000s	Retained earnings £'000s	Total shareholders' equity £'000s	Non-controlling interest £'000	Total equity £'000s
At 1 January 2019	688	24,600	-	(2,298)	7,718	(4,539)	26,169	49	26,218
Loss for the period	-	-	-	-	-	(203)	(203)	-	(203)
Other comprehensive income	-	-	-	-	1,092	-	1,092	-	1,092
Total comprehensive income	-	-	-	-	1,092	(203)	889	-	889
Transactions with owners:									
Share-based payment transactions	-	-	-	-	-	280	280	-	280
Tax relating to share option scheme	-	-	-	-	-	(10)	(10)	-	(10)
Shares issued	1	69	-	-	-	-	70	-	70
Dividends	-	-	-	-	-	(1,350)	(1,350)	-	(1,350)
At 30 June 2019	**689**	**24,669**	**-**	**(2,298)**	**8,810**	**(5,822)**	**26,048**	**49**	**26,097**

* Other reserves include a merger reserve of £2,369,000 (2018: £2,369,000) and a translation reserve surplus of £6,441,000 (2018: £5,594,000). The merger reserve arose on acquisitions and represents the difference between the fair value and the nominal value of the shares issued. The translation reserve incorporates the gains and losses on revaluation of the net assets and liabilities of subsidiary undertakings and other currency gains and losses that are presented in equity.

Group Statement of Changes in Shareholders' Equity
For the six months ended 30 June 2019 (continued)

Audited - restated	**Share capital £'000s**	**Share premium £'000s**	**Shares to be issued £'000s**	**Treasury shares £'000s**	**Other reserves * £'000s**	**Retained earnings £'000s**	**Total shareholders' equity £'000s**	**Non-controlling interest £'000**	**Total equity £'000s**
At 1 January 2018	687	24,454	63	(2,328)	6,911	687	30,474	142	30,616
Adjustment related to IFRS 16 (note 1)	-	-	-	-	-	(11)	(11)	-	(11)
At 1 January 2018 as restated	687	24,454	63	(2,328)	6,911	676	30,463	142	30,605
Loss for the year	-	-	-	-	-	(1,689)	(1,689)	21	(1,668)
Other comprehensive loss	-	-	-	-	(1,122)	-	(1,122)	-	(1,122)
Total comprehensive loss - restated	-	-	-	-	(1,122)	(1,689)	(2,811)	21	(2,790)
Transactions with owners:									
Acquisition of non-controlling interests - Infovest	-	-	-	-	1,929	(1,842)	87	(87)	-
Acquisition of non-controlling interests – Vesti.ai	-	-	-	-	-	-	-	49	49
Share-based payment transactions	-	-	-	-	-	207	207	-	207
Lapse of share options related to past acquisition	-	-	(63)	-	-	63	-	-	-
Tax relating to share option scheme	-	-	-	-	-	(20)	(20)	-	(20)
Treasury shares issued on exercise of share awards	-	-	-	30	-	(30)	-	-	-
Shares issued	1	146	-	-	-	-	147	-	147
Dividends	-	-	-	-	-	(1,904)	(1,904)	(76)	(1,980)
At 31 December 2018 - restated	**688**	**24,600**	**-**	**(2,298)**	**7,718**	**(4,539)**	**26,169**	**49**	**26,218**

Notes to the interim financial information
For the six months ended 30 June 2019

1. Principal accounting policies

This interim report was approved by the Board of directors on 30 July 2019. The financial information set out in this interim report has been prepared under IFRS as adopted by the European Union and on the basis of the accounting policies set out in the statutory accounts of StatPro Group plc for the year ended 31 December 2018, amended as explained below.

This report is not prepared in accordance with IAS 34, which is not mandatory. This interim report has not been audited but has been reviewed in accordance with ISRE 2410 by the Company's auditors, Ernst & Young LLP. The financial information does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006. Statutory accounts for StatPro Group plc for the year ended 31 December 2018 reported under IFRS have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. Copies of this report will be posted or provided electronically to shareholders. Further copies are available free of charge on request from the Company Secretary at the Company's registered office, Mansel Court, Mansel Road, London SW19 4AA.

New and amended accounting standards and interpretations

The following new or amended IFRS effective as of 1 January 2019, which impacts this interim report, is as follows:

- IFRS 16 Leases – 1 January 2019

Interpretations and revised standards that are not yet effective and have not been early adopted by the Group

There are no interpretations to existing standards (including IFRIC interpretations) that have been published, nor any that are mandatory for the Group's future accounting, but which the Group has not adopted early.

IFRS 16 'Leases'

IFRS 16 'Leases' is effective for the year ending 31 December 2019 and requires all leases to be recognised on the balance sheet (with some limited exceptions). Previously, IAS 17 'Leases' only required leases categorised as finance leases to be recognised on the balance sheet, with leases categorised as operating leases not recognised. In broad terms, the impact is to recognise a lease liability and corresponding asset for the operating lease commitments, with an impact on the opening balance sheet, which has been restated. Where the Group has entered a sub-lease as lessor, a financial asset has been recognised; rental income is no longer included in the profit and loss but instead financial income is recognised. StatPro has taken advantage of the practical expedient in IFRS 16.C3 not to reassess whether a contract contained a lease.

The Group has adopted the full retrospective application rather than the modified retrospective application.

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16.

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses and adjusted for remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of initial direct costs incurred and any lease payments made at or before the commencement of the lease, less any direct incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
The Group recognises lease liabilities based on the net present value of the future lease payments to be made

over the lease term, measured at the inception. The lease payments include any fixed payments less any lease incentives receivable, variable lease payments that depend on an index or rate and amounts to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The carrying amount of lease liabilities is remeasured if there is a modification or change in the lease term or change in assessment to purchase the underlying asset.

Lease payments
In the cash flow statement, interest payments in respect of lease liabilities have been included within operating cash flows, and principal payments in respect of lease liabilities are included in financing activities.

Short-term and low value assets leases
The Group has applied the short-term lease recognition exemption to certain leases. It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered low value. Short-term and low value assets leases are expensed in a straight-line basis over the lease term.

Amounts recognised in the statement of financial position and profit and loss
For the six months ended June 2019, the impact of the new standard has resulted in additional depreciation of £0.85 million (H1 2018: £0.77 million and FY 2018: £1.56 million) and additional interest of £0.16 million (H1 2018: £0.15 million and FY 2018: £0.30 million). There was a corresponding reduction in operating costs (excluding depreciation) of £0.97 million (H1 2018: £0.84 million and FY 2018: £1.70 million).

On initial implementation (i.e. as at 1 January 2018), the net asset value of right of use assets for the Group has increased by approximately £5.12 million, and there has been a corresponding increase in lease liabilities of £6.87 million. In addition, there was an additional financial asset in relation to a sub-lease amounting to £1.35 million and some working capital adjustments as shown below. These balance sheet reporting changes have no impact on the cash flow or financial covenants related to the Group's financial facilities.

The impact on the balance sheet including the opening reserves as at 1 January 2018 was as follows:

	Property, plant and equipment	Right-of-use assets	Financial lease assets	Other debtors	Other creditors and accruals	Financial liabilities - borrowings	Leasehold liability	Deferred tax asset	Reserves
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balances as at 1 January 2018 - as previously reported	3,303	-	-	371	(5,443)	(24,527)	-	2,682	687
Impact of recognition of assets in use	-	5,123	1,351	(53)	440	-	(6,874)	2	(11)
Re-classifications	(1,182)	1,182	-	-	-	1,456	(1,456)	-	-
Balances as at 1 January 2018 - as restated	2,121	6,305	1,351	318	(5,003)	(23,071)	(8,330)	2,684	676

The main impacts are on right-of-use assets being capitalised and the creation of a corresponding lease liability. In addition, a financial asset relating to a sub-lease has been created. There were also adjustments in relation to rental accruals and lease inducements as a result of the accounting standard change. The tax profit and loss impact of the restatement was £17,000 additional tax credit for H1 2018 and £30,000 additional tax credit for FY 2018.

Deferred tax asset and liability

The H1 2018 and FY 2018 deferred tax assets and liabilities have been restated by £1.64 million and £1.34 million respectively to take into account the requirement under IAS 12 to net off deferred tax assets and liabilities where there is a legally enforceable right of set off. There is no impact on the net assets or reserves presented in the balance sheet, the profit and loss account or on the cash flow statement.

There were no acquisitions completed in H1 2019.

Basis of preparation – going concern

After making appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the Board continues to adopt the going concern basis in preparing the interim report.

2. Earnings/loss per share

Basic earnings/(loss) per share has been calculated based on the loss after taxation of £0.20 million (2018: profit of £0.63 million) and the weighted average number of shares of 65.82 million (2018: 65.63 million). Actual basic loss per share was 0.3p (2018: earnings per share 1.0p) and diluted loss per share was 0.3p (2018: diluted earnings per share 0.9p).

	Earnings Six months to 30 June 2019 Unaudited £'000s	**Weighted average number of shares Six months to 30 June 2019 Unaudited '000s**	**Earnings per share Six months to 30 June 2019 Unaudited pence**	Earnings Six months to 30 June 2018 Unaudited - restated £'000s	Weighted average number of shares Six months to 30 June 2018 Unaudited '000s	Earnings per share Six months to 30 June 2018 Unaudited - restated pence
(Loss)/earnings per share – basic	**(203)**	**65,816**	**(0.3)**	628	65,626	1.0
Potentially dilutive shares	**-**	**2,877**	**-**	-	3,452	(0.1)
(Loss)/earnings per share - diluted	**(203)**	**68,693**	**(0.3)**	628	69,078	0.9

Adjusted earnings per share are shown in the table below. The diluted adjusted earnings per share are based on potentially dilutive shares outstanding of 2.88 million (2018: 3.45 million).

	Earnings Six months to 30 June 2019 Unaudited £'000s	**Weighted average number of shares Six months to 30 June 2019 Unaudited '000s**	**Earnings per share Six months to 30 June 2019 Unaudited pence**	Earnings Six months to 30 June 2018 Unaudited - restated £'000s	Weighted average number of shares Six months to 30 June 2018 Unaudited '000s	Earnings per share Six months to 30 June 2018 Unaudited - restated pence
(Loss)/earnings per share – basic	**(203)**	**65,816**	**(0.3)**	628	65,626	1.0
Add back: amortisation of acquired intangibles	**1,510**	**-**	**2.3**	1,518	-	2.3
Add back: acquisition-related and restructuring costs	**1,126**	**-**	**1.7**	-	-	-
Effect of tax on adjusting items	**(236)**	**-**	**(0.3)**	-	-	-
Add back: share-based payments	**280**	**-**	**0.4**	37	-	0.0
Adjusted earnings per share	**2,477**	**65,816**	**3.8**	2,183	65,626	3.3
Potentially dilutive shares	**-**	**2,877**	**(0.2)**	-	3,452	(0.1)
Adjusted earnings per share - diluted	**2,477**	**68,693**	**3.6**	2,183	69,078	3.2

3. Revenue analysis

Revenue by division and by type of service was as follows:

	Unaudited Six months to 30 June 2019 £000s Recurring revenue	**Unaudited Six months to 30 June 2019 £000s Professional services and other revenue**	**Unaudited Six months to 30 June 2019 £000s Total revenue**	Unaudited Six months to 30 June 2018 Recurring revenue	Unaudited Six months to 30 June 2018 Professional services and other revenue	Unaudited Six months to 30 June 2018 £000s Total revenue
Revolution	22,542	449	22,991	21,528	702	22,230
Infovest	2,410	151	2,561	2,300	271	2,571
Source: StatPro	4,201	-	4,201	3,936	-	3,936
	29,153	600	29,753	27,764	973	28,737
less: intra-divisional revenue	(1,500)	-	(1,500)	(1,500)	-	(1,500)
Total revenue	**27,653**	**600**	**28,253**	26,264	973	27,237

A key performance indicator for the Group is the Annualised Recurring Revenue ("ARR") from client contracts. The movement in Annualised Recurring Revenue ("ARR") in the 12-month period to June 2019 was as follows:

Annualised Recurring Revenue	**June 2019 £ million**	June 2018 £ million
At 30 June 2018	**52.25**	53.19
Net impact of exchange rates	**1.19**	(0.77)
At 30 June 2018 (at 30 June 2019 rates)	**53.44**	52.42
ARR from acquisition - ODDO BHF contracts (July 2018)	**1.33**	-
New contracted revenue (excluding conversions)	**5.50**	4.64
Cancellations/reductions (excluding conversions)	**(3.79)**	(4.81)
Net increase/(decrease)	**1.71**	(0.17)
At 30 June 2019	**56.48**	52.25
ARR from acquisition - ECPI (July 2019)	**0.79**	-
At 1 July 2019 (including contracts acquired on pro-forma basis)	**57.27**	52.25

The movement in Annualised Recurring Revenue ("ARR") in the 12-month period to June 2019 by division was as follows:

	Revolution	Infovest	Source: StatPro *	Total
	£ million	£ million	£ million	£ million
At 30 June 2018	42.18	4.67	5.40	52.25
Net impact of exchange rates	0.80	0.16	0.23	1.19
At 30 June 2018 (at 30 June 2019 rates)	**42.98**	**4.83**	**5.63**	**53.44**
ARR from acquisition - ODDO BHF contracts (July 2018)	1.33	-	-	1.33
New contracted revenue/increases	4.32	0.79	0.39	5.50
Conversions from Seven/Source: StatPro to Revolution	0.75	-	-	0.75
	(0.71)	-	(0.04)	(0.75)
Cancellations/reductions	(3.21)	(0.43)	(0.15)	(3.79)
	1.15	**0.36**	**0.20**	**1.71**
Net increase	**2.48**	**0.36**	**0.20**	**3.04**
Recurring licence fees as at 30 June 2019 *	**45.46**	**5.19**	**5.83**	**56.48**
Change in total ARR	7.8%	11.2%	8.0%	8.1%
Change in ARR at constant currency	5.8%	7.5%	3.6%	5.7%
Change in ARR at constant currency (excluding impact of ODDO-BHF acquisition)	2.7%	7.5%	3.6%	3.2%

* Excludes intra-divisional ARR

The ARR from clients on the StatPro Revolution platform increased by 22.9% (2018: 19.0%) at constant currency to £17.64 million (2018: £14.35 million).

4. Adjusting items

One-off adjusting items amounting to a total of £1.13 million were incurred in H1 2019, as shown below.

	Six months to June 2019	Six months to June 2018
	£'000s Total	£'000s Total
Additional costs on onerous contract acquired with ODDO-BHF acquisition	**556**	-
Redundancy and other integration costs	**570**	-
Total adjusting items	**1,126**	-

£0.56 million related to additional onerous contractual costs in relation to the ODDO-BHF acquisition, arising from a delay in the effective termination date for certain contracts that were acquired as part of the transaction.

£0.57 million related to additional restructuring and redundancy charges in the core business and the North American management structure as part of the implementation of the new divisional structure.

The additional provision of £1.03 million on the SiSoft litigation arose following the ruling by the French Court of Appeal on 12 March 2019 that unexpectedly overturned previous French commercial court judgments and was contrary to the Court-appointed independent expert's report on the matter. Following a review of the full details of the French judgement, and a further review of the French legal advice and other information that was available when the 2018 Annual Report was authorised by the Board on 15 March 2019, the Board has concluded that the H2 and full year 2018 accounts (profit and loss and balance sheet) should be restated. The Board has concluded that the financial implications of this legal advice (which was reliable information that was available to the company and could reasonably be expected to have been obtained and taken into account) were omitted when concluding on the provision in respect of the SiSoft litigation in the 2018 Annual Report and therefore this has been treated as a prior year adjustment, as required under IAS8.

StatPro is still contemplating the merits of whether to appeal to the French Supreme Court (“Cour de Cassation”).

The one-off adjusting items in 2018 did not impact the H1 2018 results.

5. Adjusted profit before taxation, adjusted operating profit, adjusted EBITDA and gross margin analysis

a) Adjusted profit before taxation

	Unaudited	Unaudited	Audited
	Six months to 30 June	Six months to 30 June	Year to 31 December
	2019	2018	2018
	£’000s	Restated £’000s	Restated £’000s
(Loss)/profit before taxation	**(261)**	812	(2,174)
Add back: amortisation on acquired intangible assets	**1,510**	1,518	3,161
Add back: increase in SiSoft provision	**-**	-	1,030
Add back: acquisition-related, restructuring costs and finance credit	**1,126**	-	2,578
Add back: share-based payments	**280**	37	207
Adjusted profit before tax	**2,655**	2,367	4,802

b) Adjusted operating profit

`	**Unaudited**	Unaudited	Audited
	Six months to 30 June	Six months to 30 June	Year to 31 December
	2019	2018	2018
	£’000s	Restated £’000s	Restated £’000s
Operating profit/(loss)	**999**	1,996	(19)
Add back: amortisation on acquired intangible assets	**1,510**	1,518	3,161
Add back: increase in SiSoft provision	**-**	-	1,030
Add back: acquisition-related and restructuring costs	**1,126**	-	2,977
Add back: share-based payments	**280**	37	207
Adjusted operating profit	**3,915**	3,551	7,356

c) Adjusted EBITDA

	Unaudited	Unaudited	Audited
	Six months to 30 June	Six months to 30 June	Year to 31 December
	2019	2018	2018
		Restated	Restated
	£'000s	£'000s	£'000s
Operating profit/(loss)	**999**	1,996	(19)
Add back: depreciation of property, plant and equipment and right-of-use assets	**1,595**	1,528	3,149
Add back: amortisation on purchased intangible assets	**169**	97	204
Add back: amortisation on acquired intangible assets	**1,510**	1,518	3,161
Add back: increase in SiSoft provision	**-**	-	1,030
Add back: acquisition-related and restructuring costs	**1,126**	-	2,977
Add back: share-based payments	**280**	37	207
Adjusted EBITDA	**5,679**	5,176	10,709
Adjusted EBITDA margin	**20.1%**	19.0%	19.5%

Excluding the impact of IFRS 16 (which reduced operating costs but increased depreciation and financing costs), the adjusted EBITDA margin would have been 16.7% (2018: 15.9%).

d) Gross profit margin analysis

Gross profit margin analysis helps us assess the profitability of incremental revenue as the business evolves into a pure cloud business and the cost drivers change, as well as understanding the relative profitability of each division. As there are a number of methodologies for allocating costs, we have described how we have allocated the cost elements. Following a review in 2018, changes were made to the allocation of costs. The primary changes were to show all research and development costs in full and to allocate overhead costs (such as occupancy, communications and IT services as well as executive management costs) to the related functions. The analysis for H1 2018 has been restated for these reasons and also the impact of IFRS 16.

Definition of cost category for gross margin analysis:

- Cost of services includes Clients Services employee salaries and related costs, Data employee salaries and related costs, contractor costs, data costs, costs of software and hardware maintenance.
- R&D includes all Research and Development employee salaries and related costs and direct IT costs
- Sales & marketing includes Sales and Marketing employee salaries and related costs, external marketing costs and sales commissions.
- General & administration includes the Finance and HR employee salaries and related costs professional fees, and other general costs,

Communications costs, occupancy costs, travel and expenses, executive management and internal IT and projects costs have now been allocated to the relevant functions on an appropriate pro-rata basis.

	Unaudited Six months to 30 June 2019	Unaudited Six months to 30 June 2018 Restated	Audited Year to 31 December 2018 Restated
	%	%	%
Revenue	100.0%	100.0%	100.0%
Cost of services	(46.0%)	(47.0%)	(47.0%)
Gross profit margin	54.0%	53.0%	53.0%
R&D costs	(15.7%)	(15.3%)	(15.5%)
Sales & Marketing costs	(11.4%)	(12.0%)	(11.6%)
General & Administration costs	(6.8%)	(6.7%)	(6.4%)
Adjusted EBITDA	20.1%	19.0%	19.5%

Free cash flow

	Unaudited Six months to 30 June 2019	Unaudited Six months to 30 June 2018 Restated	Audited Year to 31 December 2018 Restated
	£'000s	£'000s	£'000s
Cash generated from operations before acquisition and restructuring costs	**8,407**	7,248	16,509
Net interest paid	**(1,022)**	(797)	(2,171)
Net tax received/(paid)	**668**	(246)	(763)
Purchase of property, plant and equipment	**(372)**	(358)	(893)
Investment in intangible assets	**(4,155)**	(2,690)	(6,901)
Free cash flow (before adjusting items)	**3,526**	3,157	5,781
Acquisition-related and restructuring costs	**(1,370)**	(224)	(1,868)
Free cash flow	**2,156**	2,933	3,913

The cash flow statement and free cash flow have been restated as a result of IFRS 16.

6. Reconciliation of (loss)/profit before tax to net cash inflow from operating activities

	Unaudited Six months to 30 June 2019 £'000s	Unaudited Six months to 30 June 2018 Restated £'000s	Audited Year to 31 December 2018 Restated £'000s
(Loss)/profit before taxation	**(261)**	812	(2,174)
Net finance expense	**1,260**	1,184	2,155
Operating profit/(loss)	**999**	1,996	(19)
Acquisition-related, restructuring costs and SiSoft provision	**1,126**	-	4,007
Depreciation of property, plant and equipment	**1,595**	1,528	3,149
Amortisation of intangible assets	**5,134**	3,411	8,659
(Increase)/decrease in receivables	**(1,550)**	2,091	2,645
Increase/(decrease) in payables and provisions	**482**	(774)	(991)
Increase/(decrease) in deferred income	**368**	(1,041)	(1,148)
Gain on disposal of right-of-use asset	**(27)**	-	-
Share-based payments	**280**	37	207
Net cash inflow from operating activities before acquisition and restructuring costs	**8,407**	7,248	16,509
Acquisition-related and restructuring costs	**(1,370)**	(224)	(1,868)
Net cash inflow from operating activities	**7,037**	7,024	14,641

7. Reconciliation of net cash flow to movement in net debt (excluding lease liabilities)

This alternative performance measure is provided to assist the reader to understand the Group' financial indebtedness.

	At 1 January 2019 £'000s	**Cash flow £'000s**	**Non-cash changes £'000s**	**Exchange differences £'000s**	**At 30 June 2019 £'000s**
Cash and cash equivalents (per balance sheet)	2,571	1,347	-	1	3,919
Overdrafts	-	-	-	-	-
Cash and cash equivalents (per statement of cash flows)	2,571	1,347	-	1	3,919
Bank, other loans and derivatives	(25,922)	(2,124)	(83)	2	(28,127)
Net debt (excluding lease liabilities)	(23,351)	(777)	(83)	3	(24,208)

	At 1 January 2018 £'000s	**Cash flow £'000s**	**Non-cash changes £'000s**	**Exchange differences £'000s**	**At 30 June 2018 £'000s**
Cash and cash equivalents (per balance sheet)	4,311	(943)	-	(129)	3,239
Overdrafts	-	-	-	-	-
Cash and cash equivalents (per statement of cash flows)	4,311	(943)	-	(129)	3,239
Bank, other loans and derivatives	(23,071)	(1,167)	(132)	(181)	(24,551)
Net debt (excluding lease liabilities)	(18,760)	(2,110)	(132)	(310)	(21,312)

8. Dividend

An interim dividend for 2019 of 0.85 pence per ordinary share (2018: 0.85 pence) will be paid on 6 November 2019 to shareholders on the register on 4 October 2019. A final dividend for 2018 of 2.05 pence per ordinary share was paid on 29 May 2019.

9. Acquisitions

Acquisition of ECPI
On 1 July 2019, StatPro acquired the environmental, social and governance (“ESG”) research and index business unit (“ECPI”) from ECPI Group Srl for a total estimated consideration (including deferred contingent consideration) of €2.9 million (£2.6 million), payable in cash (with a fair value of £2.32 million).

Highlights

- ECPI has annualised recurring revenues of approximately €0.9 million (£0.8 million) and generated €0.3 million (£0.2 million) EBITDA in 2018
- Acquisition enhances Source: StatPro’s benchmark offerings with growing demand for ESG ratings and indices

ECPI provides ESG indices and benchmarks and related services including constructing client specific benchmarks. It carries out ESG research and produces ratings on an active universe of approximately 3,500 companies (total universe of 4,500+) globally and uses these ratings to qualify companies for inclusion into a series of ESG investable indices, or to provide portfolio screening services.

The consideration for the acquisition comprises:

- initial cash consideration of €0.9 million (£0.8 million) paid on completion on 1 July 2019 in cash from existing debt facilities
- deferred contingent consideration (payable in March 2022) currently estimated to be an additional €2.0 million
- deferred contingent consideration is calculated based on two times the net increase in ARR to December 2021, is capped at €10 million and subject to a reduced multiple if the EBITDA of the business unit is less than 20% margin.

StatPro expects annual revenue levels for the acquired service to remain broadly similar for 2019 and will incorporate ECPI revenues from completion in July 2019. StatPro has taken on the employees of ECPI ESG research and index unit in Milan, where they have been integrated with StatPro Italia’s existing operations.

Fair value of assets acquired and liabilities assumed

	Provisionally estimated fair value £’000
Other receivables	66
Cash and cash equivalents	314
Brand and client contracts	572
Technology	453
	1,405
Deferred income	(134)
Other creditors and provisions	(112)
Deferred tax liability	(286)
	(532)
Total identifiable net assets at fair value	873
Goodwill arising on acquisition	1,446
Fair value of purchase consideration	2,319

The acquisition payment of £0.36 million in H1 2019 was the deferred consideration payment on the ODDO-BHF acquisition paid on 2 January 2019.

10. Goodwill and other intangible assets

Goodwill movements resulted from revaluations due to currency movements.
Other intangible assets decreased, mainly due to the amortisation of acquired intangible assets.

11. Other creditors and provisions

Other creditors greater than one year were £3.47 million, mainly relating to the deferred consideration due on Delta.

Provisions of £1.62 million at 30 June 2019 (December 2018: £1.89 million) relates to residual deferred contingent consideration and provisions for redundancies and onerous contracts. The movements in H1 2019 relate to the items described in note 4.

	June	June	**June**	June
	2019	2019	**2019**	2018
Provisions - Group	Contingent consideration	Redundancies and onerous contracts	**Total**	Total
	£'000s	£'000s	**£'000s**	£'000s
At 1 January - restated	1,071	820	**1,891**	304
Utilised in the period	-	(1,370)	**(1,370)**	(126)
Arising in the period	-	1,126	**1,126**	-
Exchange differences	4	(29)	**(25)**	(2)
At 30 June	1,075	547	**1,622**	176

12. Share capital and treasury shares

70,000 ordinary shares were issued during the period (2018: 139,358). At 30 June 2019, there were 68,903,650 shares (2018: 68,833,650 shares) in issue including 3,058,713 (2018: 3,058,713) held in treasury (65,844,937 excluding treasury shares). The treasury shares do not accrue dividends and are excluded from the earnings per share calculation.

Growth Share Plan

Following the approval by the shareholders at the Annual General Meeting on 23 May 2019 of the Growth Share Plan and as previously announced, 1,080,000 growth shares (split equally between A, B and C shares) were subscribed for on 25 June 2019 by members of the management team. The values per Growth Share were determined by an independent valuation expert and amounted to an average of around 13.3 pence per share. Under current accounting rules these are treated as a liability (included in sundry creditors with a total value of £0.14 million) until they vest (which will only occur if the relevant performance targets are met).

Independent review report to StatPro Group plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019, which comprises the Group Income Statement, Group Statement of Comprehensive Income, Group Balance Sheet, Group Statement of Cash Flows, Group Statement of Changes in Shareholders' Equity and the related notes 1 to 12. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the AIM Rules issued by the London Stock Exchange which require that it is presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRS's as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the AIM Rules issued by the London Stock Exchange.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with the accounting policies outlined in Note 1, which comply with IFRS's as adopted by the European Union and in accordance with the AIM Rules issued by the London Stock Exchange.

Ernst & Young LLP
London
30 July 2019