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If you have sold or transferred your Existing Ordinary Shares in the Company you should send this document along with the Form of Proxy at once to the purchaser or transferee or the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However neither this document nor the Form of Proxy should be sent or transmitted into any Restricted Jurisdiction.

This document constitutes an admission document in accordance with the AIM Rules for Companies. This document is not an approved prospectus for the purposes of Sections 85 and 87 of FSMA. This document does not constitute a financial promotion and has not been approved for issue as such in the United Kingdom for the purposes of Section 21 of FSMA.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority (“UKLA”).

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

The AIM Rules for Companies are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Company’s securities to the Official List. Further, neither the London Stock Exchange nor the UKLA has examined or approved the contents of this document.

Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.

The Existing Ordinary Shares are admitted to trading on AIM. Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. The Ordinary Shares are not traded on any other recognised investment exchange and no application has been made for the New Ordinary Shares to be admitted to trading on any other recognised trading exchange. It is expected that Admission will become effective and that dealings in the Enlarged Share Capital will commence on AIM on 4 October 2013.

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# **ILX Group plc**

*(Incorporated in England and Wales under the Companies Act 1985 (as amended) with registered number 03525870)  
(ISIN: GB0033422824)*

## **Proposed acquisition of Progility Pty Limited**

## **Proposed approval of a waiver of the obligations under Rule 9 of the City Code**

## **Proposed change of name to Progility plc**

## **Notice of General Meeting**

**and**

## **Admission of the Enlarged Share Capital to trading on AIM**

**Nominated Adviser**

**SPARK Advisory Partners Limited**

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SPARK Advisory Partners Limited (“SPARK”), which is authorised and regulated by the Financial Conduct Authority of the United Kingdom, is acting as nominated adviser to ILX Group plc in connection with the arrangements set out in this document and is not acting for anyone else and will not be responsible to anyone other than ILX Group plc for providing the protections afforded to customers of SPARK or for providing advice in relation to the contents of this document and the admission of the Ordinary Shares to trading on AIM. In particular, SPARK, as nominated adviser to the Company, owes certain responsibilities to the London Stock Exchange which are not owed to the Company or the Directors or to any other person in respect of his or her decision to acquire Ordinary Shares in reliance on any part of this document. SPARK accepts no liability for the accuracy of any information or opinions contained in or for the omission of any material information from this document, for which the Company and its Directors are solely responsible.

This document contains forward looking statements. These statements relate to the Enlarged Group’s future prospects, developments and business strategy. Forward looking statements are identified by their use of terms and phrases, including without limitation, statements containing the words “believe”, “anticipated”, “expected”, “could”, “envisage”, “estimate”, “may” or the negative of those, variations or similar expressions including references to assumptions. Such forward looking statements involve unknown risk, uncertainties and other factors which may cause the actual results, financial condition, performance or achievement of the Enlarged Group, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in “Risk Factors” set out in Part II of this document. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. These forward looking statements speak only as at the date of this document. The Company disclaims any obligations to update any such forward looking statements in this document to reflect events or developments.

**The whole of this document should be read. Your attention is drawn, in particular, to Part I “Letter from the Independent Directors of ILX Group plc” and Part II “Risk Factors” for a more complete discussion of the factors that could affect the Enlarged Group’s future performance and the industry in which it will operate.**

A notice convening a General Meeting of ILX Group plc to be held at 2nd Floor, Strand Bridge House, 136-142 The Strand, London WC2R 1HH on 3 October 2013 commencing at 10.30 a.m. is set out at the end of this document. The Form of Proxy for use in connection with the General Meeting is enclosed with this document and should be returned to the Company’s registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU as soon as possible but in any event not later than 10.30 a.m. on 1 October 2013, being 48 hours (excluding weekends and public holidays) before the time appointed for the holding of the General Meeting. The completion and depositing of a Form of Proxy will not preclude a Shareholder from attending and voting in person at the General Meeting.

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## DIRECTORS AND ADVISERS

<b>Directors</b>	Wayne Malcolm Bos ( <i>Chairman and Interim Chief Executive</i> ) John Joseph McIntosh CA ( <i>Finance Director</i> ) Donald John Stewart ( <i>General Counsel</i> ) Paul Ronald Scott Lever ( <i>Non-Executive Director</i> )
<b>Company Secretary</b>	<b>John Joseph McIntosh CA</b>
<b>Registered Office</b>	2nd Floor Strand Bridge House 138 – 142 The Strand London WC2R 1HH Tel: +44 (0)207 371 4444
<b>Financial and Nominated Adviser</b>	<b>SPARK Advisory Partners Limited</b> 33 Glasshouse Street London W1B 5DG
<b>Stockbroker</b>	<b>W H Ireland Limited</b> 24 Martin Lane London EC4R 0DR
<b>Australian Legal adviser to the Company</b>	<b>Clayton Utz</b> Level 18 333 Collins Street Melbourne VIC 3000 Australia
<b>Legal adviser to the Sellers</b>	<b>Kardos Scanlan</b> Level 10 67 Castlereagh Street Sydney, NSW 2000 Australia
<b>Financial Public Relations</b>	<b>Tavistock Communications Limited</b> 131 Finsbury Pavement London EC2A 1NT
<b>Auditors to ILX</b>	<b>Grant Thornton UK LLP</b> Grant Thornton House Melton Street Euston Square London NW1 2EP

**Auditors to Progility**

**DFK Collins**  
Chartered Accountants  
Level 4  
30 Collins Street  
Melbourne VIC 3000  
Australia

**Reporting Accountants**

**Grant Thornton UK LLP**  
30 Finsbury Square  
London  
EC2P 2YU

**Registrars**

**Capita Registrars Limited**  
The Registry  
34 Beckenham Road  
Beckenham  
Kent, BR3 4TU

**Website**

**[www.ilxgroup.com](http://www.ilxgroup.com)**

## STATISTICS RELATING TO THE PROPOSALS

Issue Price	10 pence
Number of Existing Ordinary Shares	39,933,376
Number of Consideration Shares to be issued pursuant to the Acquisition	159,733,504
Consideration Shares as a percentage of the Enlarged Share Capital	Up to 80 per cent.
Number of New Ordinary Shares in issue immediately following the Acquisition and Admission	Up to 199,666,880

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the Proposals	10 September 2013
Posting of Admission Document and Form of Proxy	10 September 2013
Latest time and date for receipt of Forms of Proxy for General Meeting and receipt of electronic proxy appointments via the CREST system	10.30 am 1 October 2013
General Meeting	3 October 2013
Expected time of announcement of results of the General Meeting	3 October 2013
Completion of the Acquisition, Admission of Enlarged Share Capital and commencement of dealings on AIM	8.00 am 4 October 2013
Despatch of definitive share certificates, where applicable	18 October 2013

### Notes:

- (1) If you have any questions on the procedure for acceptance and payment, you should contact Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, telephone: Capita Registrars on 0871 664 0321 or, if telephoning from outside the UK, on +44 20 8639 3399 between 9.00 a.m. and 5.00 p.m. Calls to the Capita Registrars 0871 664 0321 number are charged at 10 pence per minute (including VAT) plus any of your service provider's network extras. Calls to the Capita Registration +44 20 8639 3399 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Capita Registrars cannot provide advice on the merits of the proposals nor give any financial, legal or tax advice.
- (2) The date set out in the Expected Timetable of Principal Events above and mentioned throughout this document may be adjusted by ILX in which event details of the new dates will be notified to AIM and, where appropriate, to Shareholders.
- (3) All references to time in this document are to time in London.

## PART I

### LETTER FROM THE INDEPENDENT DIRECTORS OF ILX GROUP PLC

# ILX GROUP PLC

*(Incorporated in England and Wales under the Companies Act 1985 (as amended) with registered number 03525870)*

*Independent Directors:*

John McIntosh (*Finance Director*)  
Donald Stewart (*General Counsel*)  
Paul Lever (*Non-Executive Director*)

*Registered Office:*

2nd Floor  
Strand Bridge House  
138 – 142 The Strand  
London  
WC2R 1HH

10 September 2013

*To all Shareholders, Warrant holders, Option holders and Loan Note holders*

Dear Shareholder, Warrant holder, Option holder or Loan Note holder

**Proposed acquisition of Progility Pty Limited**  
**Proposed approval of a waiver of the obligations under Rule 9 of the City Code**  
**Proposed change of name to Progility plc**  
**Notice of General Meeting**  
**and**  
**Admission of the Enlarged Share Capital to trading on AIM**

#### **Introduction**

The Company has today announced that it has entered into an Acquisition Agreement conditional, *inter alia*, on Admission, to acquire the entire issued share capital of Progility Pty Limited.

The consideration will be satisfied by the issue of the Consideration Shares credited as fully paid. Based on the Issue Price, the Acquisition values Progility's equity at £15.97 million. Further details of the terms and conditions of the Acquisition are set out below under the heading "Principal terms of the Acquisition".

The Acquisition will constitute both a related party transaction and a reverse takeover under the AIM Rules.

Wayne Bos is a director of both ILX and Progility. In addition Praxis, as trustee of the DNY Trust, a trust of which Wayne Bos is a discretionary beneficiary, is a significant shareholder in both ILX and Progility.

Accordingly Wayne Bos has not taken part in any of the Board's deliberations concerning the Acquisition and the Independent Directors are seeking Shareholders' approval for the Acquisition at the General Meeting.

Following completion of the Acquisition and the issue of the Consideration Shares, certain Shareholders of the Enlarged Group who are deemed to be acting in concert (the "Concert Party") will hold 171,673,504 Ordinary Shares, representing 85.98 per cent. of the Enlarged Share Capital and will have the potential to hold a further 8,000,000 New Ordinary Shares pursuant to (a) the exercise by DNY Investments Limited of its conversion rights under the Convertible Loan Notes; and (b) the exercise by DNY Investments Limited of the Warrants, making a total maximum shareholding of the Concert Party of 179,673,504 Ordinary Shares representing 86.52 per cent. of the Enlarged Share Capital should no other New Ordinary Shares have been issued in the intervening period. Therefore, following Admission and implementation of the Proposals, the Concert Party will hold interests in excess of 50 per cent. of the Enlarged Share Capital. Further details in relation to the Concert Party are set out in Part VI of this document.

Under Rule 9 of the Takeover Code the issue of the Consideration Shares would normally result in the Concert Party being obliged to make an offer to all Shareholders (other than the Concert Party) to acquire their shares. Following an application by the Concert Party, the Takeover Panel has agreed to waive this obligation subject to the approval of the Independent Shareholders at the General Meeting of the Proposals. Your attention is drawn to the Rule 9 Waiver section contained in Part I of this document.

The Directors believe that it is appropriate, should the Acquisition be approved by Shareholders at the General Meeting, that the name of the Company should be changed to Progility plc. Whilst the Directors believe that the ILX name has excellent recognition in the area of training, it does not now reflect the recent (and proposed) significant changes in the management and strategic direction of the Enlarged Group.

The purpose of this document is to give you further information regarding the matters described above and to seek your approval of the Resolutions, which include the Rule 9 Waiver, at the General Meeting. The notice of General Meeting is set out at the end of this document.

The Proposals are conditional, *inter alia*, on the passing of the Resolutions and Admission. If the Resolutions are approved by Shareholders, it is expected that Admission will become effective and dealings in the Enlarged Share Capital will commence on AIM on or around 4 October 2013.

### **Background to and reasons for the Acquisition**

For some time the Group's training business has been under pressure from external price competition and industry related macro factors. Following the appointment of Wayne Bos as Executive Chairman of the Company in August 2012 and a thorough internal review of the business, the Group has taken action to reduce operating costs and improve the efficiency of its product delivery.

The Directors believe that the Group's knowledge and experience of the project management sector through its training business and range of digital products, provides an opportunity to offer more comprehensive services to both corporate and individual project managers, creating a platform to connect with the Group's customers at different stages in the project management life cycle. The Group commenced that strategy through the creation of a new consultancy division with a view to capitalising on the contacts and experience available to the Group. That strategy was further pursued through the recent small, but strategic, acquisition of TFPL with its recruitment sector skills to complement the Group's training and consultancy activities.

The Directors believe there are opportunities to increase the scope and scale of the Group through further selective acquisitions. The proposed acquisition of Progility represents a significant step by adding further consulting, systems integration skills and solutions in the communications sector to the Group's capabilities. The Directors believe this strategy will ultimately allow the Group to source, train and supply project managers for both internally generated projects and projects for third parties.

Progility, with its offices across Australia, including in Melbourne, Sydney, Brisbane and Perth will also complement the Group's existing operations in Australia.

### **Information on the Company**

#### ***History and overview***

Tracing its roots back to 1988, the Company has provided training to thousands of corporate clients in many different countries including local and national governments, the public sector and commercial businesses across a wide variety of sectors. The Company has offices in the UK, Middle East and Australia.

The Company was admitted to trading on AIM on 12 December 2000 as Time2Learn plc and, in November 2001, acquired Intellexis International Limited by way of a reverse takeover under the AIM Rules and changed its name to Intellexis plc.

In 2004, following the acquisition of Key Skills Limited, a provider of computer-based project management training courses, including training in PRINCE2, the Company changed its name to ILX Group PLC. Over the following two years, in order to expand the Company made a number of bolt-on acquisitions including acquiring The Corporate Training Group Limited, which provided financial training to the UK investment banking sector, in July 2006 for £12 million.

Following a period of consolidation and growth the global financial crisis led to revenues from financial training falling significantly while the provision of PRINCE2 and other project management training outperformed other revenue streams. In 2010 the financial training business was closed, but an office in Sydney was established to service the Australian and New Zealand markets for project management training and the Company raised £0.9m through a placing of Ordinary Shares with Octopus Capital for Enterprise Fund.

However the Company continued to face challenging market conditions with falling revenues and, on 1 August 2012, the Company announced a subscription by Praxis Trustees of £1.2m in exchange for new Ordinary Shares amounting to 29.9 per cent. of the Company's issued share capital. The purpose of the investment was to reduce the Company's indebtedness and to provide working capital headroom. On completion of the investment, Wayne Bos was appointed Executive Chairman, and subsequently (in addition) Interim Chief Executive.

Between December 2012 and February 2013 the Company established a new consulting division through the acquisition of Obrar in the UK and the creation of ILX Consulting in Australia.

In February 2013, the Company took an option to acquire 100 per cent. of CareShield Limited and CareShield Training Limited, a UK provider of digital learning solutions in the health and social care sectors.

In July 2013 the Company acquired TFPL Limited, a recruitment, training and consulting business specialising in the knowledge, information and data management industries.

### *Operations*

The Group's current business comprises three divisions: Training, Consulting and Recruitment.

#### *Training*

The Company's training division provides a blend of on-line learning, games and simulations, traditional classroom training, practical workshops and coaching. The division delivers training in the UK Cabinet Office's best management practice products, primarily in PRINCE2, MSP and ITIL. Its training materials and quality systems are accredited by the appropriate accrediting body, including, the APM Group, the Association for Project Management and the Project Management Institute.

The training division's business covers:

- best practice for programme, project and IT service management, including strategic programme and project management consulting solutions;
- financial awareness; and
- the development of bespoke training courses for large-scale IT migration and transformation projects.

#### *Consulting*

The Group's consulting division comprises Obrar in the UK and ILX Consulting in Australia.

Established in 2010, Obrar is a consulting and project management services company focused on multi-media contact centres, corporate technology infrastructure and associated operational change and has extensive experience in delivering contact centre outsourcing on a global basis.



Obrar provides a wide range of capabilities to the fixed telecommunications and mobile telecommunications, retail, printing and management information, television, cable, broadband internet, financial services, travel and transport, utilities and outsourcing sectors.

ILX Consulting, located in Sydney, Australia, is an organisational improvement and project management services company specialising in information technology, service and supply chain improvement and overall project and programme management. Since its formation in February 2013 it has implemented several operational projects primarily for clients in the Australian public sector.

#### *Recruitment*

In July 2013 the Group acquired TFPL, a recruitment, training and consulting business specialising in the knowledge, information and data management industries. TFPL provides executive search, managed services and the placement of permanent, interim and contract personnel into the public and private sectors.

#### *Strategy*

The Directors believe that expanding the Group's product offering will facilitate it to make the most of its extensive project management customer base. Providing more comprehensive services for both corporate and individual project managers will provide opportunities for cooperation and cross-selling which have not been available to the Group up to now and will allow the Group to connect with its customers at different stages in the project management life cycle. Not only is the Group able to train project managers and provide them with a recruitment link, the Directors believe the Group can also create project management opportunities through offering consulting services across relevant sectors to third parties and on internally generated projects providing further opportunities to the Group's growing list of trained project manager clients.

The Independent Directors regard the acquisition of Progility as the first substantial step towards creating a business capable of generating relevant project management opportunities, which may benefit from the Group's existing product offering. Not only is Progility currently working on many substantial international projects, it will also introduce a number of new multinational customers and suppliers to the Group, so potentially creating further revenue opportunities for its consulting, recruitment and training divisions.

The Directors also believe that the provision of these complementary services will provide an excellent platform for further growth through further selective acquisitions, should suitable opportunities be identified.

#### *The Market*

The market for the Group's services is highly fragmented and the Directors believe that the re-focussing of the business should create opportunities for further growth from the existing businesses, whether working separately or together, whilst allowing management to use the Company's public quotation to facilitate consolidation with other complementary businesses where appropriate.

#### *Current trading and prospects*

The Group has carried out an in-depth business review and restructure during the 15 months to 30 June 2013. The business processes and related staffing levels have been analysed and positive action has been taken to bring costs into line with businesses objectives. Although restructuring costs during the period have been greater than was initially anticipated, these actions have delivered significant operating cost reductions during the period. However the full benefit of the resulting reductions in operating costs are not expected to be reflected until the new financial year.

In addition, the Board has been restructured with Ken Scott, CEO, Jon Pickles, CFO, Eddie Kilkelly, COO, and Paul Virik and Damien Lane, both non-executive directors, having all stepped down. In their place Donald Stewart and John McIntosh have joined the Board. Donald Stewart joined the Board originally as a non-executive director in April 2013 and, on 3 June, joined the executive team as General Counsel while, on 6 June 2013, John McIntosh was appointed Finance Director.

Alongside these new directors a new executive management team has been introduced made up of highly capable change managers within sales, finance, legal and operations. Their combined experience covers training, consulting, business development, sales, digital transformation, cost control and the public company environment. Each executive is experienced in mergers and acquisitions and business integration.

Continuing pressure remains on revenues from the training division due to external price competition and industry macro factors. The new consultancy division has made a positive contribution and kept overall revenues steady. The Directors believe that the acquisition of TFPL gives sound foundations to the Group's new recruitment division and it will continue to aim to increase the scope and scale of the business through capitalising on the contacts and experience available to the Group.

The Group has undertaken a complete review of its online sales and marketing performance. This has enabled management to get a deeper insight into the Group's performance across its consumer and corporate sales channels, to identify trends and put in place activities which the Directors believe will increase sales.

The Group also continues to work on operational improvements and the development of a broader digital and classroom product portfolio. In August 2013 the Group launched its PMP product, which will serve as an alternative to PRINCE2 for its clients in the North American market.

The Group is now headquartered at Strand Bridge House, 138-142 The Strand, London. This central London location was chosen as it better suits the Group's overall needs and the new offices can accommodate training courses with marginal incremental costs to the business. The Group's former offices at Hammersmith have been sublet for the remainder of the term at the prevailing market rate.

## **Information on Progility**

### *History and overview*

Progility operates a communication systems integration business that designs, implements and maintains solutions for medium and large enterprises with a focus on the rail, port, oil and gas, power and water and healthcare industries in Australia and on the mining industry globally.

Progility is headquartered in Melbourne, Australia with offices in Castlemaine, Perth, Sydney, Latrobe Valley, Mackay and Brisbane. Progility employs approximately 120 full time staff across Australia.

Progility's business was founded in Perth, Western Australia in 1994 as a reseller of telephony based systems to small and medium sized business in the local market. Over the years it evolved to deliver more sophisticated telephony services and was acquired by Praxis Trustees and Mmilt Pty Limited, both members of the Concert Party, in 2008.

In 2009, the enterprise business of Commander Communications, a large listed Australian telecommunications and IT services company which had collapsed in 2008, was acquired from its administrators. The enterprise business focused on telephony equipment sales and services to mid-market and enterprise customers.

In 2010, Progility started a division to service the communications needs of mining and oil and gas customers.

In 2012, Progility acquired the Bearcom business, from TR Pty Ltd, which was the largest reseller of two-way radio based systems in Australia.

Progility's customers include Virgin Australia Airlines, Qantas, Department of Correctional Services in Queensland and New South Wales, Westfield, Rio Tinto, Healthscope and Melbourne Museum.

Progility operates through three operating divisions supported by four shared service divisions.

### *Unified Communications*

Progility's Unified Communications division focuses on communications systems integration, specialising in unified communications backed by significant voice and systems technology experience across multiple industries. It designs voice and IP communications solutions to meet the needs of specific customers'

operating environments which can be hosted either on the customers premises or by Progility. The solutions include combining voice, audio conferencing, video conferencing, web conferencing, instant messaging and rich presence into single unified systems. Unified Communications is the major provider of enterprise based Siemens unified communication systems in Australia.

Products and services include:

- hosted communications providing scalable business solutions allowing customers and end users to manage as much or as little as they want within the solution with options ranging from basic dial tone to fully featured IP telephony services running on multimedia handsets, capable of supporting extended business applications;
- fully managed services allowing customers to outsource all voice services including the operation, management and maintenance of voice and IP systems;
- professional services including analysis of business performance, process and communication opportunities and pathways, solution design, development and implementation, training and service support; and
- scalable multimedia contact centres integrating real-time communication tools such as presence information, contact routing, conferencing, chat, speech recognition and social media with conventional tools such as voicemail, email and fax.

#### *CA Bearcom*

CA Bearcom is Australia's largest distributor of two-way radio communications products. Its primary supplier is Motorola Australasia and the Directors believe that it is Motorola Australasia's largest and preferred radio communications partner. CA Bearcom operates from offices in Melbourne, Sydney and Brisbane with resellers located throughout regional Australia. The assets of CA Bearcom were acquired by Progility in 2012, from TR Pty Ltd.

Bearcom's activities include:

- the sale of Motorola two-way digital and conventional radio equipment and accessories;
- service and maintenance of Motorola products under warranty; and
- consultancy services.

#### *Minerals & Energy ("M&E")*

M&E designs, implements and manages an array of integrated communications solutions for specific mining, oil and gas, rail and port applications including:

- tailored voice and data communication solutions for production mining and safety;
- machine monitoring and machine to machine solutions;
- microwave backhaul and remote site connectivity including towers, communications huts and powered standalone communications trailers;
- traffic management and proximity awareness collision avoidance systems;
- customised, turnkey communication and safety solutions for offshore and onshore assets, and pipeline monitoring;
- open architecture rail technology solutions analysing data from performance monitoring devices giving a composite view of railway vehicle performance; and
- port perimeter security, container facilities, equipment monitoring, gates and security and connectivity between land based assets, ship and offshore oil platforms.

### *Strategy for Progility*

Since Craig Cameron joined Progility in January 2012, Progility has begun to focus on higher value-added projects, supported, where appropriate by niche products whilst at the same time increasing efficiency in the existing business of selling more commoditised products.

### *Unified Communications*

The Directors believe that there are growth opportunities, not only through seeking new customers, but also through transitioning existing customers to cloud-based voice and VOIP systems, or a combination of customer premise-based and cloud-based systems as appropriate.

Unified Communications is also looking to build on its existing experience and expertise in the healthcare market to increase its market share.

### *CA Bearcom*

The management team of CA Bearcom is focussed on growth through delivering value-added wireless solutions to medium and large businesses whilst maintaining the current level of transactional sales to smaller enterprises. To enable this strategic change, the management has implemented a number of changes in the business:

- creating a national call centre to service smaller accounts in a lower cost, high quality manner;
- implementing a national, rather than a state by state, sales approach and offering a one stop-shop service to major accounts with requirements in multiple locations across Australia; and
- offering mid-tier radios to those customers that do not wish to purchase the premium Motorola product.

### *M&E*

The management of the M&E division has actively sought to expand the division beyond selling wireless communications services to open pit miners and oil and gas companies to being a provider of customised solutions to underground mining businesses, particularly addressing their business needs in the areas of safety and productivity improvement.

In support of this strategy, Progility has developed a new product, CA-TAP which enables miners to locate people and machines in an underground mine with high precision. The Directors believe that this product will help enable miners to measure and improve productivity in their mines and could become a critical component in their quest to enable automated mining.

Furthermore, the M&E division has secured the rights to a leading proximity detection system called Intellizone. It is designed to help personnel understand when they may be in a dangerous situation around mobile equipment and have both personnel and equipment be responsive to potentially dangerous situations. The technology is currently used in coal mines in the US. Progility plans to sell this product to major global mining corporations.

### *The Australian telecommunications market*

The Australian telecommunications market is expected to change dramatically over the next ten years and to double in size to around A\$80 billion by 2020. Accelerated by government policies these changes will be driven by a total overhaul of the industry.

While Telstra continues to dominate the overall Australian telecommunications market, its estimated market share, at just under 60 per cent. by revenues for 2013, is continuing to decline. The mobile broadband market is becoming a major revenue stream for the mobile network operators, mobile data usage having increased by nearly 80 per cent. year-on-year to mid-2012. But increased usage has caused data traffic jams on the 3G

networks as the infrastructure was not designed for such rates of traffic expansion. It has been estimated that mobile capacity in Australia needs to grow a thousand fold over the next decade to cope with customer demand.

With the emergence of all-IP networks fuelled by increasingly widespread broadband delivery of video and audio content, telecommunications services appear to be moving to new business models to which the traditional Australian telecommunications companies appear to be unable to react competitively. It is likely that the major Australian telecommunications companies will continue to provide access and wholesale services to a growing number of users relying on the digital economy including data centres, cloud computing, data storage, content delivery and other value added infrastructure services.

Following considerable political and industry debate, Australia is currently constructing the National Broadband Network (NBN), a wholesale-only, open-access data network which is planned to reach approximately 93 per cent of premises in Australia by June 2021. The network will gradually replace the current copper network used for most telephony and data services, which is owned by Telstra. NBN Co, a government-owned corporation, was established to design, build and operate the NBN and will sell fibre broadband connections to retail service providers, who will then sell internet access and other services to consumers.

As it becomes the predominant infrastructure the NBN is expected to cause the industry to develop new business models around infrastructure and unified communications with an anticipated sizeable demand for value-added infrastructure services.

#### *Barriers to entry and competition*

There are competitors in every market addressed by Progility. Management has worked to identify material areas in the each business unit where Progility can compete effectively.

#### *Unified Communications*

Cisco is the market leader in most unified communication market segments. However, Siemens claims that it is the largest provider of such systems to the global healthcare market. As a Siemens' premier enterprise reseller of unified communications systems in Australia, the Directors' believe that this market is a growth opportunity.

Furthermore, by providing customers with a choice of customer premise based or Progility hosted telephony solutions, Progility can further differentiate itself in multiple markets from those providers who only provide one type of technology to their customers.

#### *CA Bearcom*

The Directors believe that being the largest reseller of two way radios in Australia and the only reseller with a national footprint enables CA Bearcom to offer nation-wide solutions to major customers. The Directors believe that no other reseller in Australia has the reach or the same depth of engineering skill as Progility and that this is likely to be difficult for others to replicate.

#### *M&E*

The M&E division has focused on developing and securing intellectual property rights to address underground mining needs for safety and productivity improvement. The Directors believe that by being early to market, Progility will secure long term relationships with major miners and become their technology partner of choice in these important business areas.

### ***Current trading and prospects***

Progility has undertaken some significant restructuring during the 12 months to 30 June 2013, particularly in the second half. As a result Progility, now has three customer facing divisions supported by four business units providing services to each of the divisions. Over the 12 month period, the M&E division has applied resources towards selling underground communications systems to international miners; CA Bearcom has created a call centre business to address the needs of smaller customers and had its direct sales team start engaging larger national customers; and the Unified Communications division has applied more attention towards the healthcare market and to providing cloud based services. While these changes were commenced in the second half of 2012, the Directors believe that their benefits will be more fully realised in the 2013/14 financial year.

Since the beginning of 2013, there has been a slowing in investment in the mining sector in Australia and a number of large mining projects have been deferred which has impacted the timing of some projects for the M&E division, International mining has not been affected as much as the domestic Australian market and consequently Progility is focusing increasingly on international opportunities. In the past four months senior executives from the M&E division have visited major miners in South Africa, Central Asia and Brazil with positive feedback from potential customers. As a result, a number of projects have been identified where Progility is being engaged by international miners as an exclusive communications partner.

Overall market conditions in Australia have been softening for a number of months, significantly impacted by the slowdown in the mining market. This has resulted in increased competitive pressure across all market segments. In May 2013, Progility undertook a restructuring of its operations and reduced overall headcount by approximately 10 per cent.

In July 2013, CA Bearcom commenced sales of a lower end two-way radio to address a market segment it has not been able to address with Motorola branded products. This expands the size of its available market. CA Bearcom's strategy of providing two-way radio services to larger customers in Australia is continuing to develop.

In June 2013 the Unified Communications division became the preferred voice systems and support provider to Healthscope, Australia's largest integrated healthcare provider with more than 40 hospitals. Healthscope contracted Progility to become the exclusive telephony support services provider to all of its hospitals more than 30 of which do not currently have systems supplied by Progility.

### **Reasons for Admission**

The Directors believe that the Acquisition and Admission should:

- transform the scope and scale of the Company, adding further consulting, systems integration skills and solutions in the communications sector;
- provide new opportunities for the Company's existing training, consulting and recruitment businesses;
- reduce the Company's dependence on its training business where revenues have been under pressure for some time; and
- allow the Enlarged Group to take advantage of future acquisition opportunities that are complementary to the current business model.

### **Principal terms of the Acquisition**

On 10 September 2013, ILX entered into the Acquisition Agreement pursuant to which it has conditionally agreed to acquire the entire issued share capital of Progility, for a total consideration to be satisfied by the issue of the Consideration Shares (representing 80 per cent. of the Enlarged Share Capital).

The Acquisition Agreement contains warranties from the Sellers in relation to their title to the shares of Progility, the business, assets and liabilities of Progility and warranties by the Company in relation to its authority to issue the Consideration Shares and certain indemnities from the Sellers and by the Company.

The Acquisition is conditional upon, *inter alia*:

- (i) the Resolutions being passed at the General Meeting;
- (ii) the Acquisition Agreement becoming unconditional in all respects, save for Admission; and
- (ii) Admission of the Consideration Shares having occurred.

Further details of the Acquisition Agreement are set out in paragraph 9.1.8 of Part VII of this document.

### **Intentions of the Concert Party**

The Concert Party has confirmed that it has no intention to alter any of the existing employment rights of the employees and management of the Enlarged Group, such rights will be fully safeguarded and that there will be no material change in the conditions of employment of any person. The Concert Party fully supports the strategy for the Enlarged Group set out in Part I of this document. The Concert Party supports the Enlarged Group's retention of its registered and operational offices in their existing locations and the Concert Party does not intend to redeploy any of the fixed assets of the Company or make any redundancies as a result of these Proposals.

The Company operates a money purchase pension plan and the Acquisition will have no effect on employer contributions to this pension plan. The Concert Party does not intend to change any employee rights under the pension plan. There is no pension plan deficit in the Company.

The Company currently has its share admitted to trading on AIM; the Concert Party intends to maintain this trading facility and hence application will be made by the Company for the Enlarged Share Capital to be admitted to trading on AIM.

The Independent Directors have taken into account the intentions of the Concert Party set out above and believe such intentions to be in the best interests of Shareholders and the Company.

### **Takeover Code and Whitewash Resolution**

The Takeover Code governs, *inter alia*, transactions which may result in a change of control of a company to which the Takeover Code applies. Under Rule 9 of the Takeover Code any person who acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the Takeover Code) in shares which, taken together with shares in which he is already interested or in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, that person is normally required to make a general offer to all the remaining shareholders to acquire their shares. Similarly, Rule 9 of the Takeover Code also provides that when any person, together with persons acting in concert with him, is interested in shares which, in aggregate, carry more than 30 per cent. of the voting rights of such company, but does not hold shares carrying 50 per cent. or more of such voting rights, a general offer will normally be required if any further interest in shares is acquired by any such person.

Rule 9 of the Takeover Code further provides, among other things, that where any person who, together with persons acting in concert with him holds over 50 per cent. of the voting rights of a company, then they will not generally be required to make a general offer to the other shareholders to acquire the balance of their shares.

An offer under Rule 9 must be in cash and must be at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company in question during the 12 months prior to the announcement of the offer.

Persons acting in concert include persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate, to obtain or consolidate control of that company.

## **Waiver**

### *Relationship between members of the Concert Party*

The members of the Concert Party are the Sellers and Mr Stephen Arrowsmith, Finance Director of Progility. Wayne Bos and Mario Vecchio have worked and co-invested together in a variety of businesses over many years including Sausage Software and Progility. Wayne Bos and Craig Cameron have worked together in a number of businesses over several years including Natrol Inc., Minergy Corporation Limited and Progility.

As set out above, Praxis and Mmilt purchased the business of Progility in 2008. Praxis is trustee of the DNY Trust of which Wayne Bos, together with his wife and family members are discretionary beneficiaries. Mmilt is the trustee of the Vecchio Family Trust, a trust of which Mario Vecchio, together with his wife and family are discretionary beneficiaries. The Cameron Investment Trust became a shareholder in Progility following Craig Cameron being appointed Chief Executive Officer of Progility. Craig Cameron, along with his wife and family are discretionary beneficiaries of this trust.

Further information on individual members of the Concert Party and their relationships are given in paragraph 1.2 Part VI of this document.

### *Effects of Proposals and requirement for the Waiver*

Immediately following Admission, the members of the Concert Party will between them own 171,673,504 Ordinary Shares (representing 85.98 per cent. of the Enlarged Share Capital). Furthermore, DNY Investments Limited, a company held by Praxis as an asset of the DNY Trust, will have the right to subscribe for up to 8,000,000 Ordinary Shares pursuant to the Convertible Loan Notes and Warrants issued by the Company in December 2012 which, on full conversion into Ordinary Shares, would represent a maximum controlling position of 86.52 per cent. of the Enlarged Issued Share Capital assuming (a) the exercise by DNY Investments Limited of its conversion rights under the Convertible Loan Notes in full (details of the Convertible Loan Notes are set out in paragraph 9.1.3 of Part VII) (b) the exercise by DNY Investments Limited of all of the Warrants (details of the Warrants are set out in paragraph 9.1.4 of Part VII) and (c) the Company has not issued any more Ordinary Shares in the intervening period. A table showing the respective individual holdings of the members of the Concert Party following Admission and following the implementation of the Proposals in full is set out in Part VI of this document.

The Takeover Panel has agreed, however, to waive the obligation to make a general offer that would otherwise be required as a result of the allotment and issue of the Consideration Shares. Accordingly, the Whitewash Resolution seeks to waive the requirement under Rule 9 of the City Code that the Concert Party, having acquired a shareholding and percentage of voting rights exceeding 30 per cent., must make a general cash offer to all the remaining Shareholders to acquire their shares. In accordance with the City Code, the Whitewash Resolution is being proposed at the General Meeting and will be taken on a poll. The Concert Party will not be entitled to vote on the Whitewash Resolution. To be passed, the Whitewash Resolution will require a simple majority of votes entitled to be cast to vote in favour.

Following Completion, the Concert Party will have acquired, in aggregate, interests in shares carrying approximately 85.98 per cent. of the voting rights of the Company. The Concert Party will have a maximum interest of approximately 86.52 per cent. of the voting rights of the Company, assuming the exercise of all the conversion and subscription rights arising pursuant to the Convertible Loan Notes and Warrants by Praxis and assuming that no other New Ordinary Shares have been issued in the intervening period, which, without a waiver of the obligations under Rule 9, would oblige the Concert Party to make a general offer to Shareholders under Rule 9. Further details concerning members of the Concert Party are set out in Part VI of this document.

**Shareholders should note that, following the completion of the Acquisition and Admission, the Concert Party will together hold over 50 per cent. of the voting rights of the Company and will therefore be entitled to increase their interest in the voting rights of the Company without incurring a further obligation under Rule 9 of the Code to make a general offer. However, should any individual member of the Concert Party acquire an interest in shares of the Company such that they are interested in 30 per cent. or more of the voting rights in the Company or, if he is already interested in 30 per cent or more, acquire a further interest in the shares of the Company, the Panel may regard this as giving rise to an obligation upon that member of the Concert Party to make an offer for the entire issued share capital of the Company at a price no less than the highest price paid by the individual member of the Concert Party or any other member of the Concert Party in the previous 12 months.**



## **The Takeover Code**

The Company is subject to the provisions of the Takeover Code. The Takeover Code is based upon a set of 'General Principles' (which are essentially statements of standards of commercial behaviour) and has been designed to ensure:

- that Shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover; and
- that Shareholders of the same class are afforded equivalent treatment by an offeror.

The Takeover Code also provides an orderly framework within which takeovers are conducted. In addition, it is designed to promote, in conjunction with other regulatory regimes, the integrity of the financial markets.

### *Mandatory Offers*

Under Rule 9 of the Takeover Code any person who acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the Takeover Code) in shares which, taken together with shares in which he is already interested or in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, that person is normally required to make a general offer to all the remaining shareholders to acquire their shares. Similarly, Rule 9 of the Takeover Code also provides that when any person, together with persons acting in concert with him, is interested in shares which, in aggregate, carry more than 30 per cent. of the voting rights of such company, but does not hold shares carrying 50 per cent. or more of such voting rights, a general offer will normally be required if any further interest in shares is acquired by any such person.

### *Takeover Bids*

As at the date of this document, there has been no public takeover bid by a third party for all or any part of the Company's equity share capital since its incorporation.

### *Squeeze-out*

Under the Act, a person who makes an offer to acquire shares in the Company (an "offeror") may require Shareholders to transfer their shares to the offeror, on the terms of that offer, provided that the offer is approved or accepted by the holders of 90 per cent. or more of the shares to which the offer relates within three months of the last day on which the offer can be accepted. In order to enforce this right, the offeror must give notice to any Shareholder not approving or accepting the offer within certain time limits, notifying them of the offeror's wish to acquire their shares in the Company (the "Squeeze-out Notice"). After the expiration of six weeks after the giving of the Squeeze-out Notice, the offeror can require that the Company registers the shares in their name provided that the consideration due to the holders of such shares is delivered to the Company to be held on trust for such Shareholders. The consideration offered to such Shareholders whose shares are acquired compulsory under the Act must, in general, be the same as the consideration that was available under the offer.

### *Sell-out*

The Act also gives minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the shares, any holder of the shares to which the offer relates who has not accepted the offer can by a written communication to the offeror require it to acquire those shares.

The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## **Application for Admission**

Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. Subject to, among other things, the Resolutions being passed, it is expected that Admission will become effective at 8.00 a.m. on 4 October 2013 and that dealings for normal settlement in the New Ordinary Shares will commence at 8.00 a.m. on the same day. No temporary documents of title will be issued.

The Consideration Shares to be issued pursuant to the Acquisition Agreement will, following Admission, rank pari passu in all respects with the Existing Ordinary Shares in issue at the date of this document and will carry the right to receive all dividends and distributions declared, made or paid on or in respect of the New Ordinary Shares after Admission.

In connection with the application for Admission, the Company has entered into the Nominated Adviser Agreement with SPARK. For more information on the Nominated Adviser Agreement, see paragraph 9.1.7 of Part VII.

## **Consideration Shares**

The Consideration Shares will be issued pursuant to authorities to be sought at the General Meeting. Following the issue of the Consideration Shares an existing Shareholder will suffer a dilution of approximately 80 per cent. to his economic interests in the Company.

## **Board of Directors**

The existing Directors will remain on the board of the Company following Admission.

Brief details on the Board are set out below:

### **Wayne Bos (aged 47), *Executive Chairman and Interim Chief Executive***

Wayne joined the Board on 21 August 2012. Wayne has over 20 years' experience managing and investing in business over a wide range of sectors, with particular expertise in the software and technology sector. His career includes three years as Chief Executive of Sausage Software, an Australian public company, which he grew to a market capitalisation of A\$2.5bn in 2001, and President and CEO of Natrol, a Nasdaq listed Nutraceutical company, sold to Plethico, an Indian public company, in 2008. In the last five years, he has made several public and private company investments.

### **John McIntosh CA (aged 44), *Finance Director***

John joined the board on 6 June 2013. John qualified as a Chartered Accountant with Deloitte & Touche in 1994. He held Controller roles within corporations including Sony and D'Arcy, Masius Benton & Bowles and the BBC's corporate finance team before joining an internet start-up team. He has since concentrated on the online/multi-media sector working with private equity owned and quoted businesses. He was instrumental in the development and growth of the multi-media group DCD Media plc holding the positions of Chief Financial and Chief Operating Officer. Mr McIntosh has held Main Board Director roles in AIM listed companies since 2003 and joined ILX Group in November 2012. John is also Company Secretary.

### **Donald Stewart (aged 50), *General Counsel***

Donald joined the board as a non-executive director on 18 April 2013 and subsequently joined the Company full time as General Counsel on 3 June 2013. With almost 25 years practising commercial law as a qualified solicitor in England, Wales, and Scotland, Donald's expertise is focused on corporate finance, takeovers, mergers and acquisitions, and UK publicly listed companies. He has extensive experience working with companies in the technology and communications sectors. Donald is also a director (and past Chairman) of the Quoted Companies Alliance, and is the UK's representative on the Policy Committee of European Issuers based in Brussels.

**Paul Lever (aged 72), *Non-executive Director***

Paul joined the board as non-executive Chairman on 6 January 2003 and remained an independent non-executive director following the appointment of Wayne Bos as Executive Chairman in August 2012. Paul is currently senior partner of Marylebone Associates LLP, and was Chairman of Datong Plc until June 2013. Paul was formerly the chairman of the National Criminal Intelligence Service (NCIS) and the National Crime Squad (NCS), non-executive chairman of BSM Group plc and Oxford Aviation Holdings Ltd and chief executive of Lionheart plc. Previously at Tube Investments he was chief executive of the Steel Stockholding Division and, subsequently, of the Small Appliance Division which included Russell Hobbs. Paul was appointed chief executive of Crown Paints by Reed International and, following the acquisition of Berger Paints for £135 million, he merged the two operations with considerable savings and combined annual sales of £400 million.

**Senior Management of Progility**

**Craig Cameron (aged 56), *Chief Executive Officer***

Craig joined Progility in January 2012. He was appointed as alternative director for Mr Wayne Bos and Mr Mario Vecchio in April 2013. He has over 20 years' experience in executive roles in start-up companies to large multinational corporations, including CEO of Advantra, Minergy, Earth Renewable Technologies Inc, Natrol Inc, Quipoz Pty Ltd, RoamAd Pty Ltd and multiple subsidiaries of large multinational companies. He was also a managing director of the wireless data business for Telstra Corporation Ltd and chief strategist for a Fortune 100 company in the USA (NCR).

Mr Cameron has previously served as Chairman on the boards of Earth Renewable Technologies (US), Onestop (US), Natrol Hong Kong joint venture, subsidiaries of Natrol (MRI, and Natrol UK), RoamAD and Quipoz.

**Mario Vecchio (aged 52), *President***

Mario joined Cisco Systems in the early 1990's. While at Cisco he performed a number of roles from director of Cisco's channels, to sales director with an emphasis on identifying and developing key growth areas. After leaving Cisco he founded Savant Data Network Services, a technical consulting company focussed on the design and architecture of data infrastructures and systems for large service providers and enterprise customers. Under Mario's direction the company grew to A\$40m in revenue. In 2000 Mario sold Savant to Sausage Software where he became a board member with responsibility for the professional services business. After leaving Sausage Software in 2001, Mario held a number of executive level positions and long term consulting roles with Siemens AG, reporting directly to the CEO, and successfully restructured the Siemens Enterprise Communications business unit. Since 2005 Mario has held executive consulting positions with Juniper Networks and Amdocs. In 2008, Mario, together with Wayne Bos, acquired Progility.

**Stephen Arrowsmith CPA (aged 55), *Finance Director***

Stephen joined Progility in February 2013 as Chief Financial Officer ("CFO"). Mr Arrowsmith has over 20 years' experience in financial management and CFO roles, including previous roles as CFO for Molopo Energy Ltd, Willmott Forest Ltd and Adecco Asia Pacific Group. He has managed and been involved with significant business restructurings, acquisitions and mergers. He holds a Bachelor of Business and is a member of the Certified Practising Accountants (CPA) Australia.

**Summary financial information on the Company and Progility**

The financial information set out in the tables below has been extracted from the historical financial information of the Company, included in Part III of this document, and the historical financial information of Progility included in Part IV of this document. Shareholders should read the full historical financial information in Part III and Part IV of this document and not rely solely upon the summary below.

### Summary financial information on the Company:

	As at 15 months ended 30.6.2013 Total £'000	As at year ended 31.3.2012 Restated £'000	As at year ended 31.3.2011 Restated £'000
Revenue	16,992	13,473	12,886
Gross profit	6,378	6,059	5,903
Operating (loss)/profit	(1,503)	983	1,733
(Loss)/profit from ordinary operations	(1,318)	521	1,026
Net assets	6,668	6,679	3,241

### Summary financial information on Progilty:

	As at year ended 30.6.2013 A\$'000	As at year ended 30.6.2012 A\$'000	As at year ended 30.6.2011 A\$'000
Income	41,697	31,553	26,471
Profit/(loss) before tax	(2,215)	(123)	896
Profit/(loss) and total comprehensive income for the year	(1,573)	(97)	1,313
Net assets	638	2,212	2,309

### Convertible Loan Notes and Warrants

On 17 December 2012 ILX announced that it had issued £400,000 principal of convertible loan notes to Praxis. The Convertible Loan Notes attract interest at a rate of 12 per cent. per annum and are repayable (together with accrued interest) on the earlier of (a) a request by Noteholders following a material breach; (b) the occurrence of an insolvency event; or (c) 31 December 2017. Praxis was also issued with Warrants to subscribe for up to 400,000 Ordinary Shares at a subscription price of 10p per share. On 29 April 2013 Praxis Trustees transferred the Convertible Loan Notes and the Warrants to DNY Investments Limited, a company incorporated in Guernsey and held by Praxis Trustees as an asset within the DNY Trust, for no consideration.

Further details of the Loan Notes and the Warrants are set out in paragraphs 9.1.3 and 9.1.4 of Part VII of this document. It is expected that the number of Ordinary Shares following conversion of the Loan Notes and exercise of the Warrants will be 207,666,880.

### Share Options

The Board believes that the recruitment, motivation and retention of key employees is vital for the successful growth of the Enlarged Group. The Board considers that an important element in achieving these objectives is the ability to incentivise and reward staff (including executive directors) by reference to the market performance of the Company in a manner which aligns the interests of those staff with the interest of shareholders generally. The Company intends to utilise its existing employee share incentive scheme to grant Options to acquire Ordinary Shares to directors and UK based employees of the Enlarged Group. The Company is also considering adopting an additional share option scheme to permit employees based in Australia to receive options over the Ordinary Shares. It is expected that the total number of Ordinary Shares that may be subject to such Options, if granted, will represent a maximum of 10 per cent. of the Enlarged Group's issued ordinary share capital from time to time. The Remuneration Committee will consider the grant of Options after the publication of this document. Further details of the Share Option Scheme are set out in paragraph 9 of Part VII of this document.

## **Corporate Governance**

The Board recognises the importance of sound corporate governance and the new Board intends to ensure that, following Admission, the Company adopts policies and procedures which reflect the Corporate Governance Code for Small and Mid-Size Quoted Companies published by the Quoted Companies Alliance.

Following the implementation of the Proposals, the Board will meet monthly to review key operational issues and the strategic development of the Enlarged Group. The financial performance of the Enlarged Group will be reported and monitored. All matters of a significant nature will continue to be discussed in the forum of a board meeting. The Board will be responsible for internal controls to minimise the risk of financial or operational loss or material misstatement. The controls established will be designed to meet the particular needs of the Company having regard to the nature of its business.

The Company has also established an Audit Committee and a Remuneration Committee with formally delegated duties and responsibilities. Each committee will consist of Paul Lever and Donald Stewart, with Paul Lever chairing both the Audit Committee and the Remuneration Committee.

The Audit Committee will determine the terms of engagement of the Enlarged Group's auditors and will determine, in consultation with the auditors, the scope of the audit. The Audit Committee will receive and review reports from management and the Enlarged Group's auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Enlarged Group. The Audit Committee will have unrestricted access to the Enlarged Group's auditors.

The Remuneration Committee will review the scale and structure of the executive directors' and senior employees' remuneration and the terms of their service or employment contracts, including share option schemes and other bonus arrangements. The remuneration and terms and conditions of the non-executive directors will be set by the entire board.

The Enlarged Group will ensure, in accordance with Rule 21 of the AIM Rules, that the New Board and applicable employees do not deal in any New Ordinary Shares during a close period (as defined in the AIM Rules) and will take all reasonable steps to ensure compliance by the Directors and applicable employees.

The Directors believe that the Company has sufficient experience in accounting systems and controls which will provide a reasonable basis for them to make proper judgements as to the financial position and prospects of the Enlarged Group.

## **Dividend Policy**

The Board's objective is to grow the Enlarged Group's business. Future income generated by the Enlarged Group will be re-invested to implement its growth strategy. In view of this it is very unlikely that the Board will recommend a dividend in the foreseeable future.

## **Taxation**

Information regarding UK taxation with relation to the Ordinary Shares, is set out in paragraph 13 of Part VII of this document. These details are intended as a general guide only to the position under current UK taxation law as at the date of this document. If a Shareholder is in any doubt as to his or her tax position he or she should consult his or her own independent financial adviser immediately.

## **CREST**

The Existing Ordinary Shares are eligible for CREST settlement. Accordingly, following Admission, settlement of transactions in the New Ordinary Shares may take place within the CREST system if the relevant shareholder so wishes.

CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

## **General Meeting**

The notice convening the General Meeting is set out at the end of this document. A General Meeting has been convened for 10.30 a.m. on 3 October 2013 at the offices of ILX, 2nd Floor, Strand Bridge House, 138-142 The Strand, London, WC2R 1HH for the purpose of considering and, if thought fit, passing the following resolutions:

Ordinary resolutions to:

- (1) approve the Acquisition;
- (2) approve the Waiver; and
- (3) authorise the Directors to allot relevant equity securities under Section 551 of the Act; and

Special resolutions to:

- (4) approve the change of the Company's name; and
- (5) dis-apply statutory pre-emption rights.

To be passed, Resolutions 1 to 3 require a majority of not less than 50 per cent. and Resolutions 4 and 5 will require a majority of not less than 75 per cent. of the Shareholders voting in person or by proxy in favour of each Resolution. In addition, in accordance with the requirements of the Panel, Resolution 2 will be taken on a poll of Shareholders, other than the Concert Party.

## **Irrevocable undertakings to approve the Proposals**

Paul Lever has irrevocably undertaken to the Company to vote in favour of the Resolutions to be proposed at the General Meeting, in respect of his beneficial holding totalling 148,021 Existing Ordinary Shares, representing approximately 0.37 per cent. of the Existing Ordinary Shares. There are no circumstances under which this irrevocable undertaking can be withdrawn.

## **Admission and dealings**

Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Share Capital will commence on or about 4 October 2013.

## **Further information**

The attention of Shareholders is drawn to the information contained in Parts II to VIII of this document which provide additional details on the Proposals and the Enlarged Group.

## **Action to be taken**

### ***General Meeting***

You will find enclosed with this document a Form of Proxy. Whether you intend to be present at the General Meeting or not, you are asked to complete the Form of Proxy in accordance with the instructions printed thereon and to return it by post or by hand (during normal business hours only) to the Registrar at PXS, 34 Beckenham Road, Beckenham BR3 4TU using the accompanying pre-paid Form of Proxy (for use in the UK only) as soon as possible and, in any event, so as to be received by no later than 10.30 a.m. on 1 October 2013. **If you hold Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to the Registrar (CREST participant ID RA 10), so that it is received by no later than 10.30 a.m. on 1 October 2013. The completion and return of a CREST Proxy Instruction will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you so wish and are so entitled.**

If the Form of Proxy is not returned, or the CREST Proxy Instruction submitted, by 10.30 a.m. on 1 October 2013, your vote will not count.

If you are in any doubt as to the action you should take, you should immediately seek your own personal financial advice from an appropriately qualified independent professional adviser.

### **Recommendation**

**The Independent Directors, having been so advised by SPARK, consider the Proposals to be fair and reasonable and in the best interests of the Company and its Shareholders as a whole. In providing advice to the Board, SPARK has taken into account the Independent Directors' commercial assessments.**

**Wayne Bos is a discretionary beneficiary of the DNY Trust and is a director of both ILX and Progility and, as a result, has been declared to have a conflict of interest for the purpose of Rule 25.2 (Note 4) of the City Code and therefore has taken no part in the deliberations of the Board and is to be excluded from the recommendation of the Board. Praxis, the only member of the Concert Party that is a Shareholder in the Company, is not able to vote on the Rule 9 Waiver.**

**Accordingly, the Independent Directors unanimously recommend that Shareholders vote in favour of the Resolutions, as Paul Lever undertaken to do in respect of his holding of 148,021 Ordinary Shares representing approximately 0.37 per cent. of the Existing Ordinary Shares, by signing and returning the Form of Proxy to the Company's Registrars.**

Yours faithfully

The Independent Directors

## PART II

### RISK FACTORS

Potential investors should carefully consider the risks described below before making a decision to invest in the Company. This Part II contains what the Directors believe to be the principal risk factors associated with an investment in the Company. It should be noted that this list is not exhaustive and that other risk factors will apply to an investment in the Company. If any of the following risks actually occur, the Enlarged Group's business, financial condition and/or results or future operations could be materially adversely affected. In such circumstances, the trading price of the Ordinary Shares could decline and an investor may lose all or part of his investment.

There can be no certainty that the Enlarged Group will be able to implement successfully the strategy set out in this document. Additional risks and uncertainties not currently known to the Directors or which the Directors currently deem immaterial, may also have an adverse effect on the Enlarged Group.

This document contains forward-looking statements that involve risks and uncertainties. The Enlarged Group's actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Enlarged Group which are described below and elsewhere in this document. Prospective investors should carefully consider the other information in this document. The risks listed below do not necessarily comprise all the risks associated with an investment in the Enlarged Group.

An investment in the Company may not be suitable for all recipients of this document. Investors are accordingly advised to consult an independent financial adviser duly authorised under the Financial Services and Markets Act 2000 and who specialises in advising upon the acquisition of shares and other securities before making a decision to invest.

#### Specific risks relating to the Enlarged Group

##### *Attraction and retention of key management and employees*

The successful operation of the Enlarged Group will depend partly upon the performance and expertise of its current and future management and employees. The loss of the services of certain of these members of the Enlarged Group's key management or employees, or the inability to identify, attract and retain a sufficient number of suitably skilled and qualified employees may have a material adverse effect on the Enlarged Group.

Expansion of the Enlarged Group may require considerable management time which may in turn inhibit management's ability to conduct the day to day business of the Company.

##### *Changes in strategy and structure*

Both ILX and Progility have independently embarked on significant strategic and structural changes during the twelve months to 30 June 2013. These changes have involved significant investment and have had a material impact on the relevant businesses. There is a risk that further investment will be required before the full benefits of these changes will become apparent.

##### *Expansion risk*

The Enlarged Group is likely to seek further expansion through the acquisition of additional businesses. The success of any such expansion will depend on a number of factors including the Enlarged Group's ability to secure working capital, recruit new management and staff and its human resources and training capacity. If the Enlarged Group's business and operations experience rapid growth and its systems and controls have not



been developed to manage this growth effectively, the Enlarged Group's business and operating results could be harmed and the Enlarged Group may have to incur significant expenditure to implement the additional operational and control requirements necessary to manage such growth.

#### *Dependence on key suppliers*

The Enlarged Group is dependent on certain key suppliers for certain aspects of its business. The CA Bearcom business derives the majority of its current revenues from the supply of Motorola products while Progility's unified communications business derives a significant amount of its current revenues from providing Siemens solutions. The ILX training products are licensed from the UK Cabinet Office. There are no circumstances of which the Directors are aware that would adversely affect the continuing supply of products from key suppliers. However there can be no guarantee that at some future time the Enlarged Group's relationship with key suppliers might change.

#### *Reliance on third party products*

Progility relies on products supplied by Motorola and Siemens in order to provide its services. These products may not continue to be available on commercially reasonable terms in quantities sufficient to meet the Enlarged Group's needs, which could adversely affect its ability to generate revenue. Any errors or defects in third party products could result in a failure to provide services which could harm the Enlarged Group's reputation and operating results.

#### *Dependence on key customers*

Each of Progility's divisions generates a significant proportion of its revenues from a limited number of customers. The loss of all or a substantial proportion of the business provided by one or more of Progility's top customers could have a material adverse effect on the Enlarged Group's business.

#### *Technological risks*

Progility's business is dependent upon technology which could be superseded by superior technology, more competitively priced technology or a shift in working practices which could affect both the potential profitability and saleability of Progility's products and services and staying abreast of technological changes may require substantial investment.

#### *Unionised workforce*

A small number of employees of Progility's subsidiaries are the subject of collective bargaining arrangements made with their union. The Directors believe that there is no current industrial disharmony nor are there any circumstances which might lead to such disharmony. However it is possible that in the future the union may seek to expand the scope of the existing arrangements.

#### *Controlling shareholder*

Following Admission, 64.75 per cent. of the Enlarged Share Capital will be held by Praxis. Praxis will, therefore, be able to exercise significant influence over the Enlarged Group's corporate actions and activities and the outcome in general of matters pertaining to the Enlarged Group, including the appointment of the Enlarged Group's board of directors and the approval of significant change of control transaction. This control may in the future have the effect of making certain transactions more difficult without the support of Praxis and may have the effect of delaying or preventing an acquisition or other change in control of the Enlarged Group.

#### *Current operating results as an indication of future results*

The Enlarged Group's operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside its control. Accordingly, Shareholders or potential investors should not rely on

comparison with the Company or Progility's results to date as an indication of future performance. Factors that may affect the Enlarged Group's operating results include increased competition, and anticipated costs and expenses and slower than expected growth. It is possible that, in the future, the Enlarged Group's operating results will fall below the expectations of securities analysts or investors. If this occurs, the trading price of the Ordinary Shares may decline significantly.

## **General risks relating to the Enlarged Group**

### *Competition*

The Enlarged Group may face significant competition, including from key suppliers and other competitors who have greater capital and other resources and superior brand recognition than the Enlarged Group and may be able to provide better products or adopt more aggressive pricing policies. There is no assurance that the Enlarged Group will be able to compete successfully in such a marketplace.

### *Litigation*

While the Enlarged Group currently has no material outstanding litigation, there can be no guarantee that the current or future actions of the Enlarged Group will not result in litigation, both with and without merit. The Enlarged Group may therefore in future be party to litigation in the course of its business. Any litigation, by the Enlarged Group or against it, may be costly and lengthy and there can be no assurance that the Enlarged Group will prevail. Litigation could also involve a significant diversion of resources and management attention and be disruptive to normal business operations. An unfavourable resolution of a particular law suit or the costs or adverse publicity associated with substantial litigation could have a material adverse effect on the Enlarged Group's business, operating results or financial condition.

### *The Enlarged Group's objectives may not be fulfilled*

The value of an investment in the Enlarged Group is dependent upon the Enlarged Group achieving the aims set out in this document. There can be no guarantee that the Enlarged Group will achieve the level of success that the Board expects.

### *Requirement for further funds*

The existing resources of the Company and Progility may not be sufficient to allow the Enlarged Group to expand or exploit new opportunities. It may therefore be necessary for the Company to raise further funds in the future, which may be by way of issue of further Ordinary Shares on a non pre-emptive basis. There can be no guarantee that the then prevailing market conditions will allow for any such a fundraising or that new investors will be prepared to subscribe for Ordinary Shares at the same price the price paid by current investors.

To date significant amounts of funding have been made available to both the Company and Progility by related parties including Praxis. It is the Directors' intention to replace the related party loans with appropriate third party commercial debt when the opportunity arises. It is unlikely that any future additional funding requirements of the Enlarged Group will be made available by a related party.

### *Foreign exchange rate fluctuations may adversely affect the Company's results*

The Company records its transactions and prepares its financial statements in pounds sterling, but a substantial proportion of the Enlarged Group's income following the Acquisition will be received in Australian Dollars. To the extent that the Enlarged Group's foreign currency assets and liabilities are not matched, fluctuations in exchange rates between pounds sterling and the Australian Dollar may result in realised or unrealised exchange gains and losses on translation of the underlying currency into pounds sterling that may increase or decrease the Company's results of operations and may adversely affect the Enlarged Group's financial condition, each as stated in pounds sterling. In addition, if the currencies in which

the Enlarged Group earns its revenues and/or holds its cash balances move against the currencies in which it incurs its expenses, this could adversely affect the Enlarged Group's profitability and liquidity. Where a substantial net foreign currency liability exists, the Enlarged Group will consider hedging against it to minimise foreign currency expense. However, such hedging is based on estimates of liabilities and future revenues and will not fully eliminate future foreign currency exchange fluctuations.

#### *Other directorships/interests*

It is possible that members of the Board may, following Admission, be interested in or act, in a limited capacity, in the management or conduct of the affairs of other companies. Should any conflicts of interest be identified, they will be declared to the Board and dealt with appropriately.

#### *General*

If any or all of the above risks actually occur, the Enlarged Group's business, financial conditions, results or future operations could be adversely affected. In such a case, the price of the Ordinary Shares could decline and investors may lose all or part of their investment. Additional risks and uncertainties not presently known to the Directors or which the Directors currently deem immaterial, may also have an adverse effect upon the Enlarged Group.

### **Market risks**

#### *AIM*

Potential investors should be aware that the value of shares can go down as well as up and that an investment in a share that is traded on AIM may be less readily realisable and may carry a higher degree of risk than an investment in a share listed on the Official List of the UK Listing Authority. The price which investors may realise for their holding of Ordinary Shares, as and when they are able to do so, may be influenced by a large number of factors, some of which are specific to the Company and others of which are extraneous.

It may be difficult for an investor to sell his or her Ordinary Shares and he or she may receive less than the amount paid by him or her for them. The market for shares in smaller public companies, including the Company's, is less liquid than for larger public companies. Consequently, the share price may be subject to greater fluctuation on small volumes of shares, and thus the Ordinary Shares may be difficult to sell at a particular price.

The market price of the Ordinary Shares may not reflect the underlying value of the Company's profits or net assets.

#### *Liquidity*

Whilst the Company is applying for the re-admission of its shares to trade on AIM, there can be no assurance that an active trading market for the Companies shares will be maintained.

There may be volatility in the price of the Ordinary Shares

The Issue Price may not be indicative of the market price for the Ordinary Shares following Admission. The market price of the Ordinary Shares could be volatile and subject to significant fluctuations due to a variety of factors, including changes in sentiment in the market regarding the Company, the sector or equities generally, any regulatory changes affecting the Enlarged Group's operations, variations in the Enlarged Group's operating results and/or business developments of the Enlarged Group and/or its competitors, the operating and share price performance of other companies in the industries and markets in which the Group operates, news reports relating to trends in the Enlarged Group's markets or the wider economy and the publication of research analysts' reports regarding the Company or the sector generally.

*Holders of Existing Ordinary Shares will experience a dilution of their percentage ownership of the Ordinary Shares.*

Following implementation of the Proposals, Shareholders' proportionate ownership and voting interest in the Company will be reduced and the percentage that their Shareholdings represent of the ordinary share capital of the Company will, following Admission be reduced accordingly.

*Pre-emptive rights may not be available for Australian and other non-UK holders of Ordinary Shares*

In the case of an increase of the share capital of the Company for cash, the existing Shareholders are generally entitled to pre-emption rights pursuant to the Act unless such rights are waived by a special resolution of the Shareholders at a general meeting, or in certain circumstances stated in the Articles. To the extent that pre-emptive rights are applicable, Australian and certain other non-UK holders of the Ordinary Shares may not be able to exercise pre-emptive rights for their Ordinary Shares unless the Company decides to comply with applicable local laws and regulations and, in the case of Australian holders, unless a prospectus or offer information statement is lodged with the Australian Securities & Investments Commission or an exemption from those requirements is available.

*Taxation framework*

This document has been prepared in accordance with current UK tax legislation, practice and concession and interpretation thereof. Any change in the Company's tax status or in taxation legislation could affect the Company's ability to provide returns to its shareholders or alter post tax returns to its shareholders. Statements in this document concerning the taxation of investors in Ordinary Shares are based on current tax law and practice which is subject to change. The taxation of an investment in the Company depends on the individual circumstances of investors.

## PART III A

### FINANCIAL INFORMATION OF ILX GROUP PLC

#### SECTION A: ACCOUNTANTS REPORT ON THE HISTORICAL FINANCIAL INFORMATION FOR ILX GROUP PLC



# Grant Thornton

The Directors  
ILX Group plc  
2nd Floor  
Strand Bridge House  
138-142 The Strand  
London  
WC2R 1HH

10 September 2013

Dear Sirs

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#### **ILX Group plc (the “Company”) and its subsidiary undertakings (together “the Group”)**

We report on the historical financial information of the Group for the three years and three months ended 30 June 2013 set out in Part III B of the admission document (the “Historical Financial Information”). This Historical Financial Information has been prepared for inclusion in the admission document dated 10 September 2013 of ILX Group plc on the basis of the accounting policies set out in paragraph 1 of the Historical Financial Information.

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the admission document.

The Directors of ILX Group plc are responsible for preparing the Historical Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union. It is our responsibility to form an opinion on the Historical Financial Information and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

#### **Chartered Accountants**

Member firm within Grant Thornton International Ltd

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP

A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the admission document dated 10 September 2013, a true and fair view of the state of affairs of ILX Group plc as at the dates stated and of its results, cash flows and recognised gains and losses and changes in equity for the periods then ended in accordance with International Financial Reporting Standards adopted by the European Union.

**Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

**PART III B:  
HISTORICAL FINANCIAL INFORMATION  
ON ILX GROUP PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIFTEEN  
MONTHS ENDED 30 JUNE 2013 AND THE YEARS ENDED 31 MARCH 2012 AND 2011**

In this section the historical financial information has been prepared by the directors

	Notes	15 months ended 30.6.2013 £'000	Year ended 31.3.2012 £'000	Year ended 31.3.2011 £'000
<b>Revenue</b>	4	16,992	13,473	12,886
Cost of sales		(10,614)	(7,414)	(6,983)
<b>Gross profit</b>		6,378	6,059	5,903
Administrative and distribution expenses		(5,469)	(5,076)	(4,170)
Restructuring costs	11	(2,412)	–	–
<b>Operating (loss)/profit</b>	5	(1,503)	983	1,733
Finance income	6	–	4	–
Finance costs	7	(147)	(365)	(311)
<b>(Loss)/profit before tax</b>		(1,650)	622	1,422
Tax income/(expense)	10	332	(101)	(396)
<b>(Loss)/profit for the period from ordinary operations</b>		(1,318)	521	1,026
Loss from discontinued operations		–	–	(10,478)
(Loss)/profit from the period attributable to equity shareholders		(1,318)	521	(9,452)
Other comprehensive income		(69)	34	–
<b>Total comprehensive income</b>		(1,387)	555	(9,452)
<b>(Loss)/earnings per share from continuing operations</b>	12			
Basic		(3.79p)	2.07p	(38.16p)
Diluted		(3.79p)	1.86p	(37.42p)
<b>(Loss)/earnings per share for profit and loss attributable to ordinary equity holders</b>				
Basic	12	(3.79p)	2.07p	(38.16p)
Diluted		(3.79p)	1.86p	(37.42p)
<b>(Loss) per share from discontinued operations:</b>				
Basic		–	–	(42.30p)
Diluted		–	–	(41.48p)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013 AND  
AS AT 31 MARCH 2012 AND 2011**

	Notes	As at 30.6.2013 £'000	As at 31.3.2012 £'000	As at 31.3.2011 £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	13	209	194	95
Intangible assets	14	9,608	9,795	9,618
Deferred tax asset	15	82	–	–
Total non-current assets		9,899	9,989	9,713
<b>Current assets</b>				
Trade and other receivables	15	2,161	3,266	3,009
Tax receivable	15	263	–	–
Cash and cash equivalents		1,142	638	1,265
Total current assets		3,566	3,904	4,274
<b>Total assets</b>		<b>13,465</b>	<b>13,893</b>	<b>13,987</b>
<b>Current liabilities</b>				
Trade and other payables		(4,505)	(3,410)	(3,234)
Contingent consideration	17	(307)	(28)	(35)
Tax liabilities		(69)	(860)	(995)
Bank and shareholder loans	18	(1,536)	(2,888)	(1,350)
Total current liabilities	16	(6,417)	(7,186)	(5,614)
<b>Non-current liabilities</b>				
Deferred Tax		(91)	–	(35)
Contingent consideration	17	(289)	(28)	(287)
Bank and shareholder loans	18	–	–	(1,801)
Total non-current liabilities		(380)	(28)	(2,123)
<b>Total liabilities</b>		<b>(6,797)</b>	<b>(7,214)</b>	<b>(7,737)</b>
<b>Net assets</b>		<b>6,668</b>	<b>6,679</b>	<b>6,250</b>
<b>Equity</b>				
Issued share capital		3,993	2,759	2,697
Share premium and other reserve		189	114	–
Own shares in trust	20	(50)	(1,881)	(1,852)
Share option reserve		152	427	317
Retained earnings		2,447	5,254	5,116
Exchange differences arising on consolidation		(63)	6	(28)
<b>Total equity</b>	19	<b>6,668</b>	<b>6,679</b>	<b>6,250</b>



**CONSOLIDATED CASH FLOW STATEMENT FOR THE FIFTEEN MONTHS ENDED 30 JUNE 2013 AND THE YEARS ENDED 31 MARCH 2012 AND 2011**

	Notes	15 months ended 30.6.2013 £'000	Year ended 31.3.2012 £'000	Year ended 31.3.2011 £'000
<b>(Loss)/Profit before tax</b>		(1,650)	622	1,422
<b>Adjustments for:</b>				
Depreciation and amortisation		328	137	82
Loss/(profit) on fixed asset disposal		6	–	–
Impairment - product development		1,123	–	–
Goodwill adjustment		24	–	(137)
Share option charge		67	113	118
Investment income		–	(4)	–
Interest expensed		147	365	299
Movement in trade and other receivables		1,870	(461)	121
Movement in trade and other payables		84	335	(99)
<b>Cash generated from operations</b>		1,999	1,107	1,806
Net cash used by discontinued operating activities		–	–	(166)
Income taxes paid		(194)	(342)	(181)
<b>Net cash generated from operating activities</b>		1,805	765	1,459
<b>Investing activities</b>				
Interest received		–	4	1
Purchases of property and equipment		(126)	(178)	(52)
Capitalised expenditure on product development		(241)	(489)	(477)
Acquisition of subsidiaries, net of cash acquired	3	(665)	(23)	(9)
<b>Net cash used by investing activities</b>		(1,032)	(686)	(537)
<b>Financing activities</b>				
Proceeds from borrowings		400	3,050	–
Repayment of borrowings		(1,677)	(3,313)	(373)
Net proceeds of share issue		1,234	–	842
Interest and refinancing costs paid		(157)	(245)	(34)
Dividend paid		–	(232)	(454)
<b>Net cash from financing activities</b>		(200)	(740)	(19)
<b>Net change in cash and cash equivalents</b>		573	(661)	903
Impact of exchange differences on consolidation		(69)	34	29
<i>Cash and cash equivalents at start of year</i>		638	1,265	333
<i>Cash and cash equivalents at end of year</i>		1,142	638	1,265

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIFTEEN MONTHS ENDED 30 JUNE 2013 AND THE YEARS ENDED 31 MARCH 2012 AND 2011**

<b>Group</b>	<b>Called up share capital £'000</b>	<b>Share premium account £'000</b>	<b>Other reserve £'000</b>	<b>Own shares in trust £'000</b>	<b>Share option reserve £'000</b>	<b>Exchange differences arising on consol- idation £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
<b>Balance at 31 March 2010</b>	2,357	12,341		(1,852)	204	–	1,754	14,804
Profit for the year	–	–		–	–	–	(9,452)	(9,452)
Exchange differences on consolidation	–	–		–	–	(28)	–	(28)
Options granted	–	–		–	118	–	–	118
Options exercised	1	1		–	(2)	–	–	–
Options lapsed and waived	–	–		–	(3)	–	3	–
Share Issue	339	561		–	–	–	–	900
Costs relating to share issue	–	(58)		–	–	–	–	(58)
Costs relating to capital restructure	–	(34)		–	–	–	–	(34)
Transfer between reserves	–	(12,811)		–	–	–	12,811	–
<b>Balance at 31.3.2011</b>	<b>2,697</b>	<b>–</b>	<b>–</b>	<b>(1,852)</b>	<b>317</b>	<b>(28)</b>	<b>5,116</b>	<b>6,250</b>
Dividend paid	–	–	–	(29)	–	–	(377)	(406)
Options granted	–	–	–	–	113	–	–	113
Options lapsed and waived	–	–	–	–	(3)	–	3	–
Scrip issue	62	114	–	–	–	–	–	176
<b>Transactions with owners</b>	<b>62</b>	<b>114</b>	<b>–</b>	<b>(29)</b>	<b>110</b>	<b>–</b>	<b>(383)</b>	<b>(126)</b>
Profit for the year	–	–	–	–	–	–	521	521
Other comprehensive income:	–	–	–	–	–	34	–	34
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>34</b>	<b>521</b>	<b>555</b>
<b>Balance at 31.3.2012</b>	<b>2,759</b>	<b>114</b>	<b>–</b>	<b>(1,881)</b>	<b>427</b>	<b>6</b>	<b>5,254</b>	<b>6,679</b>
Equity component of convertible debt	–	–	75	–	–	–	–	75
Options granted	–	–	–	–	67	–	–	67
Options exercised	–	–	–	1,831	(315)	–	(1,516)	–
Options lapsed and waived	–	–	–	–	(27)	–	27	–
Share issue	1,234	–	–	–	–	–	–	1,234
<b>Transactions with owners</b>	<b>1,234</b>	<b>–</b>	<b>75</b>	<b>1,831</b>	<b>(275)</b>	<b>–</b>	<b>(1,489)</b>	<b>1,376</b>
Loss for the period	–	–	–	–	–	–	(1,318)	(1,318)
Other comprehensive income:	–	–	–	–	–	(69)	–	(69)
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(69)</b>	<b>(1,318)</b>	<b>(1,387)</b>
<b>Balance at 30.6.2013</b>	<b>3,993</b>	<b>114</b>	<b>75</b>	<b>(50)</b>	<b>152</b>	<b>(63)</b>	<b>2,447</b>	<b>6,668</b>

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION ON ILX GROUP PLC

ILX Group plc (the “Company”) is a company incorporated in England and Wales. This Historical Financial Information is presented in pounds sterling.

On the 21 March 2013 the statutory year end was changed to 30 June to better reflect the cycle of revenue and reporting within the core Training business. As such the information in the Historical Financial Information is not entirely comparable between accounting periods as the last period contains fifteen months of reporting versus twelve months in each of the preceding two periods.

The Group’s Historical Financial Information consolidates the financial information of the Company and its subsidiaries (together referred to as the “Group”). The Historical Financial Information has been prepared and approved by the Directors in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”).

### 1 Basis of preparation and significant accounting policies

#### *Basis of preparation*

The preparation of the Historical Financial Information in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the Historical Financial Information. The key estimates and assumptions are set out in the accounting policies below, together with the related notes to the accounts.

Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management’s best judgment of conditions at the date of the financial statements. Key estimates and judgments relate to impairment analysis assumptions, revenue recognition over exam vouchers and deferred tax assets. In the future, actual experience may deviate from these estimates and assumptions, which could affect the financial statements as the original estimates and assumptions are modified, as appropriate, in the year in which the circumstances change.

The Historical Financial Information have been prepared on the historical cost basis as modified by financial assets and financial liabilities at fair value through the profit and loss.

#### *Change in Statutory period end*

On 21 March 2013 the statutory year end was changed to 30 June to better reflect the cycle of revenue and reporting within the core Training business.

#### *Going Concern*

The Group meets its day-to-day working capital requirements from its operating cash flows and from its revolving bank facility, of which £0.35 million was undrawn at the balance sheet date. The Group has an outstanding term loan from HSBC bank (£0.5 million at the balance sheet date), which is due to be repaid during the next twelve months. The Group's banking facilities are due for renewal in November 2013.

Through the recent negotiations with its loan note holders and its principal bankers, the Directors, after making enquiries, have a reasonable expectation that the Company and the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

In addition and as set out in note 24 Post Balance Sheet Events the Group has today announced a reverse acquisition of Progility Pty Ltd. As part of this process the board have considered the enlarged group forecasts when assessing the ability to ILX Group plc to continue as a going concern. The board has undertaken its own due diligence on the cash flows of the enlarged group which includes the production of sensitized forecasts to arrive at their conclusion.

It is the board's view that based on cash flow projections the Group considers the existing financing facilities to be adequate to meet operating requirements through December 2014.

## **1 Basis of preparation and significant accounting policies (continued)**

### ***Basis of consolidation***

The Historical Financial Information include the Historical Financial Information of ILX Group plc and its subsidiaries. There are no associates or joint ventures to be considered.

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the Historical Financial Information. The Group uses the acquisition method of accounting to account for the acquisition of subsidiaries.

### ***Revenue***

Revenue for licences to generic software products is recognised at the start of the licence term, provided that delivery has occurred. Revenue from multi-year licences is recognised over the license term.

Revenue from software that is sold together with a workshop or exam voucher is split into separate components based on the fair value of the individual deliverables. The software will be recognised upon delivery. The workshop or course deliverable will be recognised upon delivery of the service. The allocation of the fair value of the exam voucher is determined after taking into account the expected redemptions that have been reliably estimated based on significant historical experience. This amount is deferred until the exam has been taken or the voucher has expired.

Revenue from fixed price consultancy, training, customisation, and software development projects or events is recognised in accordance with the delivery for each project or event. Revenue from such projects chargeable on a time and materials basis is recognised when the work is performed.

Revenue from rental and support services is recognised evenly over the period for which the service is to be provided.

Deferred revenue represents amounts invoiced for revenue which is expected to be recognised in a future period. Accrued revenue represents amounts recognised as revenue which are to be invoiced in a future period.

### ***Foreign currency***

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are taken to the statement of comprehensive income.

The assets and liabilities of foreign subsidiaries are translated at the rates of exchange ruling at the balance sheet date. The trading results of foreign subsidiaries are translated using the exchange rate ruling at the date of the transactions. Exchange differences arising are classified as other comprehensive income and accumulated foreign exchange reserve in equity.

### ***Share based payments***

The Company operates two share option schemes. The fair value of the options granted under these schemes is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the vesting period, based on the number of options expected to vest.

The fair value of the options granted is measured using the Black-Scholes model, adjusted to take into account sub-optimal exercise factor and other flaws in Black-Scholes, and taking into account the terms and conditions upon which the incentives were granted.

## **1 Basis of preparation and significant accounting policies (continued)**

### ***Business combinations***

On acquisition the assets liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the fair value of the consideration transferred over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the fair value of the consideration transferred below fair values of the identified net asset acquired is credited to the income statements in the period of acquisition.

Changes in the Group's ownership interest that do not result in a loss of control are accounted for as equity transactions. Purchase of non-controlling interests are recognized directly within equity being the difference between the fair value of the consideration paid and the relevant share acquired of the carrying value of the net assets to the subsidiary.

Contingent and deferred consideration arising as a result of acquisitions is stated at fair value. Contingent and deferred consideration is based on management's best estimate of the likely outcome and best estimate of fair value, which is usually, a contracted formula based on multiples of revenue and/or ebitda.

The Group has elected not to apply IFRS3 business combinations retrospectively to combinations prior to the date of transition of 1 January 2008.

### ***Goodwill***

Goodwill is determined by comparing the amount paid, including the fair value of any deferred and contingent consideration, on the acquisition of a subsidiary or associated undertaking and the Group's share of the aggregate fair value of its separable net assets. It is considered to have an indefinite useful economic life as there are no legal, regulatory, contractual, or other limitations on its life. Goodwill is therefore capitalised and is subject to annual impairment reviews in accordance with applicable accounting standards. Contingent consideration classified as in financial liability is subject to annual re-measurement to fair value and any movement recorded through the profit and loss account.

### ***Impairment***

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment, first looking at the intangible product and then acquired goodwill, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Eg if the product become obsolete, or a technology change occurs in the case of capitalized intangible product. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows using a discount rate that approximates the Group's cost of capital to calculate the net present discounted cash flow. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

### ***Acquired customer relationships***

The value of acquired customer relationships is determined by estimating the net present value of the future profits expected from the customer relationships. Where customer relationships relate to contracts covering a pre-determined period, the value is amortised over that period.

## **1 Basis of preparation and significant accounting policies (continued)**

### ***Research and development***

Research expenditure is written off to the statement of comprehensive income in the year in which it is incurred. Costs incurred on product development relating to the design and development of new or enhanced products are capitalised as intangible assets when it is probable that the development will provide economic benefits, considering its commercial and technological feasibility and the resources available for the completion and marketing of the development, and where the costs can be measured reliably. The expenditures capitalised are the direct labour costs, which are managed and controlled centrally. Other development costs are recognised as an expense as incurred. Product development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

### ***Change in accounting estimate***

The Group has decided to adopt a new estimate of amortisation under IAS 38 to more accurately reflect the economic life of the product development investment. Capitalised product development expenditure is considered to have an economic life of ten years and is written off during the economic life on a straight line basis. Previously, relevant product development costs were recorded with an indefinite life, which was subject to regular impairment reviews.

As a result of the change in the estimate there was a charge to the amortisation account of £224,000 and is recognised within Depreciation and Amortisation in the statement of comprehensive income.

### ***Depreciation***

Property, plant, and machinery are stated at cost less accumulated depreciation. Depreciation on these assets is provided at rates estimated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Fixtures, fittings and equipment	– 4 years
Computer equipment	– 3 years
Building & properties	– 10 years

### ***Deferred taxation***

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant nontaxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

## **1 Basis of preparation and significant accounting policies (continued)**

### ***Defined contribution pension scheme***

The pension costs charged in the Historical Financial Information represent the contributions payable by the Group during the year.

### ***Leases and hire purchase contracts***

The Group has no assets financed through finance leases.

Other leases are treated as operating leases. Annual rentals are charged to the statement of comprehensive income on a straight line basis over the term of the lease.

### ***Convertible debt***

Convertible loan notes are regarded as compound instruments, consisting of a liability instrument and an equity instrument. At the date of issue the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan note and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity. The portion relating to the equity component is charged directly against equity. The interest expense of the liability component is calculated by applying the effective interest rate to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

### ***Deferred and contingent consideration***

Deferred and contingent consideration payable is shown as a creditor on the statement of financial position to the extent that a contractual obligation exists, or may exist, to make payment in cash.

### ***Interest***

Interest on loans is expensed as it is incurred. Transaction costs of borrowings are expensed as interest over the term of the loans.

### ***Financial instruments***

The Directors consider the Group to have financial instruments, as defined under IAS 32, in the following categories:

#### ***Loans and receivables***

The Group's loans and receivables comprise cash and cash equivalents and trade receivables.

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

Trade receivables are recognised and carried at original invoice amount less an adjustment for doubtful debts. Bad debts are written off to the statement of comprehensive income when identified. An estimate of the adjustment for doubtful debts is made when collection of the full amount is no longer probable.

#### ***Contingent consideration measured at fair value through profit or loss***

The Group measures its contingent liabilities arising upon acquisition on an annual basis. Changes in the fair value of any such contingent liabilities, such as earn out or other contingent consideration are recognised immediately through the profit and loss account.

## 1 Basis of preparation and significant accounting policies (continued)

### *Other financial liabilities measured at amortised cost*

These include accruals, trade payables, revolving credit facilities and term debt.

Trade payables are recognised and carried at original invoice amount. Accruals are recognised and carried at the amounts expected to be paid for the goods or services received but not invoiced at the balance sheet date.

Bank borrowings, overdrafts, and revolving credit facilities are classified as current liabilities to the extent that capital repayments are due within 12 months of the statement of financial position date, and long term liabilities where they fall due more than 12 months after the statement of financial position date.

### *Future changes to accounting policies*

Certain new standards, amendments and interpretations to existing standards have been issued by the IASB or IFRIC with an effective date after the date of these Historical Financial Information:

<b>Standard</b>	<b>Description</b>	<b>Effective (periods beginning on or after)</b>
IFRS 9	Classification of financial assets and liabilities	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Disclosure of Interests in other entities	1 January 2014
IFRS 13	Fair Value Accounting	1 January 2013
IAS 1	Presentation of Financial Statements	1 January 2014

The impact on the Group's Historical Financial Information of the future adoption of these standards is still under review. Other than IFRS 9, where the Group is continuing to assess the materiality of the impact of this new standard, the Group does not expect any of the changes to have a material effect on the result or net assets of the Group.

### *Risks and uncertainties*

Key estimates and assumptions are set out in the accounting policies below, together with the related notes to the historical financial information.

Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best judgment of conditions at the date of the financial statements. Key estimates and judgments relate to impairment analysis assumptions (See note 14), revenue recognition over exam vouchers (see revenue accounting policy) and deferred tax assets (See note 10). In the future, actual experience may deviate from these estimates and assumptions, which could affect the financial statements as the original estimates and assumptions are modified, as appropriate, in the year in which the circumstances change.

## 2 Financial instruments – risk management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Liquidity risk
- Interest rate risk
- Exchange rate risk
- Capital risk

The Group's financial instruments comprise cash and short term deposits, and various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these instruments is to fund the Group's operations, manage working capital and invest surplus funds.



## 2 Financial instruments – risk management (continued)

The principal financial instruments used by the Group from which financial instrument risk arises are as follows:

	At 30.6.2013 £'000	At 31.3.2012 £'000	At 31.3.2011 £'000
<i>Financial Assets</i>			
Loans and receivables	1,805	2,954	2,435
Cash on hand	1,142	638	1,265
	At 30.6.2013 £'000	At 31.3.2012 £'000	At 31.3.2011 £'000
<i>Financial Liabilities</i>			
Fair value through profit or loss:			
Contingent consideration	307	28	35
Other at amortised cost:			
Bank loans	1,211	2,888	1,350
Convertible Loan	325	–	–
Trade payables	1,104	940	890
Accruals	916	766	845

Throughout the period covered by the historical financial information, the Group's policy has been that no trading in financial instruments shall be undertaken. The Group does, however, manage interest rate risk as detailed below. For loans and receivables, and items carried at amortised cost, the carrying value approximates the fair value.

### Fair value hierarchy

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The following tables present the Group's assets and liabilities that are measured at fair value at 30 June 2013, 31 March, 2012 and 31 March, 2011:

Group	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Liabilities</b>					
Contingent consideration		–	–	562	–
<b>Net fair value</b>		–	–	562	–

## 2 Financial instruments – risk management (continued)

### Fair value measurements in Level 3

The Group's financial assets classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data.

The following table presents the changes in Level 3 instruments for the 15 months ended 30 June 2013.

	<b>At fair value through profit and loss £'000</b>
At April 1, 2010, 2011 and 2012	–
Contingent consideration from acquisition of Obrar	562
	<hr/>
At June 30, 2013	562
	<hr/> <hr/>

#### *Credit risk*

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations. The Group is exposed to credit risk from credit sales.

The amount of receivables past due but not impaired at the balance sheet date was £378,000 (31 March 2012: £400,000, 31 March 2011: £250,000). The receivables are aged as follows: Debt Aged 60 days and over 21%, up to 59 days 25%, and current up to 29 days, 53%.

The total exposure to credit risk lies within trade receivables, accrued revenue and cash. The majority of these balances are with blue-chip companies. The risk is spread over a wide range of approximately 380 customers with an average balance of just under £5,000. The largest balance at year end comprised 8% of the total trade receivable balance. The amount of receivables past due but not impaired at 30 June 2013 was £378,000 (31 March 2012:£400,000, 31 March 2011 £250,000).

At the reporting date the Directors do not expect any losses from bad debts other than where specific provision has been made.

#### *Liquidity risk*

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group may encounter difficulty in meeting its financial obligations as they fall due.

The Group's banking facilities are due for renewal in November 2013. Through the recent negotiations with its loan note holders and its principal bankers, the Directors, after making enquiries, have a reasonable expectation that the Company and the Group will have adequate resources to continue in operational existence for the foreseeable future.

To ensure that this is achieved, rolling 12-month cash flow projections are prepared on a monthly basis within a model that can be readily flexed to show the effect of changes to key variables on cash balances and cash flow. These projections are reviewed by the Board and made available to the Group's bankers.

At the balance sheet date these projections indicated that the Group expected to have sufficient cash and facilities to meet its obligations for the next 12 months.

	<b>At 30.6.2013 £'000</b>	<b>At 31.3.2012 £'000</b>	<b>At 31.3.2011 £'000</b>
Cash on hand	1,142	638	1,265
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 2 Financial instruments – risk management (continued)

As at 30 June 2013, the Group's non-derivative financial liabilities have contractual maturities as summarized below:

<b>As of 30 June 2013</b>	<b>Current within 6 months £' 000</b>	<b>Current 6 to 12 months £' 000</b>	<b>Non- current 1 to 5 years £' 000</b>
Trade Payables	1,104	–	–
Borrowings	700	511	325
Contingent consideration	–	307	289
	<u>          </u>	<u>          </u>	<u>          </u>

### *Interest rate risk*

Interest risk arises from potential changes to interest rates. It is the risk that the Group's financial position may be adversely affected by future changes to interest rates.

It is the Group's policy to reduce its exposure to movements in interest rates in instances where a significant change in rates could have a material adverse impact on the Group's position.

The Group's exposure to interest rate risk arises principally from its term debt, which carries an interest rate margin over Bank of England Base Rate, and its revolving credit facility, which carries an interest rate margin over LIBOR. Future changes in these rates will affect the interest cost to the group. These rates would need to rise significantly to have a material effect on the interest cost. A one percentage point movement in LIBOR would have approximately £2,000 impact on the monthly interest rate charge.

### *Exchange rate risk*

All assets and liabilities are presented in Sterling. Transactions in Euros, Danish Kroner, American Dollars, Australian Dollars, New Zealand Dollars, Omani Riyals, Emirati Dirhams, and South African Rand are translated at the exchange rate ruling at the date of the transaction. The Group did not carry out a significant level of transactions in any other currency during the year, however, this may increase in the future in line with the Group's strategy. A five percentage point adverse movement in the Australian dollar exchange rate could potentially be reflected as a £5,000 reduction on the monthly sales recorded in pound sterling in the Group's accounts. The exchange rates would need to move significantly to have a material effect on the translated cost.

Any gain or loss resulting from the final realisation of these transactions in sterling is taken to the statement of comprehensive income as an exchange gain or loss. Monetary assets and liabilities remaining in foreign currencies are re-translated at the rates of exchange ruling at the balance sheet date, with any gain or loss taken to the statement of comprehensive income as an exchange gain or loss.

No hedging of this risk is undertaken as the non-sterling assets and liabilities are relatively liquid and the Group considers that its exposure is adequately managed, for the time being, through matching of currency income and expenditure.

### *Capital risk*

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern;
- To fund projects from raising capital from equity placements rather than long term borrowings;
- To increase the value of the assets of the business; and
- To provide an adequate return to shareholders in the future when new assets are taken on board.

## 2 Financial instruments – risk management (continued)

### Capital risk (continued)

These objectives will be achieved by maintaining and adding value to existing projects and ultimately taking them through to delivery and cash flow either with partners or by the Group's means.

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the financial position. Capital for the reporting periods under review is summarized in the consolidated statement of changes in equity.

The Group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid in the future or issue new shares.

## 3 Acquisitions and Disposals

On 5 December 2012 the company acquired 100% of the ordinary share capital of Obrar Ltd ("Obrar"). This was acquired for a maximum £1.41 million in cash. Obrar helps corporate clients achieve improvements in strategy, processes, sales, efficiency, technology design and deliveries and overall business performance. It was acquired to diversify the Group's revenue stream across the project management sector. Refer to note 14 for the break down of the fair value of customer relationship in relation to Obrar.

The fair values of the identifiable assets and liabilities of the new subsidiary at the date of acquisition were calculated below as follows:

<b>Fair value of consideration</b>		<b>£'000</b>
Cash paid		758
Fair value of contingent consideration		562
<b>Total</b>		<b>1,320</b>
		<hr/>
		<hr/>
	<b>Book value</b>	<b>Fair value</b>
	<b>£'000</b>	<b>£'000</b>
<b>Recognised amounts of identifiable net assets</b>		
Intangible assets	–	381
Trade and other receivables	746	746
Cash at bank and in hand	93	93
Trade and other payables	(230)	(230)
Tax liabilities	(141)	(141)
Deferred Tax	–	(91)
<b>Identifiable Net Assets</b>	<b>468</b>	<b>758</b>
	<hr/>	<hr/>
<b>Goodwill on acquisition</b>		<b>562</b>
		<hr/>
		<hr/>
Consideration paid in cash		758
Cash and cash equivalents acquired		(93)
		<hr/>
Net cash outflow on acquisition		665
Acquisition costs charged to expenses		32
		<hr/>
<b>Net cash paid relating to the acquisition</b>		<b>697</b>
		<hr/>
		<hr/>

### 3 Acquisitions and Disposals (continued)

Note: The fair value was calculated in line with the Group's acquisition policy in note 1. Goodwill has arisen from the acquisition due to synergies of management and the opportunity for the Group to further expand the acquired customer relationships. Goodwill arising from the acquisition is not tax deductible. The fair value of the trade receivables and payables is based on gross contractual amounts as these are expected to be settled in full within the year.

A first earn-out payment of up to £0.3 million will be made upon Obrar reaching a profit before tax target of £0.6 million for the year ending 31 March 2014. A second and final earn-out payment of up to £0.35 million will be made upon Obrar reaching a profit before tax target of £0.725 million for the year ending 31 March 2015. The summarised income statement of the acquired entity for the period from the beginning of its financial year on 1 January 2012 to the effective date of acquisition, and for its previous financial year, is set out below:

	<b>15 months ended</b>	<b>Year ended</b>
	<b>30.6.2013</b>	<b>31.3.2012</b>
	<b>£'000</b>	<b>£'000</b>
<b>Obrar Ltd</b>		
Revenue	1,414	1,625
Net profit	170	239
	<u>          </u>	<u>          </u>

Amounts paid for acquisition of subsidiaries in the Consolidated Cash Flow Statement is made up as follows:

	<b>£'000</b>
Cash consideration re Obrar	758
less cash balances acquired with Obrar	(93)
	<u>          </u>
	<u>          </u>
	665

The amount of net profit since the acquisition date of acquired companies included in the Group's income statement, excluding apportioned central costs, is as follows:

	<b>15 months ended</b>	<b>Year ended</b>
	<b>30.6.2013</b>	<b>31.3.2012</b>
	<b>£'000</b>	<b>£'000</b>
<b>Obrar Ltd</b>		
Revenue	1,474	–
Net profit	93	–
	<u>          </u>	<u>          </u>

### 3 Acquisitions and Disposals (continued)

The revenues and profits of the Group for the year, had the acquisitions made during the year been made at the beginning of the year, would have been as follows:

	<b>Consolidated Statement of Comprehensive Income for the 15 months ended 30.6.2013 £'000</b>	<b>Pre- acquisition trading of Obrar Ltd for the period 1.4.2012 to 5.12.2012 £'000</b>	<b>Total for the 15 months ended 30.6.2013 as though the acquisition date was 1.4.2012 £'000</b>
Revenue	16,992	1,414	18,406
Net profit	(1,318)	170	(1,148)

### 4 Segmental reporting

The Group focuses its internal management reporting on the following segments:

*Training* – The Group's training revenue is generated through the sales of software and face-to-face and online training services. Included in the revenue for training services are exam fees.

*Consulting* – The Group's consulting revenue is generated through the delivery of project management consulting services.

The Group measures the operating performance of the business through monthly financial reports on the Training and Consulting divisions. These segments are reported because they reflect the management accounting key indicators which is used to manage the performance of the business. The Group's cost base cannot reasonably be allocated to an individual operating segment, and does not impact the decisions made by the chief operating decision maker, the chief executive officer.

Segment profit or loss consists of earnings before interest, tax, depreciation, amortisation, overheads and other adjusting items. This is the detail used by the chief operating decision maker in determining how to allocate resources.

	<b>15 months ended 30.6.2013</b>			<b>Year ended 31.3.2012</b>			<b>Year ended 31.3.2011</b>		
	<b>Revenue £'000</b>	<b>Gross profit £'000</b>	<b>Profit £'000</b>	<b>Revenue £'000</b>	<b>Gross profit £'000</b>	<b>Profit £'000</b>	<b>Revenue £'000</b>	<b>Gross profit £'000</b>	<b>Profit £'000</b>
Training division	15,345	6,196	2,627	13,473	6,059	3,400	12,866	5,903	3,623
Consulting division	1,647	182	20	–	–	–	–	–	–
Restructuring costs	–	–	–	–	–	–	–	–	–
Unallocated central costs	–	–	(4,150)	–	–	(2,417)	–	–	(1,890)
	<u>16,992</u>	<u>6,378</u>		<u>13,473</u>	<u>6,059</u>		<u>12,866</u>	<u>5,903</u>	–
Operating (loss) profit			(1,503)			983			1,733
Interest			(147)			(361)			(311)
Profit before tax			<u>(1,650)</u>			<u>622</u>			<u>1,422</u>

#### 4 Segmental reporting (continued)

The segmented net assets and liabilities have not been allocated to the reporting divisions Training and Consulting as the latter division has only recently been brought into the Group and there is not a material level of apportionable resource for the period of review.

Revenues for the year and prior year split by geographical area were as follows:

	15 months ended 30.6.2013		Year ended 31.3.2012		Year ended 31.3.2011	
	£'000	%	£'000	%	£'000	%
UK & Ireland	9,073	53.4	7,922	58.8	9,821	68.7
Australasia	4,186	24.6	2,502	18.6	1,191	8.3
Europe, Middle East and Africa	3,233	19.0	2,616	19.4	2,261	16.9
Americas	400	2.4	358	2.6	352	3.4
Asia	100	0.6	75	0.6	77	2.7
	<u>16,992</u>	<u>100.0</u>	<u>13,473</u>	<u>100.0</u>	<u>12,886</u>	<u>100.0</u>

Note: No individual customer represents more than 10% of the revenue in any period.

Revenue by service	At 30.6.2013	At 31.3.2012	At 31.3.2011
	£'000	£'000	£'000
Software	7,452	7,130	6,536
Training and consulting	8,753	5,760	5,867
Other services	787	583	483
	<u>16,992</u>	<u>13,473</u>	<u>12,886</u>

#### 5 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	15 months ended 30.6.2013	Year ended 31.3.2012	Year ended 31.3.2011
	£'000	£'000	£'000
Depreciation	104	77	91
Amortisation	224	310	–
Exchange losses/(gains)	(17)	(35)	29
Operating lease rentals - land and buildings	229	138	114
Operating lease rentals - other	7	7	7
	<u>527</u>	<u>507</u>	<u>351</u>

Impairment of intangible fixed assets has been classified under Restructuring (refer to note 11). The was no material research and development charged during the 15 months to 30 June 2013 (Year to 31 March 2012:£60,000, Year to 31 March 2011 £nil).

## 5 Operating (loss)/profit (continued)

Fees receivable by the Group's auditors were as follows:

	<b>15 months ended 30.6.2013 £'000</b>	<b>Year ended 31.3.2012 £'000</b>	<b>Year ended 31.3.2011 £'000</b>
Audit of financial statements	64	53	37
Other services relating to taxation	37	10	4
Corporate finance and other advisory services	35	26	21
	<u>136</u>	<u>89</u>	<u>62</u>

Note: there was a change of auditor during the period. Amounts relating to previous auditor for audit, tax and advisory during the 15 months to 30 June 2013 was £78,000.

## 6 Finance income

	<b>15 months ended 30.6.2013 £'000</b>	<b>Year ended 31.3.2012 £'000</b>	<b>Year ended 31.3.2011 £'000</b>
Bank interest	–	4	–
	<u>–</u>	<u>4</u>	<u>–</u>

## 7 Finance costs

	<b>15 months ended 30.6.2013 £'000</b>	<b>Year ended 31.3.2012 £'000</b>	<b>Year ended 31.3.2011 £'000</b>
On bank loans and overdrafts	90	207	–
On shareholder loans	26	–	331
Mark to market of derivative financial instrument	–	(35)	(90)
Arrangement fees and refinancing costs	31	193	70
	<u>147</u>	<u>365</u>	<u>311</u>



## 8 Employees' and Directors' remuneration

The average monthly number of employees (including the Directors) during the year were:

	<b>15 months ended 30.6.2013 Number</b>	<b>Year ended 31.3.2012 Number</b>	<b>Year ended 31.3.2011 Number</b>
<i>Employed by the Group</i>			
Development and delivery	27	30	27
Administration and management	14	14	24
Sales and marketing	37	43	34
	<u>78</u>	<u>87</u>	<u>85</u>

Their total remuneration was as follows:

	<b>15 months ended 30.6.2013 £'000</b>	<b>Year ended 31.3.2012 £'000</b>	<b>Year ended 31.3.2011 £'000</b>
<i>Group</i>			
Wages and salaries	5,410	5,016	5,147
Social security costs	513	540	564
Pension costs	216	213	178
Share based payments	67	113	118
	<u>6,206</u>	<u>5,882</u>	<u>6,007</u>

The employees' and Directors' remuneration is reflected in the historical financial information as follows:

	<b>15 months ended 30.6.2013 £'000</b>	<b>Year ended 31.3.2012 £'000</b>	<b>Year ended 31.3.2011 £'000</b>
<i>Group</i>			
Cost of sales	2,628	2,220	2,332
Administrative expenses	3,431	3,297	3,337
Product development capital expenditure	147	365	338
	<u>6,206</u>	<u>5,882</u>	<u>6,007</u>

	<b>15 months ended 30.6.2013 £'000</b>	<b>Year ended 31.3.2012 £'000</b>	<b>Year ended 31.3.2011 £'000</b>
Highest paid director	<u>171</u>	<u>270</u>	<u>182</u>

## 8 Employees' and Directors' remuneration (continued)

	<b>15 months ended 30.6.2013 £'000</b>	<b>Year ended 31.3.2012 £'000</b>	<b>Year ended 31.3.2011 £'000</b>
<b>Key management personnel emoluments</b>			
Salaries including taxes	479	509	523
Other compensation	91	141	77
Share based payment expense	67	113	114
	<u>637</u>	<u>763</u>	<u>714</u>

There are no Directors to whom retirement benefits are accruing under a money purchase scheme (31 March 2012: three, 31 March 2011: three). Jon Pickes and Eddie Kilkelly both participated in the Company pension scheme. Following their resignation as directors Jon Pickles made a gain of £51,000 on share options converted. Ken Scott made a gain of £87,000 on share options converted.

## 9 Pension costs

The Group operates a defined contribution pension scheme in respect of the Directors and employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the Group which amounted to £ 75,000 in the 15 months to 30 June 2013 (Year to 31 March 2012: £110,000, Year to 31 March 2011: £ 125,000) plus contributions payable directly to Directors' and employees' personal pension schemes which amounted to £ 48,000 in the 15 months to 30 June 2013 (Year to 31 March 2012: £44,000, Year to 31 March 2011 £35,000).

## 10 Tax expense

	<b>15 months ended 30.6.2013 £'000</b>	<b>Year ended 31.3.2012 £'000</b>	<b>Year ended 31.3.2011 £'000</b>
Current tax (income)/expense	(47)	191	381
Adjustment in respect of prior periods	(22)	(90)	67
Tax expense for the period	<u>(69)</u>	<u>101</u>	<u>(52)</u>
Deferred credit	(263)	–	–
<b>Tax expense/(income)</b>	<u><u>(332)</u></u>	<u><u>101</u></u>	<u><u>396</u></u>
<b>Factors affecting the tax charge for the period</b>			
(Loss)/profit before tax	<u>(1,650)</u>	<u>622</u>	<u>1,422</u>
Profit before tax multiplied by standard rate of UK corporation tax of 23.8% (2012: 26%, 2011:28%)	(393)	168	398
Effects of:			
Non-deductible expenses	112	2	7
Depreciation in excess of capital allowances	2	(2)	5
Share option adjustment	16	29	33
Provisions adjustment	(9)	(6)	5
Adjustment in respect of prior periods	(22)	(90)	(52)
Overseas Tax differences	(38)	–	–
<b>Tax charge for period/year</b>	<u><u>(332)</u></u>	<u><u>101</u></u>	<u><u>396</u></u>

## 10 Tax expense (continued)

### *Factors that may affect future tax charges*

A deferred tax asset of £0.2 million related to the tax losses from the parent company has been recognised as at 30 June 2013. This amount is expected to be fully utilized against taxable income from operations in the year after 30 June 2013. There is also a deferred tax liability of £0.1 million relating to the fair value of customer relationships from the acquisition of Obrar. The liability is expected to reverse over the next four years.

## 11 Restructuring

An internal review of the business identified several opportunities to reduce costs that will translate into profitability. The management team also tightened up a number of business processes and eliminated certain operating expenses and capital expenditure that have demonstrated either insufficient return or none at all. This resulted in restructuring costs and intangibles impairment as follows:

	<b>15 months ended 30.6.2013 £'000</b>	<b>Year ended 31.3.2012 £'000</b>	<b>Year ended 31.3.2011 £'000</b>
Restructuring costs incurred	1,263	–	–
Impairment of intangibles	1,149	–	–
<b>Total restructuring</b>	<b>2,412</b>	<b>–</b>	<b>–</b>

## 12 Earnings/(loss) per share

Earnings per share is calculated by dividing profit attributable to shareholders by the weighted average number of shares in issue during the period.

	<b>15 months ended 30.6.2013 £'000</b>	<b>Year ended 31.3.2012 £'000</b>	<b>Year ended 31.3.2011 £'000</b>
Loss/Profit for the period attributable to equity shareholders	(1,318)	521	(9,452)
Loss/Profit for the period from continuing operations	(1,318)	521	1,026
Weighted average shares for basic earnings per share	34,733,754	25,226,782	24,768,797
Outstanding share options	–	2,714,760	492,250
Convertible loan equity	–	–	–
Weighted average shares for diluted earnings per share	34,733,754	27,941,542	25,261,047
<b>(Loss)/earnings per share attributable to equity shareholders</b>			
Basic	(3.79p)	2.07p	(38.16p)
Diluted	(3.79p)	1.86p	(37.42p)
<b>From continuing operations</b>			
Basic	(3.79p)	2.07p	4.14p
Diluted	(3.79p)	2.07p	4.06p
<b>From discontinued operations</b>			
Basic	–	–	(42.30p)
Diluted	–	–	(41.48p)

## 12 Earnings/(loss) per share (continued)

Note: The £400,000 convertible loan note is convertible into Ordinary Shares at a price of 10 pence per Ordinary Share and has a one for one warrant attached, exercisable at 10 pence per Ordinary Share, giving Praxis the potential to subscribe for a total of up to 8 million new Ordinary Shares. In addition, there are 660,936 of nil value shares eligible for exercise as well as 130,000 other share options. The loss for the period attributable to equity shareholders results in the exercise of the nil value share options and the convertible debt dilution being anti-dilutive.

## 13 Property, plant and equipment

<b>Cost</b>	<b>Fixtures, fitting and equipment £'000</b>	<b>Computer equipment and software £'000</b>	<b>Property £'000</b>	<b>Total £'000</b>
At 1.4.2010	132	272	–	404
Additions	22	31	–	53
Disposals	(91)	(147)	–	(238)
At 31.3.2011	63	156	–	219
Additions	18	160	–	178
Disposals	(9)	(80)	–	(89)
At 31.3.2012	72	236	–	308
Additions	31	47	48	126
Disposals	(45)	(59)	–	(104)
At 30.6.2013	58	224	48	330
<b>Depreciation</b>				
At 1.4.2010	85	184	–	269
Charge for the year	33	58	–	91
Disposals	(91)	(145)	–	(236)
At 31.3.2011	27	97	–	124
Charge for the year	20	57	–	77
Disposals	(8)	(79)	–	(87)
At 31.3.2012	39	75	–	114
Charge for the period	20	72	12	104
Disposals	(38)	(59)	–	(97)
At 30.6.2013	21	88	12	121
<b>Net Book Value</b>				
At 30.6.2013	37	136	36	209
At 31.3.2012	33	161	–	194
At 31.3.2011	36	59	–	95

## 14 Intangible assets

Cost	Product development and intellectual property			Total £'000
	Goodwill	Acquired customer relationships		
	£'000	£'000	£'000	
At 1.4.2010	15,292	6,974	2,821	25,087
Additions	9	–	464	473
Disposals	(4,916)	(6,974)	–	(11,890)
At 31.3.2011	10,385	–	3,285	13,670
Additions	14	–	473	487
At 31.3.2012	10,399	–	3,758	14,157
Additions	538	381	241	1,160
At 30.6.2013	10,937	381	3,999	15,317
<b>Impairment and Amortisation</b>				
At 1.4.2010	3,267	2,290	34	5,591
Charge for the year - impairment	4,916	4,684	751	10,351
Disposals	(4,916)	(6,974)	–	(11,890)
At 31.3.2011	3,267	–	785	4,052
Charge for the year - amortisation	11	–	299	310
At 31.3.2012	3,278	–	1,084	4,362
Impairment charge for the period	–	–	1,123	1,123
Amortisation charge for the period	–	–	224	224
At 30.6.2013	3,278	–	2,431	5,709
<b>Net Book Value</b>				
At 30.6.2013	7,659	381	1,568	9,608
At 31.3.2012	7,121	–	2,674	9,795
At 31.3.2011	7,118	–	2,500	9,618

Refer to note 3 for further details on acquired customer relationships.

### Intangible capitalised product

The impairment charge of £1.1 million (2012: £0.3 million, 2011 £10.3 million) which was based on a value in use at a discount rate of 10%, arose in the Training division as a result of under performance of the division. Factors contributing to the current year's underperformance include: a macro economic environment, the further investment required to address the digital assets and cost reduction measures at all levels, including senior management. Forecasts and assumptions which incorporate these factors have been used in the calculation of the 15 months to 30 June 2013 impairment review.

## 14 Intangible assets (continued)

### Additions

The additions in respect of product development and intellectual property relate to products and intellectual property developed internally. The fair value of acquired customer relationships, £0.4 million which was calculated by discounting the estimated future cash flows resulting from certain key customer relationships acquired with Obrar Limited to their net present value, using a discount rate of 10%.

### Impairment

Goodwill is not amortised but tested annually for impairment with the recoverable amount being determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate (10%, being the closest match to its cost of capital), growth rates (in line with underlying growth of the industry) and forecasts in income and costs.

The Group assessed whether the carrying value of goodwill was supported by the discounted cash flow forecasts of operating segment based on financial forecasts approved by management covering a five year period, taking in to account both past performance and expectations for future market developments. Management used a 2% growth rate for the future extrapolated period. Management estimates the discount rate using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to training business.

In assessing the divisions the Group reviewed the management forecasts. Management believe the low growth rate used does not exceed the growth rate of the industry and in the primary markets served by the Group. The management forecasts include restructurings which have been completed prior to 30 June 2013.

In evaluating the recoverable amount, the directors employ the discounted cash flow methodology, which is based on making assumptions and judgements on forecasts, margins, discount rates and working capital needs. Management notes that a reasonable potential change in any of these associated factors would not lead to a recognition of an impairment charge.

### Goodwill arising from Cash Generating Units

The above reflects the cash generating unit supporting Goodwill made up of Obrar Ltd, £562,000, and the Training business unit made up of £7,097,000, the historic acquired training businesses.

### *Other intangibles*

Acquired customer relationships	381
Product development and intellectual property	1,568
	<hr/>
	1,949
	<hr/>
	9,608
	<hr/> <hr/>

**15 Trade and other receivables**

	At 30.6.2013 £'000	At 31.3.2012 £'000	At 31.3.2011 £'000
Trade receivables	1,702	2,880	2,434
Other receivables	28	45	–
Corporation Tax receivable	263	–	18
Deferred tax asset	82	–	–
Prepayments	355	312	556
Accrued revenue	76	29	1
	<u>2,506</u>	<u>3,266</u>	<u>3,009</u>

The amount of receivables past due but not impaired at the balance sheet date was £ 378,000 (2012: £400,000, 2011 £250,000). The receivables are aged as follows: Debt Aged 60 days and over 21%, up to 59 days 25%, and current up to 29 days, 53%. Within trade and other receivables is a deferred tax asset of £82,000 due greater than one year.

**16 Trade and other payables**

	At 30.6.2013 £'000	At 31.3.2012 £'000	At 31.3.2011 £'000
HSBC 3-year term loan (see note 18)	511	1,838	–
HSBC 2-year revolving credit facility (see note 18)	700	–	–
Barclays 3-year term loan	–	–	800
Barclays revolving credit facility	–	1,050	550
5-year convertible shareholder loan	325	–	–
Trade payables	1,104	940	890
Corporation tax	69	145	387
Other taxes and social security costs	476	714	608
Contingent consideration (see note 17)	307	28	35
Accruals	916	766	845
Deferred revenue	2,009	1,705	1,499
	<u>6,417</u>	<u>7,186</u>	<u>5,614</u>

**17 Contingent consideration**

	At 30.6.2013 £'000	At 31.3.2012 £'000	At 31.3.2011 £'000
<i>Current liabilities: Contingent consideration</i>			
Acquisition of Obrar Ltd	273	–	–
Acquisition of rights to software products	34	28	35
	<u>307</u>	<u>28</u>	<u>35</u>
<i>Non-current liabilities: Contingent consideration</i>			
Acquisition of Obrar Ltd	289	–	–
Acquisition of rights to software products	–	28	287
	<u>289</u>	<u>28</u>	<u>287</u>

## 17 Contingent consideration (continued)

In January 2010 the Group purchased the full intellectual property rights to certain software products. Under the purchase agreement, a further payment equal to 20% of the gross profits on sales of these products over a 4-year period ended January 2014 is due. The payments are capped at £335,000, and no further payments are required after the expiry of the 4-year period.

The split between current and non-current liabilities is based on management's expectation for sales of software products in the forthcoming year.

## 18 Bank loans and facilities

	At 30.6.2013 £'000	At 31.3.2012 £'000	At 31.3.2011 £'000
<b>Total loans</b>			
Repayable in one year or less (note 16)	1,536	2,888	1,350
Repayable between one and two years	–	–	800
Repayable between two and five years	–	–	1,001
	<u>1,211</u>	<u>2,888</u>	<u>3,151</u>

The HSBC loan and additional facilities are secured by a Debenture granted by the Group in favour of HSBC Bank Plc dated 30 October 2011, which includes a Fixed Charge over all present freehold and leasehold property; a First Fixed Charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and a First Floating Charge over all assets and undertakings both present and future.

The carrying amount of financial assets pledged as collateral under this Debenture as at 30 June 2013 was £3.3 million.

The HSBC 3-year amortising term loan has an interest rate of 3.3% over Base Rate, increasing to 4.0% above Base Rate with effect from 1 September 2012.

The HSBC 2-year revolving credit facility had a limit of £2,000,000 at 30 June 2013 with a non-utilisation fee of 1.6% on the full facility and an interest rate of 3.15% over LIBOR on amounts drawn down. On 30 July 2012, the facility limit was reduced to £1,050,000, with the interest rate increasing to 4.0% above LIBOR from 1 September 2012 on amounts drawn down, and the non-utilisation fee increasing to 2.0% from 1 September 2012. This revolving facility has now been returned to its previous level of £2,000,000 on the same terms as above.

On 17 December 2012 ILX Group plc entered into an agreement with Praxis Trustees Limited ("Praxis Trustees"), a subsidiary of the Praxis Group, to raise £400,000 by way of a five year convertible loan. The loan note will be convertible into Ordinary Shares at a price of 10 pence per Ordinary Share and have a one for one warrant attached, exercisable at 10 pence per Ordinary Share, giving Praxis the potential to subscribe for a total of up to 8 million new Ordinary Shares.

The Loan Note conversion rights cannot be exercised until the Group has all necessary authorities to enable conversion free from pre-emption rights. Neither the Loan Note conversion rights nor the warrants can be exercised unless either the exercising party will not incur a City Code mandatory offer obligation or it obtains a dispensation from such obligation.

Of the total £1.6 million in facilities drawn at 30 June 2013, £0.5 million is expected to be repaid within 12 months from the Statement of financial position's date, comprising quarterly term loan repayments.



## 19 Share capital and reserves

	At 30.6.2013 £'000	At 31.3.2012 £'000	At 31.3.2011 £'000
Authorised equity:			
Ordinary shares of 10p each	5,000	5,000	5,000
Allotted, called up and fully paid equity:			
Ordinary shares of 10p each	3,993	2,759	2,697

The movement on allotted called up and fully paid shares is reflected below:

Group	Called up share capital £'000	Share premium account £'000	Other reserve £'000	Own shares in trust £'000	Share option reserve £'000	Exchange difference arising on con- solidation £'000	Retained earnings £'000	Total £'000
<b>Balance at 31 March 2010</b>	2,357	12,341		(1,852)	204	–	1,754	14,804
Profit for the year	–	–	–	–	–	–	(9,452)	(9,452)
Exchange differences on consolidation	–	–	–	–	–	(28)	–	(28)
Options granted	–	–	–	–	118	–	–	118
Options exercised	1	1	–	–	(2)	–	–	–
Options lapsed and waived	–	–	–	–	(3)	–	3	–
Share Issue	339	561	–	–	–	–	–	900
Costs relating to share issue	–	(58)	–	–	–	–	–	(58)
Costs relating to capital restructure	–	(34)	–	–	–	–	–	(34)
Transfer between reserves	–	(12,811)	–	–	–	–	12,811	–
<b>Balance at 31.3.2011</b>	2,697	–	–	(1,852)	317	(28)	5,116	6,250
Dividend paid	–	–	–	(29)	–	–	(377)	(406)
Options granted	–	–	–	–	113	–	–	113
Options lapsed and waived	–	–	–	–	(3)	–	3	–
Scrip issue	62	114	–	–	–	–	–	176
<b>Transactions with owners</b>	<b>62</b>	<b>114</b>	<b>–</b>	<b>(29)</b>	<b>110</b>	<b>–</b>	<b>(383)</b>	<b>(126)</b>
Profit for the year	–	–	–	–	–	–	521	521
Other comprehensive income:	–	–	–	–	–	34	–	34
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>34</b>	<b>521</b>	<b>555</b>
<b>Balance at 31.3.2012</b>	<b>2,759</b>	<b>114</b>	<b>–</b>	<b>(1,881)</b>	<b>427</b>	<b>6</b>	<b>5,254</b>	<b>6,679</b>
Equity component of convertible debt	–	–	75	–	–	–	–	75
Options granted	–	–	–	–	67	–	–	67
Options exercised	–	–	–	1,831	(315)	–	(1,516)	–
Options lapsed and waived	–	–	–	–	(27)	–	27	–
Share issue	1,234	–	–	–	–	–	–	1,234
<b>Transactions with owners</b>	<b>1,234</b>	<b>–</b>	<b>75</b>	<b>1,831</b>	<b>(275)</b>	<b>–</b>	<b>(1,489)</b>	<b>1,376</b>
Loss for the period	–	–	–	–	–	–	(1,318)	(1,318)
Other comprehensive income:	–	–	–	–	–	(69)	–	(69)
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(69)</b>	<b>(1,318)</b>	<b>(1,387)</b>

## 19 Share capital and reserves (continued)

### Share premium account

This reserve records the consideration premium for shares issued at a value that exceeds their nominal value, less any costs incurred by the Group relating directly to the issue of these shares.

### Other reserve

This reserve records the difference between the proceeds of issue of the convertible loan note and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, as outlined in note 19.

### Own shares in trust

This reserve records the purchase cost of shares by Investec Trust held in the Group's medium term incentive plan trust. Further details are contained in note 20.

### Share option reserve

This reserve records the cumulative charges to profit with respect to unexercised share options.

## 20 Share options and own shares in trust

### Share options

As at 30 June 2013, 10 employees (including former Directors) held options (granted between 9 December 2002 and 19 November 2012) over a total of 790,936 (2012: 3,267,940, 2011: 2,556,750) ordinary shares at an average exercise price of 9.5p (2012: 7.4p, 2011: 10.9p), as follows:

Date of grant	Number of shares under option at 31.3.2012	Granted during the year	Exercised during the year	Forfeited during the year	Number of shares under option at 30.6.2013	Exercise price
09-Dec-02	5,000	–	–	(5,000)	–	110p
01-Feb-04	25,000	–	–	(5,000)	20,000	70p
24-Dec-04	28,000	–	–	(13,000)	15,000	90p
15-Jul-05	18,125	–	–	(13,125)	5,000	90p
01-Oct-05	11,875	–	–	(11,875)	–	90p
01-Dec-05	7,500	–	–	(7,500)	–	100p
12-Jun-06	10,000	–	–	–	10,000	90p
22-May-07	87,500	–	–	(37,500)	50,000	53p
28-Nov-08	1,225,000	–	(1,225,000)	–	–	0p
30-Jan-09	75,000	–	–	(75,000)	–	20p
30-Jan-09	47,250	–	(47,250)	–	–	0p
31-Oct-09	240,000	–	–	–	240,000	0p
30-Apr-10	115,000	–	–	(115,000)	–	0p
01-Jun-10	80,000	–	–	–	80,000	0p
02-Jul-10	500,000	–	(500,000)	–	–	0p
24-Feb-11	60,000	–	–	(30,000)	30,000	25p
14-Apr-11	100,000	–	–	(100,000)	–	25p
20-Apr-11	432,510	–	(91,574)	–	340,936	0p
15-Aug-11	100,000	–	–	(100,000)	–	25p
19-Nov-11	100,000	–	–	(100,000)	–	25p
	<u>3,267,760</u>	<u>–</u>	<u>(1,863,824)</u>	<u>(613,000)</u>	<u>790,936</u>	

## 20 Share options and own shares in trust (continued)

The weighted average exercise price of these options, and the number exercisable at the end of the year, were as follows:

	<b>Options outstanding at 31.3.2012</b>	<b>Options granted during the year</b>	<b>Options exercised during the year</b>	<b>Options forfeited during the year</b>	<b>Options exercisable at 30.6.2013</b>	<b>Options outstanding (including those exercisable) at 30.6.2013</b>
Number of shares under option	3,267,760	–	(1,863,824)	(613,000)	790,936	790,936
Weighted average exercise price	7.4p	–	0.0p	27.4p	9.5p	9.5p
	<b>at 31.3.2011</b>				<b>at 31.3.2012</b>	<b>at 31.3.2012</b>
Number of shares under option	2,556,750	732,510	–	(21,500)	1,780,250	3,267,760
Weighted average exercise price	7.2p	10.2p	–	76.3p	8.6p	7.4p

The weighted average time to expiry of the share options outstanding at 30 June 2013 was 2.8 years (2012: 3.54 years, 2011: 5.26 years). Details of individual expiry dates are shown above.

All options are exercisable between 2 and 10 years from the date of grant. Details of Directors' share options can be found on page 13. The Group's share price on 30 June 2013 was 11.25p (on 31 March 2012: 18.50p, 2011: 20.25p).

The fair value of all options granted is recognised as an employee expense with a corresponding increase in equity. The employee expense is recognised equally over time from grant until vesting of the option. The employee expense for the 15 months to 30 June 2013 was £67,000 (Year to 31 March 2012: £113,000, Year to 31 March 2011 £118,000). The fair value has been measured using the Black-Scholes model. The expected volatility is based in the historic volatility adjusted for any expected changes to future volatility. The material inputs into the model have been:

	<b>Granted in year ended 31.3.2008</b>	<b>Granted in year ended 31.3.2009</b>	<b>Granted in year ended 31.3.2010</b>	<b>Granted in year ended 31.3.2011</b>	<b>Granted in year ended 31.3.2012</b>	<b>Granted in 15 months ended 30.6.2013</b>
Average share price at grant	53.0p	22.5p	35.0p	20.1p	25.5p	–
Average exercise price	53.0p	2.9p	1.4p	2.0p	10.2p	–
Expected volatility	40%	48%	62%	68%	55%	–
Expected life	3.5 years	3.5 years	3.5 years	3.5 years	3.5 years	–
Expected dividend yield	1.3%	5.2%	5.4%	0.0%	6.0%	0.0%
Risk-free rate of return	5.0%	5.0%	1.0%	1.0%	1.0%	1.0%

## 20 Share options and own shares in trust (continued)

### *Own shares in trust*

At 30 June 2013, the Group held 49,231 (31 March 2012: 2,033,035, 31 March 2011: 1,980,891) of its own ordinary shares in a trust, administered by Investec Trust Guernsey Ltd. The shares are held in trust and represented 0.001% of the total called up share capital. These shares will be utilised as required to satisfy share options granted to Directors and other senior management on vesting and exercise.

## 21 Related party transactions

The Group has a related party relationship with its subsidiaries, its Directors, and other employees of the Group with management responsibility. There are no transactions with related parties, that have not already been disclosed, which are not members of the Group.

The Group made payments to Octopus Investments Ltd of £12,500 (2012: £25,000, 2011 £8,000) in respect of fees charged for the services of Damien Lane as Non-Executive Director.

The issue of a convertible loan and warrants to Praxis Trustees (together the “Transaction”) is classified as a related party transaction for the purposes of the AIM Rules and by virtue of Praxis Trustees being a substantial shareholder, as defined in the AIM Rules, in the Group. The Group made payment to Praxis of £26,000 (2012:£nil, 2011 £nil) in respect of interest due on its Convertible Loan Note for the period to 30 June 2013.

## 22 Operating leases

At 30 June 2013 the Group had minimum commitments under non-cancellable operating leases as set out below:

	<b>Land and buildings 30.6.2013</b>	<b>Land and buildings 31.3.2012</b>	<b>Land and buildings 31.3.2011</b>
	£'000	£'000	£'000
Group			
Due within one year	215	179	79
Due in second to fifth year	183	247	70
	<hr/>	<hr/>	<hr/>
Total minimum lease payments	398	426	149
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Group leases four office spaces under operating leases. The lease terms typically range from one year to ten years. There are no leases with more than five years to run from the balance sheet date.

The amounts shown above assume all leases are broken at the earliest opportunity and include any penalty payments that would result from exercising the early break clauses.

## 23 Capital commitments

There were no material capital commitments at the end of the year (2012: £nil, 2011 £nil).

## **24 Post Balance Sheet Review**

### **Acquisition of TFPL Limited (“TFPL”)**

TFPL is a recruitment, training and consulting business. The entire share capital was acquired on the 1 July 2013 for a maximum consideration of £0.6 million. The recruitment business is complimentary to the activities of the group in the project management area. The Group has clients whose projects are temporary in nature and therefore there is potential demand for a service which can also help recruit while training clients in their chosen project management field.

TFPL provides executive search, managed services and the placement of permanent, interim and contract personnel into the public and private sectors. Since its establishment in 1985, the company has developed a strong brand and reputation in its marketplace.

The consideration for the acquisition comprises an upfront payment of £0.3 million, deferred consideration of £50,000 payable if TFPL’s net fee income for the year to 31 October 2013 reaches £1.05 million, and a single earn-out payment of up to £0.25 million payable in full if TFPL’s net fee income exceeds £1.3 million in the 12 months to 30 June 2014. All consideration is payable in cash.

At the date this Historical Financial Information was finalised the Directors had not completed the valuation of the intangible assets acquired. A further valuation will take place. The Directors have identified three main types of intangible asset: Domain name and brand; IT systems; and, customer relationships. The Directors consider that any residual goodwill that may arise will do so due to synergies and economies of scale from integrating TFPL within the Group.

## PART IV A

### FINANCIAL INFORMATION OF PROGILITY PTY LIMITED

#### SECTION A: ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION FOR PROGILITY PTY LIMITED



The Directors  
ILX Group plc  
2nd Floor  
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London  
WC2R 1HH

10 September 2013

Dear Sirs

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#### **Progility Pty Ltd, Comms Aust Pty Ltd and Comms Aust No 1 Pty Ltd (together “Progility”)**

We report on the historical financial information of Progility for the three years ended 30 June 2013 set out in Part IV B of the admission document (the “Historical Financial Information”). This Historical Financial Information has been prepared for inclusion in the admission document dated 10 September 2013 of ILX Group plc on the basis of the accounting policies set out in paragraph 1 of the Historical Financial Information.

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the admission document.

The Directors of ILX Group plc are responsible for preparing the Historical Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union. It is our responsibility to form an opinion on the Historical Financial Information and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

#### **Chartered Accountants**

Member firm within Grant Thornton International Ltd  
Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP  
A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.

**Opinion**

In our opinion, the financial information gives, for the purposes of the admission document dated 10 September 2013, a true and fair view of the state of affairs of Progility as at the dates stated and of its results, cash flows and recognised gains and losses and changes in equity for the periods then ended in accordance with International Financial Reporting Standards adopted by the European Union and has been prepared in a form that is consistent with the accounting policies adopted by ILX Group plc in its next annual accounts.

**Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

**PART IV B: HISTORICAL FINANCIAL INFORMATION ON  
PROGILITY PTY LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED 30 JUNE 2013, 2012 AND 2011**

*(All amounts are expressed in AUD)*

**In this section the historical financial information has been prepared by the directors**

	Note	2013 \$	2012 \$	2011 \$
Revenue	3	41,632,744	31,553,367	26,443,556
Other Income	4	64,032	–	27,117
<b>Income</b>		<u>41,696,776</u>	<u>31,553,367</u>	<u>26,470,673</u>
<b>Expenses</b>				
Raw materials and consumables used		19,565,009	12,134,115	7,194,173
Depreciation and amortisation expenses		573,812	587,717	357,834
Commissions paid		726,924	586,934	509,260
Employee benefits expenses		16,772,574	13,347,059	12,414,748
Subcontractor expenses		1,078,478	1,036,382	1,252,337
Finance costs		1,120,831	679,112	684,617
Freight and cartage		13,212	7,915	2,873
Travel expenses		594,145	394,184	318,927
Occupancy costs		940,070	855,896	577,238
Foreign exchange loss		492,921	133,759	–
Other expenses		2,033,596	1,913,539	2,262,724
Total expenses		<u>43,911,572</u>	<u>31,676,612</u>	<u>25,574,731</u>
<b>(Loss)/profit before tax</b>		<u>(2,214,796)</u>	<u>(123,245)</u>	<u>895,942</u>
Income tax benefit	6(a)	641,301	26,273	417,344
<b>(Loss)/profit and total comprehensive income for the year</b>		<u><u>(1,573,495)</u></u>	<u><u>(96,972)</u></u>	<u><u>1,313,286</u></u>



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2013, 2012 AND 2011**  
*(All amounts are expressed in AUD)*

	Note	2013 \$	2012 \$	2011 \$
<b>Assets</b>				
<b>Non current assets</b>				
Property, plant and equipment	11	1,287,098	1,338,951	808,985
Intangible Assets	12	4,312,476	3,890,291	2,856,897
Deferred tax asset	6(b)	1,637,890	969,741	706,856
<b>Total non current assets</b>		<u>7,237,464</u>	<u>6,198,983</u>	<u>4,372,738</u>
<b>Current assets</b>				
Cash and cash equivalents	7	1,282,172	1,626,586	538,858
Trade and other receivables	8	9,619,135	10,611,681	5,616,801
Inventories	9	3,427,603	2,607,470	1,478,000
Other current assets	10	1,098,009	445,922	323,324
Income tax receivable		41,765	–	–
<b>Total current assets</b>		<u>15,468,684</u>	<u>15,291,659</u>	<u>7,956,983</u>
<b>Total assets</b>		<u>22,706,148</u>	<u>21,490,642</u>	<u>12,329,721</u>
<b>Current liabilities</b>				
Trade and other payables	13	7,628,726	7,189,378	3,051,016
Deferred income	14	2,460,236	3,349,565	1,625,336
Income tax payable		–	317,062	284,584
Employee provisions	15	1,606,495	1,610,280	1,458,334
Other financial liabilities	16	2,637,104	185,106	196,211
<b>Total current liabilities</b>		<u>14,332,561</u>	<u>12,651,391</u>	<u>6,615,481</u>
<b>Non current liabilities</b>				
Employee provisions	15	94,056	175,082	143,224
Other financial liabilities	16	7,641,311	6,452,454	3,262,329
<b>Total non current liabilities</b>		<u>7,735,367</u>	<u>6,627,536</u>	<u>3,405,553</u>
<b>Total liabilities</b>		<u>22,067,928</u>	<u>19,278,927</u>	<u>10,021,034</u>
<b>Net assets</b>		<u>638,220</u>	<u>2,211,715</u>	<u>2,308,687</u>
<b>Issued capital and accumulated (losses)/profit</b>				
Issued capital	17	1,726,669	1,726,669	1,726,669
Accumulated (losses)/profit	17	(1,088,449)	485,046	582,018
<b>Total equity</b>		<u>638,220</u>	<u>2,211,715</u>	<u>2,308,687</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED 30 JUNE 2013, 2012 AND 2011**

*(All amounts are expressed in AUD)*

	Note	2013 \$	2012 \$	2011 \$
<b>Cash flows from operating activities</b>				
Cash receipts in the course of operations		47,775,860	33,369,135	27,794,094
Interest received		42,505	25,396	49,622
Net GST (sales tax) paid to the Australian Taxation Office		(1,645,145)	(1,475,886)	(1,042,356)
Cash payments in the course of operations		(48,034,246)	(31,167,104)	(26,516,407)
Tax paid		(628,609)	(100,000)	–
<b>Net cash (used in)/provided by operating activities</b>	20	<u>(2,489,635)</u>	<u>651,541</u>	<u>284,953</u>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment		–	2,134	43,384
Payments for property, plant and equipment		(386,869)	(442,190)	(439,161)
Payments for intangible assets		(629,270)	(334,395)	–
Payments for business acquisitions		–	(2,250,000)	–
<b>Net cash used in investing activities</b>		<u>(1,016,139)</u>	<u>(3,024,451)</u>	<u>(395,777)</u>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings		5,659,455	3,965,281	618,240
Payments for borrowings		(2,498,095)	(504,643)	(1,238,323)
<b>Net cash provided by/(used in) financing activities</b>		<u>3,161,360</u>	<u>3,460,638</u>	<u>(620,083)</u>
<b>Net (decrease)/increase in cash held</b>		<u>(344,414)</u>	<u>1,087,728</u>	<u>(730,907)</u>
Cash at the beginning of period		<u>1,626,586</u>	<u>538,858</u>	<u>1,269,765</u>
<b>Cash at the end of the period</b>		<u><u>1,282,172</u></u>	<u><u>1,626,586</u></u>	<u><u>538,858</u></u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEARS ENDED 30 JUNE 2013, 2012 AND 2011**

*(All amounts are expressed in AUD)*

	<b>Equity at 1 July 2012</b>	<b>Profit/(loss) and total comprehensive income</b>	<b>Equity at 30 June 2013</b>
<b>Accumulated (losses)/profit</b>	485,046	(1,573,495)	(1,088,449)
<b>Issued capital</b>	1,726,669	–	1,726,669
	<hr/>	<hr/>	<hr/>
<b>Total equity</b>	<u>2,211,715</u>	<u>(1,573,495)</u>	<u>638,220</u>

	<b>Equity at 1 July 2011</b>	<b>Profit/(loss) and total comprehensive income</b>	<b>Equity at 30 June 2012</b>
<b>Accumulated (losses)/profit</b>	582,018	(96,972)	485,046
<b>Issued capital</b>	1,726,669	–	1,726,669
	<hr/>	<hr/>	<hr/>
<b>Total equity</b>	<u>2,308,687</u>	<u>(96,972)</u>	<u>2,211,715</u>

	<b>Equity at 1 July 2010</b>	<b>Profit/(loss) and total comprehensive income</b>	<b>Equity at 30 June 2011</b>
<b>Accumulated (losses)/profit</b>	(731,268)	1,313,286	582,018
<b>Issued capital</b>	1,726,669	–	1,726,669
	<hr/>	<hr/>	<hr/>
<b>Total equity</b>	<u>995,401</u>	<u>1,313,286</u>	<u>2,308,687</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### 1. Cash flows from financing activities

##### (a) General System of Accounting underlying the Historical Financial Information

###### Basis of Preparation

The combined financial information has been prepared in accordance with IFRS as adopted by the EU and the requirements of the AIM rules for Companies. This is the first financial information of the group prepared in accordance with IFRS.

The historical financial information has been prepared on an accruals basis and are based on historical costs.

###### Going Concern

The historical financial information has been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business.

The Group generated a loss of \$1,573,495 for the year ended 30 June 2013. As at 30 June 2013 the company has a net surplus of \$638,220, which includes Intangible Assets of \$4,312,476.

The financial result for the year ended 30 June 2013 has been impacted by major restructuring that occurred, in the CA Bearcom and Minerals & Energy business units in particular.

Significant management changes have been made in the Minerals & Energy segment which have led to one off restructuring costs. These costs, combined with some customers in this sector deferring expenditure have negatively affected the profit result for that year. The new management team have been recruited specifically due to their skills and business connections in the new emerging technology that has been developed by Progility Pty Ltd and their partners. The response to this new technology has been positive and although the strong opportunities that have been developed have not yet generated income in financial the 2013 financial year, they are expected to generate significant revenues in the financial year to 30 June 2014. This is in line with the expectations in management's forecast.

The company wide restructure of senior management positions was also a contributing factor to the company's financial loss for the year. This restructure not only impacted the income statement through the resulting redundancy payments made to departing managers, but it also affected the profitability of the company for a period of time while the new management team settled in and integrated themselves into the business. The ILX Directors are confident that the senior management team that is now in place have the skills to realise the full potential of the Progility Pty Ltd business.

Substantial investments were made in new IT systems in the Bearcom segment. Despite this major implementation, the Bearcom segment had a successful 2013 financial year and is expected to continue this profitability in the next financial year.

The ILX Directors expect the Group to return to profitability and consider that the Group will be able to meet its debts over the next 12 month period as and when the debts fall due based upon one or more of the following events occurring:

- The Group operating at a trading surplus with strong revenue growth from the Unified Communications and Minerals & Energy unit in particular;
- The non-recurrence of the one off structural change costs that were incurred in the current financial year; and
- The continued support of the financiers.

## **1. Summary of accounting policies (continued)**

### **(b) Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue arises from the sale of goods and the rendering of services.

The Group often enters into sales transactions involving a range of the Group's products and services, for example for the delivery of hardware, software and related after-sales service. The Group applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction in order to reflect the substance of the transaction. The consideration received from these multiple-component transactions are allocated to the separately identifiable component in proportion to its relative fair value.

#### **Sale of goods (hardware or software)**

Sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership. In some specific situations, volume discounts are offered to clients.

Revenue from the sale of goods with no significant service obligation is recognised on delivery. Where significant tailoring, modification or integration is required, revenue is recognised in the same way as construction contracts for telecommunication systems described below.

#### **Rendering of services**

The Group generates revenues from after-sales service and maintenance, consulting, and construction contracts for telecommunication solutions. Consideration received for those services is initially deferred, included in other liabilities and is recognised as revenue in the period when the service is performed.

In recognising after-sales service and maintenance revenues, the Group considers the nature of the services and the customer's use of the related products, based on historical experience. Revenue from consulting services is recognised when the services are provided by reference to the contract's stage of completion at the reporting date in the same way as construction contracts for telecommunication systems described below.

#### **Construction contracts for telecommunication solutions**

Construction contracts for telecommunication systems specify a fixed price for the development and installation of IT and telecommunication systems.

When the outcome can be assessed reliably, contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity.

When the Group cannot measure the outcome of a contract reliably, revenue is recognised only to the extent of contract costs that have been incurred and are recoverable. Contract costs are recognised in the period in which they are incurred.

In either situation, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in profit or loss.

## **1. Summary of accounting policies (continued)**

### **(b) Revenue Recognition (continued)**

A construction contract's stage of completion is assessed by management based on milestones (usually defined in the contract) for the activities to be carried out under the contract and other available relevant information at the reporting date. The maximum amount of revenue to be recognised for each milestone is determined by estimating relative contract fair values of each project phase, i.e. by comparing the Group's overall contract revenue with the expected profit for each corresponding milestone. Progress and related contract revenue in-between milestones is determined by comparing costs incurred to date with the total estimated costs for that particular milestone (a procedure sometimes referred to as the cost-to-cost method).

The gross amount due from customers for contract work is presented within trade and other receivables for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. The gross amount due to customers for contract work is presented within other liabilities for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

#### **Interest income**

Interest income is reported on an accruals basis using the effective interest method.

### **(c) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### **(d) Employee Benefits**

#### **Wages, salaries, and annual leave**

Employee benefits liability is in relation to wages, salaries and annual leave, representing the amount which the Group has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates and includes related costs.

#### **Long service leave**

Provision is made in respect of the Group's liability for long service leave at balance date. The liability has been calculated at the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date, discounted to the present value of the estimated future cash outflow.

### **(e) Cash and deposits**

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

For the statement of cash flows' presentation purposes, cash and deposits consist of cash and cash equivalents as defined above.

## **1. Summary of accounting policies (continued)**

### **(f) Property, Plant and Equipment**

#### **Acquisitions**

Items of property, plant and equipment are initially recorded at cost and depreciated as outlined below.

#### **Depreciation**

The depreciable amount of all fixed assets is depreciated on a straight line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

In the event the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in statement of comprehensive income or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(m) for details of impairment).

The depreciation rates used for each class of asset are as follows:

- Pooled Assets 33.30% (2012: 33.30%) (2011: 33.30%)
- Office Equipment 5 – 40% (2012: 5 – 40%) (2011: 5 – 40%)
- Demo Equipment 27 – 40% (2012: 27 – 40%) (2011: 27 – 40%)
- Motor Vehicles 15 – 33.30% (2012: 15 – 33.30%) (2011: 15 – 33.30%)
- Plant and Equipment 10 – 40% (2012: 10 – 40%) (2011: 10 – 40%)
- Rental Equipment 17 – 33.30% (2012: 17 – 33.30%) (2011: 17 – 33.30%).

### **(g) Business Combinations**

All business combinations are accounted for by applying the acquisition method. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred. The acquisition may result in the recognition of goodwill or a gain from a bargain purchase.

Consideration is measured at fair value at acquisition date and consists of the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to a contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, a contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Contingent consideration classified as an asset or a liability is remeasured at the end of each reporting period to fair value through the statement of profit and loss and other comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

## 1. Summary of accounting policies (continued)

### (h) Financial Instruments

#### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs.

#### Classification and subsequent measurement

##### (i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

##### (ii) *Financial liabilities*

Non-derivative financial liabilities are subsequently measured at amortised cost.

### (i) Taxation

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.



## **1. Summary of accounting policies (continued)**

### **(j) Inventories**

Inventories are measured at the lower of cost and net realisable value.

### **(k) Non-Current Assets**

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount the asset is impaired to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The impairment is recognized as an expense in statement of comprehensive income.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market-determined, risk-adjusted discount rate.

### **(l) Intangibles**

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognized at cost. Indefinite life intangible assets are not amortized and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortization and any impairment. The gains or losses recognized in statement of comprehensive income arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortization method or period.

#### *Goodwill*

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

### **(m) Impairment of non-financial assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

## **1. Summary of accounting policies (continued)**

### **(n) Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

### **(o) Foreign currency translation**

The financial report is presented in Australian dollars, which is the Company's functional and presentation currency.

#### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

### **(p) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to statement of comprehensive income on a straight-line basis over the term of the lease.

## 1. Summary of accounting policies (continued)

### (q) Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on the bank overdraft
- interest on short-term and long-term borrowings
- interest on finance leases
- unwinding of the discount on provisions

### (r) Adoption of new and revised accounting standards

Certain new standards, amendments and interpretations to existing standards has been issued by the IASB or IFRIC with an effective date after the date of these financial statements:

Standard	Description	Effective (periods beginning on or after)
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013*
IFRS 11	Joint Arrangements	1 January 2013*
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013*
IAS 27 (Revised)	Separate Financial Statements	1 January 2013*
IAS 28 (Revised)	Investments in Associates and Joint Ventures	1 January 2013*
	Offsetting Financial Assets and Financial Liabilities	
	- Amendments to IAS 32	1 January 2014
	Mandatory Effective Date and Transition Disclosures	
	- Amendments to IFRS 9 and IFRS 7	1 January 2015
	IFRIC Interpretation 21 Levies	1 January 2014
	Transition Guidance - Amendments to IFRS 10, IFRS 11 and IFRS 12	1 January 2013*
	Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27	1 January 2014
	Recoverable Amount Disclosures for Non-financial Assets	
	- Amendments to IAS 36	1 January 2014
	Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39	1 January 2014

\*Note: EU mandatory effective date is 1 January 2014 not 2013

### (s) Critical accounting judgements, estimates and assumptions

#### *Provision for impairment of receivables*

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

#### *Provision for impairment of inventories*

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

**1. Summary of accounting policies (continued)**

**(s) Critical accounting judgements, estimates and assumptions (continued)**

*Estimation of useful lives of assets*

The entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Goodwill and other indefinite life intangible assets*

The entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note (L). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

*Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

*Income tax*

The entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The entity recognises liabilities for anticipated tax audit issues based on the entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

*Long service leave provision*

As discussed in note (d), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

## **1. Summary of accounting policies (continued)**

### **(s) Critical accounting judgements, estimates and assumptions (continued)**

#### *Business combinations*

As discussed in note (g), business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

#### *Recognition of deferred tax assets*

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions (see Note 6).

#### *Impairment*

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 12). In 2013, the Group recognised an impairment loss on internally generated software (see Note 12).

#### *Useful lives of depreciable assets*

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

#### *Inventories*

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

#### *Business combinations*

Management uses valuation techniques in determining the fair values of the various elements of a business combination (see Note 23). Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability (see Note 23).

#### *Construction contract revenue*

Recognised amounts of construction contract revenues and related receivables reflect management's best estimate of each contract's outcome and stage of completion. This includes the assessment of the profitability of on-going construction contracts and the order backlog. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.

## 2. Segment reporting

The Group presents its segmental analysis in terms of three operating divisions, CA Bearcom, Unified Communications and Minerals & Energy. The analysis of revenue and profit by division is as follows together with a reconciliation of the profit before tax figure. Segments are based on Departments who are identified by the products that provide to market and not by any other factor.

CA Bearcom provides the Australian market with two way radios and associated equipment and services.

Unified Communications provides the Australian market with telephony equipment and service.

Minerals & Energy provides the Western Australian Market with above ground and underground communications solutions to organisations in the mining industry.

	<b>Year Ended 30 June 2013 \$</b>				
	<b>CA Bearcom</b>	<b>Minerals and Energy</b>	<b>Unified Commun- ications</b>	<b>Corporate</b>	<b>Total</b>
<b>Revenue</b>					
Product Sales	15,186,001	5,649,147	4,014,056	–	24,849,204
Service Sales	3,061,054	1,638,002	9,970,019	–	14,669,075
Other Sales	1,266,100	249,211	599,154	–	2,114,465
	<u>19,513,155</u>	<u>7,536,360</u>	<u>14,583,229</u>	<u>–</u>	<u>41,632,744</u>
Reconciliation to Net Result					
Other Income	–	–	–	64,032	64,032
Total Expenses	(17,472,325)	(8,201,214)	(11,886,421)	(6,351,612)	(43,911,572)
Net Results	<u>2,040,830</u>	<u>(664,854)</u>	<u>2,696,808</u>	<u>(6,287,580)</u>	<u>(2,214,796)</u>

	<b>Year Ended 30 June 2012 \$</b>				
	<b>CA Bearcom</b>	<b>Minerals and Energy</b>	<b>Unified Commun- ications</b>	<b>Corporate</b>	<b>Total</b>
<b>Revenue</b>					
Product Sales	5,397,251	7,020,002	4,195,421	–	16,612,674
Service Sales	194,123	2,867,114	11,429,499	–	14,490,736
Other Sales	74,124	157,100	218,733	–	449,957
	<u>5,665,498</u>	<u>10,044,216</u>	<u>15,843,653</u>	<u>–</u>	<u>31,553,367</u>
Reconciliation to Net Result					
Other Income	–	–	–	–	–
Total Expenses	(5,328,123)	(9,720,254)	(12,554,124)	(4,074,111)	(31,676,612)
Net Results	<u>337,375</u>	<u>323,962</u>	<u>3,289,529</u>	<u>(4,074,111)</u>	<u>(123,245)</u>

2. Segment reporting (continued)

	Year Ended 30 June 2011 \$				
	CA Bearcom	Minerals and Energy	Unified Communi- cations	Corporate	Total
<b>Revenue</b>					
Product Sales	–	3,583,123	5,590,500	–	9,173,623
Service Sales	–	3,683,214	13,161,587	–	16,844,801
Other Sales	–	194,132	231,000	–	425,132
	–	7,460,469	18,983,087	–	26,443,556
Reconciliation to Net Result					
Other Income	–	–	–	27,117	27,117
Total Expenses	–	(6,475,214)	(15,147,214)	(3,952,303)	(25,574,731)
Net Results	–	985,255	3,835,873	(3,925,186)	895,942

3. Revenue

	2013 \$	2012 \$	2011 \$
Product Sales	24,849,310	16,612,112	9,174,009
Service Rendered	14,669,210	14,490,100	16,845,046
Other Sales	2,114,224	451,155	424,501
<b>Revenue</b>	<b>41,632,744</b>	<b>31,553,367</b>	<b>26,443,556</b>

4. Other income

	2013 \$	2012 \$	2011 \$
Other income	64,032	–	27,117
	64,032	–	27,117

5. Auditors' remuneration

	2013 \$	2012 \$	2011 \$
Audit services:			
Auditors of the Group – DFK Collins	53,500	36,000	31,000
	53,500	36,000	31,000

**6a. Income tax benefit**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>			
(Loss)/profit before income tax expense from continuing operations	(2,214,796)	(123,245)	895,942
Tax at the statutory tax rate of 30%	(664,439)	(36,974)	268,783
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:			
Entertainment expenses	11,011	10,680	–
Tax/Accounting depreciation differences	709	11,006	30,990
Tax losses utilised	–	–	(59,223)
Other items	11,418	(10,985)	(657,884)
Income tax benefit	<u>(641,301)</u>	<u>(26,273)</u>	<u>(417,334)</u>

**6b. Deferred tax asset**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$
<i>Deferred tax assets and liabilities comprise temporary differences attributable to:</i>			
Amounts recognised in profit or loss:			
Provisions	802,985	607,750	631,187
Accruals	304,588	192,863	95,747
Foreign exchange	147,876	66,453	–
Carry forward tax losses	376,599	14,000	596
Other	5,842	88,675	(20,674)
<b>Deferred tax asset</b>	<u>1,637,890</u>	<u>969,741</u>	<u>706,856</u>
Movements:			
Opening balance	969,741	706,856	3,337
Credited/(debited) to profit and loss	668,149	(31,780)	703,519
Additions through business combinations	–	294,665	–
Closing balance	<u>1,637,890</u>	<u>969,741</u>	<u>706,856</u>

The deferred tax assets shown in the statement of financial position will only be obtained if:

- (i) the Company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- (ii) the Company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the Company.



<b>7. Cash and cash equivalents</b>			
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$
Cash on hand	2,400	4,064	306,111
Cash at bank	1,273,033	553,511	229,194
Interest Bearing Deposits	6,739	1,069,011	3,553
	<u>1,282,172</u>	<u>1,626,586</u>	<u>538,858</u>
<b>8. Trade and other receivables</b>			
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$
<b>Current</b>			
Trade Receivables	9,624,366	10,748,826	5,788,993
Less Allowance for Doubtful Debts	(257,194)	(238,783)	(231,410)
Other Receivables	251,963	101,638	59,218
	<u>9,619,135</u>	<u>10,611,681</u>	<u>5,616,801</u>
<b>Doubtful Debts</b>			
Opening balance	238,783	231,410	60,060
Additional Allowance	18,411	7,000	171,350
	<u>257,194</u>	<u>238,783</u>	<u>231,410</u>
Closing Balance	257,194	238,783	231,410
Past due % of Trade Debtors	2.7%	2.2%	4.1%
Past due \$ of Trade Debtors	257,194	238,783	231,410
<b>9. Inventories</b>			
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$
<b>Current</b>			
Inventory on Hand	4,146,471	2,923,258	1,699,133
Less provision for obsolete stock	(718,868)	(315,788)	(221,133)
	<u>3,427,603</u>	<u>2,607,470</u>	<u>1,478,000</u>
<b>10. Other current assets</b>			
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$
Prepayments	351,279	272,260	222,292
Deposits	398,206	108,206	76,114
Other	348,524	65,456	24,918
	<u>1,098,009</u>	<u>445,922</u>	<u>323,324</u>

## 11. Property, plant & equipment

	2013	2012	2011
(i) Book value disclosure	\$	\$	\$
Plant and equipment at cost	673,180	119,970	105,892
Addition by business combination	–	384,641	–
Accumulated depreciation	(223,302)	(72,086)	(32,461)
	<u>449,878</u>	<u>432,525</u>	<u>73,431</u>
Motor Vehicles at cost	435,509	329,307	408,353
Addition by business combination	–	144,534	–
Accumulated Depreciation	(184,658)	(136,487)	(106,072)
	<u>250,851</u>	<u>337,354</u>	<u>302,281</u>
Office equipment at cost	862,496	745,020	468,583
Addition by business combination	–	44,506	–
Accumulated Depreciation	(530,189)	(339,502)	(148,868)
	<u>332,307</u>	<u>450,024</u>	<u>319,715</u>
Rental Equipment at cost	335,702	147,045	98,607
Addition by business combination	–	–	–
Accumulated Depreciation	(83,794)	(38,232)	(7,940)
	<u>251,908</u>	<u>108,813</u>	<u>90,667</u>
Other assets at cost	41,483	46,755	46,755
Addition by business combination	–	–	–
Accumulated Depreciation	(39,329)	(36,520)	(23,864)
	<u>2,154</u>	<u>10,235</u>	<u>22,891</u>
Total property, plant & equipment- net book value	<u><u>1,287,098</u></u>	<u><u>1,338,951</u></u>	<u><u>808,985</u></u>

Refer to note 16 for information on assets pledged as security and financing arrangements

**11. Property, plant & equipment (continued)**

**(ii) Reconciliation of the carrying amount**

	<b>Office Equipment and Furniture \$</b>	<b>Motor Vehicles \$</b>	<b>Plant and Equipment \$</b>	<b>Rental Equipment \$</b>	<b>Other Assets \$</b>	<b>Total \$</b>
<b>Balance at 1 July 2010</b>	231,120	481,586	65,782	7,081	15,805	801,374
Additions	263,695	–	40,110	101,704	33,654	439,163
Disposals	(26,232)	(73,233)	–	(10,178)	(2,703)	(112,346)
Depreciation	(148,868)	(106,072)	(32,461)	(7,940)	(23,864)	(319,205)
<b>Closing Balance 30 June 2011</b>	319,715	302,281	73,431	90,667	22,891	808,986
<b>Balance at 1 July 2011</b>	319,715	302,281	73,431	90,667	22,892	808,986
Additions	288,706	2,045	14,078	48,438	–	353,267
Business Combinations	44,506	144,534	384,641	–	–	573,681
Disposals	(35,540)	(12,831)	–	–	–	(48,371)
Depreciation	(167,364)	(98,675)	(39,625)	(30,291)	(12,657)	(348,612)
<b>Closing Balance 30 June 2012</b>	450,023	337,354	432,525	108,813	10,235	1,338,951
<b>Balance at 1 July 2012</b>	450,023	337,354	432,525	108,813	10,235	1,338,951
Additions	82,000	–	170,027	197,711	–	449,738
Disposals	(9,030)	(38,332)	(1,458)	(9,054)	(5,272)	(63,146)
Depreciation	(190,687)	(48,171)	(151,216)	(45,562)	(2,809)	(438,445)
<b>Closing Balance 30 June 2013</b>	332,307	250,851	449,878	251,908	2,154	1,287,098

Refer to note 16 for information on assets pledged as security and financing arrangements

## 12. Intangible assets

	2013 \$	2012 \$	2011 \$		
Software Development Costs	864,056	306,506	157,735		
Less Accumulated Depreciation	(338,090)	(202,725)	(38,629)		
	<u>525,966</u>	<u>103,781</u>	<u>119,106</u>		
<b>Brand</b>					
Progility	1,014,000	1,014,000	1,014,000		
CA Bearcom	1,038,000	1,038,000	–		
	<u>2,052,000</u>	<u>2,052,000</u>	<u>1,014,000</u>		
Goodwill	1,734,510	1,734,510	1,723,791		
	<u>1,734,510</u>	<u>1,734,510</u>	<u>1,723,791</u>		
<b>Total intangible assets</b>	<u><u>4,312,476</u></u>	<u><u>3,890,291</u></u>	<u><u>2,856,897</u></u>		
<b>Reconciliation of carrying amount</b>	<b>Software</b>	<b>Goodwill</b>	<b>Brand</b>	<b>Other</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Opening Balance 2010	186,943	1,723,791	1,014,000	222,732	3,147,466
Additions	–	–	–	–	–
Disposals	(29,208)	–	–	(222,732)	(251,940)
Amortisation	(38,629)	–	–	–	(38,629)
Closing Balance 2011	<u>119,106</u>	<u>1,723,791</u>	<u>1,014,000</u>	<u>–</u>	<u>2,856,897</u>
	<b>Software</b>	<b>Goodwill</b>	<b>Brand</b>	<b>Other</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Opening balance 2011	119,106	1,723,791	1,014,000	–	2,856,897
Additions	223,781	–	–	185,624	409,405
Business Combinations	–	10,719	1,038,000	–	1,048,719
Disposals	–	–	–	(185,624)	(185,624)
Amortisation	(239,106)	–	–	–	(239,106)
Closing Balance 2012	<u>103,781</u>	<u>1,734,510</u>	<u>2,052,000</u>	<u>–</u>	<u>3,890,291</u>
	<b>Software</b>	<b>Goodwill</b>	<b>Brand</b>	<b>Other</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Opening balance 2012	103,781	1,734,510	2,052,000	–	3,890,291
Additions	629,270	–	–	–	629,270
Disposals	(71,720)	–	–	–	(71,720)
Amortisation	(135,365)	–	–	–	(135,365)
Closing Balance 2013	<u>525,966</u>	<u>1,734,510</u>	<u>2,052,000</u>	<u>–</u>	<u>4,312,476</u>

## 12. Intangible assets (continued)

### *Impairment testing*

Goodwill acquired through business combinations has been allocated to the following cash-generating units:

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$
Unified Communications	1,723,791	1,723,791	1,723,791
CA Bearcom	10,719	10,719	–
	<u>1,734,510</u>	<u>1,734,510</u>	<u>1,723,791</u>

The recoverable amount of the entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 1 year projection period approved by management. Subsequent cash flows are extrapolated using an estimated growth rate of 3%. Management believes the projected 3% revenue growth rate is prudent and justified, based on current and estimated future market conditions.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for both of the cash generating units:

- a. 17.5% (2012: 17.5%) (2011: 17.5%) risk adjusted pre-tax discount rate;

The discount rate of 17.5% pre-tax reflects management's estimate of the time value of money and the entity's weighted average cost of capital adjusted for the risk free rate and risk premiums for the entity and the market it operates within. Both segments are subject to the same risk adjusted discount rate.

Based on these assumptions, no impairment is required for either cash generating unit. Management believes that reasonable changes in the key assumptions on which the recoverable amount of computer distribution division goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

## 13. Trade and other payables

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$
Trade Payables	5,784,888	4,828,249	837,949
Other Payables and Accruals	1,843,838	2,361,129	2,213,067
	<u>7,628,726</u>	<u>7,189,378</u>	<u>3,051,016</u>

## 14. Deferred income

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$
Deferred Income	2,460,236	3,349,565	1,625,336
	<u>2,460,236</u>	<u>3,349,565</u>	<u>1,625,336</u>

**15. Employee provisions**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$
Current Employee Provisions	1,606,495	1,610,280	1,458,334
Non-Current Employee Provisions	94,056	175,082	143,224
	<u>1,700,551</u>	<u>1,785,362</u>	<u>1,601,558</u>
Movements:			
Opening balance	1,785,362	1,601,558	1,381,755
Additional Provisions	902,483	1,116,490	822,185
Less Provisions Taken	(987,294)	(932,686)	(602,382)
	<u>1,700,551</u>	<u>1,785,362</u>	<u>1,601,558</u>
Closing Balance	<u>1,700,551</u>	<u>1,785,362</u>	<u>1,601,558</u>

**16. Other financial liabilities**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$
<b>Current</b>			
Hire Purchase and finance leases	76,244	202,517	203,676
Less Unexpired Terms Charges	(27,444)	(17,411)	(7,465)
Loan – Moneytech Finance Pty Ltd	2,588,304	–	–
	<u>2,637,104</u>	<u>185,106</u>	<u>196,211</u>
<b>Non-Current</b>			
Loan – MMILT Pty Ltd	827,495	190,011	549,237
Loan – WMB Consulting	368,596	307,257	256,862
Loan – Cameron Investment Trust	77,473	–	–
Loan- Praxis Trustees Ltd	6,243,573	5,723,659	2,280,618
	<u>7,517,137</u>	<u>6,220,927</u>	<u>3,086,717</u>
Hire Purchase and finance leases	132,568	238,980	178,807
Less Unexpired Terms Charges	(8,394)	(7,453)	(3,195)
	<u>124,174</u>	<u>231,527</u>	<u>175,612</u>
Total Non-Current	<u>7,641,311</u>	<u>6,452,454</u>	<u>3,262,329</u>
Total financial liabilities	<u>10,278,415</u>	<u>6,637,559</u>	<u>3,458,540</u>

*Leasing arrangements*

Hire Purchase and finance lease liabilities includes contracted amounts for various plant and equipment secured under finance leases. Under the terms of the leases, the consolidated entity has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

*Assets pledged as security*

The Moneytech Finance facility is secured against the consolidated entity's trade debtors.

The hire purchase and lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

**17. Issued capital and accumulated profits/(losses)**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$
Issued Capital			
ACIA- A Class Income Access Share	1	1	1
BBCIA- B Class Income Access Share	1	1	1
CCS- Capital Class Share	1,726,667	1,726,667	1,726,667
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Issued Capital	<u>1,726,669</u>	<u>1,726,669</u>	<u>1,726,669</u>
Accumulated losses at the beginning of the financial year	485,046	582,018	(731,268)
Net (loss)/profit from ordinary activities after income tax expense	<u>(1,573,495)</u>	<u>(96,972)</u>	<u>1,313,286</u>
Accumulated (losses) profit at the end of the financial year	<u>(1,088,449)</u>	<u>485,046</u>	<u>582,018</u>

*Capital risk management*

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. The Directors continue to monitor the capital structure and are satisfied that these objectives are being met.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. During the financial year new external financing has been obtained to meet these objectives.

The Group is subject to certain financing arrangements and meeting these is given priority in all capital risk management decisions. These include:

- Meeting repayment timeframes for external financing arrangements; and
- Monitoring the recoverability of Debtors provided as security for the Moneytech Confirmed Capital Agreement financing facility.

There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2012 Annual Report.

## **17. Issued capital and accumulated profits/(losses) (continued)**

### **Classes of shares**

#### **Capital Class Shares**

1. Each Capital Class Share confers upon the holder the following rights and privileges:
  - (a) the right to attend and vote at all meetings of members;
  - (b) to receive dividends and other forms of distribution (if any) declared out of the profits or reserves of the Company in respect of Capital Class Shares;
  - (c) upon a winding up of the Company or upon a reduction in the capital of the Company, the right to receive a repayment of the capital paid on that Capital Class Share and, in this regard, ranking ahead of all other members; and
  - (d) Upon a winding up or a reduction in the capital of the Company, a right to participate in the division of surplus assets or profits of the Company.
2. However, each Capital Class Share does not confer upon the holder any right to transfer, assign, encumber or dispose of a Capital Class Share without the prior consent of the Directors.

#### **A Class Income Access Shares**

1. Each A Class Income Access Share confers upon the holder the following rights and privileges:
  - (a) the right, together with the holders for the time being of all A Class Income Access Shares to collectively appoint one Director and to remove that appointed Director without obtaining the approval of Members under clause 4;
  - (b) the right to receive from the profits of the Company a dividend, in priority to all other dividends for Capital Class Shares, on issue at the time, whether cumulative or non cumulative at an amount and time determined by the Directors; and
  - (c) upon a winding up of the Company or upon a reduction in the capital of the Company, the right to receive a repayment of the capital paid on that A Class Income Access Share and, in this regard, ranking equally with all other members.
2. However, each A Class Income Access Share does not confer upon the holder any right to:
  - (a) receive notice of, attend or vote at any meeting of the Company, except where:
    - i. the payment of any portion of a dividend payable to that A Class Income Access Shareholder is in arrears or
    - ii. the Company is to consider and vote upon a resolution:
      - A. which varies, directly or indirectly, the rights attaching to the A Class Income Access Shares;
      - B. to reduce the share capital of the Company;
      - C. to approve the terms of a share buyback agreement; or
      - D. to wind up the Company;
  - (b) in a winding up of the Company or upon a reduction in the capital of the Company, participate in the division of surplus assets or profits of the Company; and
  - (c) Transfer, assign, encumber or dispose of an A Class Income Access Share without the prior consent of the Directors.



**17. Issued capital and accumulated profits/(losses) (continued)**

**Classes of shares**

**B Class Income Access Shares**

1. Each B Class Income Access Share confers upon the holder the following rights and privileges:
  - (a) the right, together with the holders for the time being of all B Class Income Access Shares to collectively appoint one Director and to remove that appointed Director without obtaining the approval of Members under clause 4;
  - (b) the right to receive from the profits of the Company a dividend, in priority to all dividends for Capital Class Shares, on issue at the time, whether cumulative or non cumulative at an amount and time determined by the Directors; and
  - (c) upon a winding up of the Company or upon a reduction in the capital of the Company, the right to receive a repayment of the capital paid on that B Class Income Access Share and, in this regard, ranking equally with all other members.
2. However, each B Class Income Access Share does not confer upon the holder any right to:
  - (a) Receive notice of, attend or vote at any meeting of the Company, except where:
    - i. The payment of any portion of a dividend payable to that B Class Income Access Shareholder is in arrears; or
    - ii. The company is to consider and vote upon a resolution:
      - A. Which varies, directly or indirectly, the rights attaching to the B Class Income Access Shares;
      - B. To reduce the share capital of the Company;
      - C. To approve the terms of a share-buyback agreement; or
      - D. To wind up the Company;
  - (b) In a winding up of the Company or upon a reduction in the capital of the Company, participate in the division of surplus assets or profit of the company; and
  - (c) Transfer, assign, encumber or dispose of a B Class Income Access Share without the prior consent of the Directors.
3. Subject to complying with the requirements under the Act and receiving the consent of all holders for the time being of Capital Class Shares, the Company, may upon giving seven days' notice in writing of its intention to do so, delivered or posted to the registered address of the registered holder of any B Class Income Access share, together with considerations for the share(s) to be redeemed, redeem all or some of the B Class Income Access Shares and such redemption shall take place immediately upon the expiry of seven days from the delivery or posting of the notice of redemption and cheque.
4. The consideration payable by the Company to a holder of a B Class Income Access share upon the redemption of such a share pursuant paragraph (3) shall be equivalent to the amount paid up on that share by the holder of the share.

**17. Issued capital and accumulated profits/(losses) (continued)**

**Classes of shares**

**C Class Income Access Shares**

1. Each C Class Income Access Share confers upon the holder the following rights and privileges:
  - (a) the right to receive from the profits of the Company a dividend, in priority to all other dividends for Capital Class Shares, on issue at the time, whether cumulative or non cumulative at an amount and time determined by the Directors; and
  - (b) upon a winding up of the Company or upon a reduction in the capital of the Company, the right to receive a repayment of the capital paid on that C Class Income Access Share and, in this regard, ranking equally with all other members.
2. However, each C Class Income Access Share does not confer upon the holder any right to:
  - (a) receive notice of, attend or vote at any meeting of the Company, except
    - i. the payment of any portion of a dividend payable to that C Class Income Access Shareholder is in arrears; or
    - ii. the Company is to consider and vote upon a resolution:
      - A. which varies, directly or indirectly, the rights attaching to the C Class Income Access Shares;
      - B. To reduce the share capital of the Company;
      - C. to approve the terms of a share- buyback agreement; or
      - D. to wind up the Company;
  - (b) in a winding up of the Company or upon a reduction in the capital of the Company participate in the division of surplus assets or profit of the Company; and
  - (c) Transfer, assign, encumber or dispose of a C Class Income Access Share without the prior consent of the Directors.
    - i. Subject to complying with the requirements under the Act and receiving the consent of all holders for the time being of Capital Class Shares, the Company, may upon giving seven days' notice in writing of its intention to do so, delivered or posted to the registered address of the registered holder of any C Class Income Access Share, together with consideration for the share(s) to be redeemed, redeem all or some of the C Class Income Access Shares and such redemption shall take place immediately upon the expiry of seven days from delivery or posting of the notice or redemption and cheque.
    - ii. The consideration of payable by the company to a holder of C Class Income Access Share upon the redemption of such a share pursuant to paragraph (3) shall be equivalent to the amount paid up on that share by the holder of the share.

## 18. Financial instruments

### (a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the Historical Financial Information.

### (b) Categorisation of financial instruments

			Carrying amount 2013	Carrying amount 2012	Carrying amount 2011
<b>Financial assets</b>	<b>Note</b>	<b>Category</b>			
Cash and cash equivalents	7	Loans and receivables	1,282,172	1,626,586	538,868
Receivables	8	Loans and receivables (at amortised cost)	9,619,135	10,611,681	5,616,801
Bonds and deposits	1(e)				
<b>Financial liabilities</b>					
Payables*	13	Financial liabilities measured at amortised cost	7,121,174	6,982,237	2,287,207
Other liabilities	16	Financial liabilities measured at amortised cost	10,278,415	6,637,560	3,458,540

\* excludes unearned income, income tax and other taxes payable and employee provisions

### (c) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Company's maximum exposure to credit risk at the balance sheet date in relation to each class of recognised financial asset is represented by the carrying amount of those assets as indicated in the statement of financial position.

#### *Financial assets that are either past due or impaired*

Currently the company does not hold any collateral as security nor credit enhancements relating to any of its financial assets. As at the reporting date, there is no event to indicate that any of the financial assets are impaired.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. The following table discloses the ageing only of financial assets that are past due but not impaired.

## 18. Financial instruments (continued)

### Interest rate exposure and ageing analysis of financial assets

	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing	Less than 1 Month	1-3 months	3 months-1 year	1-5 years
<b>2013</b>								
Cash assets	1,282,172	6,739	1,273,033	2,400	–	–	–	–
Receivables	9,619,135	–	–	9,619,135	385,223	257,194	–	–
	<u>10,901,307</u>	<u>6,739</u>	<u>1,273,033</u>	<u>9,621,535</u>	<u>385,223</u>	<u>257,194</u>		
<b>2012</b>								
Cash assets	1,626,586	1,069,011	555,475	2,100	–	–	–	–
Receivables	10,611,681	–	–	10,611,681	116,283	238,783	–	–
	<u>12,238,267</u>	<u>1,069,011</u>	<u>555,475</u>	<u>10,613,781</u>	<u>116,283</u>	<u>238,783</u>		
<b>2011</b>								
Cash assets	538,858	3,553	533,605	1,700	–	–	–	–
Receivables	5,616,801	–	–	5,616,801	335,448	231,410	–	–
	<u>6,155,656</u>	<u>3,553</u>	<u>533,605</u>	<u>5,618,501</u>	<u>335,448</u>	<u>231,410</u>		

#### (d) Liquidity risk

Liquidity risk arises when the company is unable to meet its financial obligations as they fall due. The company operates under the policy of settling financial obligations as and when they fall due and in the event of a dispute, make payments within 30 days from the date of resolution. It also continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets and dealing in highly liquid markets.

The company's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Maximum exposure to liquidity risk is the carrying amounts of financial liabilities.

**18. Financial instruments (continued)**

**Financial liability and financial asset maturity analysis**

	Within 1 Year			1 to 5 years			Over 5 years			Total	
	2013	2012	2011	2013	2012	2011	2013	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>											
Trade and other payables (excluding est. annual leave)	7,121,174	6,982,237	2,287,207	–	–	–	–	–	–	7,121,174	6,982,237
Other loans and debt finance	3,642,176	879,978	507,243	9,271,162	8,634,896	2,448,144	–	–	2,304,237	12,913,338	9,514,874
Finance lease & HP liabilities	76,244	202,517	203,676	132,568	238,979	178,807	–	–	–	208,812	441,496
Total contractual outflows	10,839,594	8,064,732	2,998,126	9,403,730	8,873,875	2,626,951	–	–	2,304,237	20,243,324	16,938,607
<b>Financial Assets - cash flows realisable</b>											
Cash and cash equivalents	1,282,172	1,626,316	538,868	–	–	–	–	–	–	1,282,172	1,626,316
Trade, term and loan receivables	9,619,135	10,611,681	5,616,801	–	–	–	–	–	–	9,619,135	10,611,681
Other investments	–	–	–	–	–	–	–	–	–	–	–
Total anticipated inflows	10,901,307	12,237,997	6,155,669	–	–	–	–	–	–	10,901,307	12,237,997
Net (outflow) / inflow on financial instruments	61,713	4,173,265	3,157,543	(9,403,730)	(8,873,875)	(2,626,951)	–	–	–	(9,342,017)	(4,700,610)

## 18. Financial instruments (continued)

### (e) Market risk

The company's exposure to market risk is primarily through interest risk and foreign currency risk. Objectives, policies and processes used to manage the risks are disclosed in the paragraph below.

#### *Interest rate risk*

Exposure to interest rate risk might arise primarily through the company's cash & deposits. Minimisation of risk is achieved by mainly undertaking fixed rate or non-interest bearing financial instruments. The company's exposure to interest rate risk is set out in the table below. All loans are at a fixed interest rate.

#### *Foreign currency risk*

Exposure to foreign currency risk arises through the Company's purchases and dealings with overseas suppliers and through exposure to loan liabilities denominated in US dollars.

#### *Sensitivity disclosure analysis*

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the company believes the movements in the table below are 'reasonably possible' over the next 12 months. The table discloses the impact on net operating result and equity for each category of financial instrument held by the company at year-end as presented to key management personnel, if the above movements were to occur.

#### Market risk exposure (Interest rate risk)

	Carrying amount	Interest rate risk			
		-1% (100 basis points)	Equity	+1% (100 basis points)	Equity
<b>2013</b>					
<i>Financial assets:</i>					
Cash assets	1,273,033	(12,730)	(12,730)	12,730	12,730
<b>Total</b>	<u>1,273,033</u>	<u>(12,730)</u>	<u>(12,730)</u>	<u>12,730</u>	<u>12,730</u>
<b>2012</b>					
<i>Financial assets:</i>					
Cash assets	555,475	(5,555)	(5,555)	5,555	5,555
<b>Total</b>	<u>555,475</u>	<u>(5,555)</u>	<u>(5,555)</u>	<u>5,555</u>	<u>5,555</u>
<b>2011</b>					
<i>Financial assets:</i>					
Cash assets	533,605	(5,336)	(5,336)	5,336	5,336
<b>Total</b>	<u>533,605</u>	<u>(5,336)</u>	<u>(5,336)</u>	<u>5,336</u>	<u>5,336</u>

18. Financial instruments (continued)

Market risk exposure (Foreign exchange risk)

	Carrying amount	Foreign exchange risk			
		-5% (100 basis points)	Profit	Equity	+5% (100 basis points)
		Profit	Equity	Profit	Equity
<b>2013</b>					
<i>Financial liability:</i>					
Foreign currency loan	3,713,320	(185,666)	(185,666)	185,666	185,666
<b>Total</b>	<b>3,713,320</b>	<b>(185,666)</b>	<b>(185,666)</b>	<b>185,666</b>	<b>185,666</b>
<b>2012</b>					
<i>Financial liability:</i>					
Foreign currency loan	3,499,217	(174,960)	(174,960)	174,960	174,960
<b>Total</b>	<b>3,499,217</b>	<b>(174,960)</b>	<b>(174,960)</b>	<b>174,960</b>	<b>174,960</b>
<b>2011</b>					
<i>Financial liability:</i>					
Foreign currency loan	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(f) Fair value

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

19. Commitments

	2013	2012	2011
	\$	\$	\$
<b>Operating lease commitments</b>			
Future operating lease rentals of premises, plant and equipment not provided for in the financial statements and payable:			
Not later than one year	584,338	312,245	314,975
Later than one year but not later than five years	132,789	345,655	657,900
Later than five years	-	-	-
	<u>717,127</u>	<u>657,900</u>	<u>972,875</u>

**20. Notes to the statement of cash flows**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$
<b>Reconciliation of operating result to net cash provided used in operating activities</b>			
Operating (loss)/profit after income tax	(1,573,495)	(96,972)	1,313,286
Add/(less) non-cash items:	–	–	–
Amortisation and depreciation	573,812	467,717	357,834
(Gain)/loss on disposals	6,488	22,966	68,961
Write-off of intangible assets	71,720	–	–
Income tax benefit	(674,712)	(29,422)	(372,798)
Employee benefits	(86,743)	507,509	219,803
	<hr/>	<hr/>	<hr/>
Net cash (used in)/provided by operating activities before change in assets and liabilities	(1,682,930)	871,798	1,587,086
Changes in assets and liabilities:			
(Increase)/decrease in receivables and other assets	(479,674)	(6,099,049)	(1,033,110)
(Decrease)/increase in accounts payables	(327,031)	5,878,792	(269,023)
	<hr/>	<hr/>	<hr/>
Net cash (used in)/provided by operating activities	<u>(2,489,635)</u>	<u>651,541</u>	<u>284,953</u>

**21. Key management personnel**

Total income paid or payable, or otherwise made available to all key management Personnel of the Company or any related party.

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$
<b>Compensation</b>			
Short-term employee benefits	822,694	801,170	1,233,806
Post-employment benefits	–	–	–
Other long-term benefits	–	–	–
Termination benefits	–	–	–
Share-based payment benefits	–	–	–
	<hr/>	<hr/>	<hr/>
Total	<u>822,693</u>	<u>801,169</u>	<u>1,233,806</u>

**Key Management Personnel:**

T Lucassen	S Arrowsmith	G Clark
D Roberts	A Harding	J Knight
W Wilson	M Anderson	C Howe
C Cameron	M Lynch	

**Directors remuneration**

Total income paid or payable, or otherwise made available to Directors of the Company or any related party

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$
Mario Vecchio	51,111	3,340	6,512
Wayne Malcolm Bos	–	–	–
	<hr/>	<hr/>	<hr/>
Total	<u>51,111</u>	<u>3,340</u>	<u>6,512</u>



## 22. Related party transactions

	2013	2012	2011
	\$	\$	\$
<b>Payables</b>			
Loan –			
Loan – MMILT Pty Ltd	827,495	190,011	549,237
Loan – WMB Consulting	368,596	307,257	256,862
Loan – Cameron Investment Trust	77,473	–	–
Loan – Praxis Trustees Ltd	6,243,573	5,723,659	2,280,618
	<u>7,517,137</u>	<u>6,220,927</u>	<u>3,086,717</u>
<b>Expenses</b>			
Loan interest – MMILT Pty Ltd	96,621	70,774	129,519
Loan interest – WMB Consulting	61,339	50,396	48,746
Loan interest – Cameron Investment Trust	3,729	–	–
Loan interest – Praxis Trustees Ltd	809,325	433,644	312,988
	<u>971,014</u>	<u>554,814</u>	<u>491,253</u>
<b>Summary all shareholder Loans</b>			
	2013	2012	2011
	\$	\$	\$
<b>MMILT</b>			
Opening Balance	190,011	549,237	762,079
Interest Credited	96,621	70,774	129,519
Additional Loans	800,000	–	–
Repayment	(259,137)	(430,000)	(342,361)
	<u>827,495</u>	<u>190,011</u>	<u>549,237</u>
<b>Praxis Trustees Ltd</b>			
Opening Balance	5,723,659	2,280,618	2,126,778
Interest Credited	809,325	514,643	393,988
Additional Loans	970,000	3,263,528	–
Repayment	(1,738,906)	(468,889)	(240,148)
Foreign Exchange Adjustment	479,495	133,759	–
	<u>6,243,573</u>	<u>5,723,659</u>	<u>2,280,618</u>
<b>WMB Consulting</b>			
Opening Balance	307,257	256,861	278,116
Interest Credited	61,339	50,396	48,745
Additional Loans	200,000	–	–
Repayment	(200,000)	–	(70,000)
	<u>368,596</u>	<u>307,257</u>	<u>256,861</u>

## 22. Related party transactions (continued)

### Summary all shareholder Loans (continued)

	2013	2012	2011
<b>Cameron Investment Trust</b>	\$	\$	\$
Opening Balance	–	–	–
Interest Credited	3,729	–	–
Additional Loans	73,744	–	–
Repayment	–	–	–
	<hr/>	<hr/>	<hr/>
Closing Balance	77,473	–	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 23. Business combinations

### (i) Acquisition of TR Bearcom Sales and Service

On 30 March 2012, Progility Pty Ltd acquired the business of as TR Bearcom Sales and Service (“CA Bearcom”).

Unaudited revenue for group prior to acquisition was

FY 11	\$20.2 m
9 months FY12 to 31 March 2012	\$13.0 m

The fair value of the identifiable assets and liabilities of CA Bearcom at the date of acquisition and the consideration paid were as follows:

<b>Assets</b>	\$
Inventory	950,000
Fixed Assets	486,001
Deferred Tax Asset	104,081
Other assets	115,719
	<hr/>
	1,655,801
	<hr/>
<b>Liabilities</b>	
Employee Entitlements	323,705
Other Liabilities	120,096
	<hr/>
	443,801
	<hr/>
Fair value of identifiable net assets	1,212,000
Brand	1,038,000
	10,719
	<hr/>
	2,260,719
	<hr/> <hr/>
<b>Acquisition date fair value of consideration transferred</b>	<b>2,260,719</b>
	<hr/> <hr/>

Acquisition price was paid in cash.

Goodwill value is the amount in excess of net assets acquired which include employee relationships and customer loyalty

## 23. Business combinations (continued)

### (ii) Acquisition of Comms Aust Pty Ltd Business

Effective 1st of July 2011, Progility Pty Ltd acquired all employees and inventory of Comms Aust Pty Ltd. Customer maintenance agreements were assigned between the parties.

The fair value of the identifiable assets and liabilities of Comms Aust Pty Ltd at the date of acquisition and the consideration paid were as follows:

<b>Assets</b>	<b>\$</b>
Receivables	1,074,723
Inventory	855,407
Other assets	221,744
	<hr/>
	2,151,874
	<hr/>
<b>Liabilities</b>	
Payables	654,913
Employee Entitlements	331,271
Other liabilities	561,943
	<hr/>
	1,548,127
	<hr/>
Fair value of identifiable net assets	603,747
	<hr/> <hr/>
<b>Acquisition date fair value of consideration transferred</b>	<b>603,747</b>
	<hr/> <hr/>

## 24. Subsequent events

There has not arisen in the interval between 30 June 2013 and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

## PART V

### UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET ASSETS

Set out below is an unaudited pro forma statement of net assets of the Enlarged Group, which has been prepared on the basis of the Group's consolidated statement of financial position at 30 June 2013 as set out in Part III B, as adjusted for the acquisition by the Company of the entire issued share capital of Progility as set out in the notes below. The unaudited pro forma has been prepared for illustrative purposes only and, because of its nature, will not represent the actual consolidated financial position of the Enlarged Group at the date of Admission.

	<b>ILX Group £'000 Note 2</b>	<b>Progility £'000 Note 1</b>	<b>Acquisition adjustments £'000 Note 3</b>	<b>Pro Forma Total £'000 Note 4</b>
<b>Assets</b>				
Non current assets				
Property, plant and equipment	209	754	–	963
Intangible Assets	9,608	2,527	(2675)	9,460
Deferred tax asset	82	960	–	1,042
Total non current assets	9,899	4,241	(2,675)	11,465
<b>Current assets</b>				
Cash and cash equivalents	1,142	751	–	1,893
Trade and other receivables	2,161	5,636	–	7,797
Inventories	–	2,008	–	2,008
Other current assets	–	643	–	643
Income tax receivable	263	24	–	287
Total current assets	3,566	9,064	–	12,630
<b>Total assets</b>	13,465	13,304	(2,675)	24,094
<b>Current liabilities</b>				
Trade and other payables	4,505	4,470	–	8,975
Deferred income	307	1,442	–	1,749
Income tax payable	69	–	–	69
Employee provisions	–	941	–	941
Other financial liabilities	1,536	1,545	–	3,081
Total current liabilities	6,417	8,398	–	14,815
<b>Non current liabilities</b>				
Deferred Tax liability	91	–	–	91
Employee provisions	289	55	–	344
Other financial liabilities	–	4,477	–	4,477
Total non current liabilities	380	4,532	–	4,912
<b>Total liabilities</b>	6,797	12,930	–	19,727
<b>Net assets</b>	6,668	374	(2,675)	4,367

Note 1 The consolidated net assets of Progility as at 30 June 2013, have been extracted, without material adjustment, from the Historical Financial Information, which is set out in Part IVB of this document, translated at a GBP/AUD exchange rate of 1.7067, the GBP/AUD exchange rate on 30 June 2013 published in the Financial Times.

Note 2 The consolidated net assets of the Company as at 30 June 2013, have been extracted without material adjustment, from the Historical Financial Information, which is set out in Part IIIB of this document

Note 3 The acquisition will be accounted for under the reverse acquisition method of accounting whereby Progility will for accounting purposes be treated as the acquiror, and the legal parent ILX Group as the acquired company. The effect of applying reverse acquisition accounting is that the consolidated net assets are presented as a continuation of the final position of Progility and the excess of the nominal value of the shares issued as consideration over the net asset value of ILX Group is treated as a cost of listing. The excess of the consideration over the value of the net assets acquired has been reflected as an intangible asset as shown below:

<b>Total consideration</b>	
Shares acquired ('000)	39,933
Share price (£)	0.1
	<hr/>
Total consideration (£'000)	3,993
	<hr/> <hr/>
ILX Group net assets acquired (£'000)	6,668
	<hr/>
Intangible assets adjustment (£'000)	(2,675)
	<hr/> <hr/>

Total consideration is based upon the number of shares to be held by existing ILX shareholders in the Enlarged Group on Admission, and the share price as at Admission (assumed for this statement to be 10 pence per share)

Note 4 This column represents the sum of the preceding columns and represents the Pro Forma net assets of the Enlarged Group

Note 5 No adjustment has been made to take account of the trading, expenditure or other movements subsequent to 30 June 2013

Note 6: The unaudited Pro Forma statement does not include any further fair value adjustments which may be identified prior to preparing the first set of financial statements for the Enlarged Group

## PART VI

### INFORMATION ON THE CONCERT PARTY

#### 1.1 The Concert Party

The members of the Concert Party are the Sellers, namely Praxis (as trustee for the DNY Trust of which Wayne Bos, along with his wife and family are discretionary beneficiaries), Mmilt (as trustee for the Vecchio Family Trust, of which Mario Vecchio along with his wife and family are discretionary beneficiaries), Cameron Investment Trust (a trust of which Craig Cameron along with his wife and family are discretionary beneficiaries) and the directors and senior management of Progility namely Wayne Bos, Mario Vecchio, Craig Cameron and Stephen Arrowsmith their respective families and connected persons. Praxis and Mmilt funded the purchase of the business of Progility in 2008. The Cameron Investment Trust became a shareholder in Progility following Craig Cameron being appointed Chief Executive Officer of Progility. Full details of the members of the Concert Party are set out in this Part VI.

Set out below are tables showing the interests of the members of the Concert Party in the Existing Ordinary Shares of the Company and the share capital of Progility, in both cases at the disclosure date, and the potential interests of the Concert Party in the Enlarged Share Capital following Admission:

<i>Shareholder</i>	<i>Address</i>	<i>No. of Existing Ordinary Shares in the Company</i>	<i>Percentage of Existing Ordinary Shares in the Company</i>	<i>No of ordinary shares in Progility</i>	<i>Percentage of ordinary shares in Progility</i>	<i>Number of Ordinary Shares in Enlarged Group</i>	<i>Percentage of Ordinary Shares in Enlarged Group</i>
Praxis	Sarnia House, Le Truchot, St Peter Port, Guernsey, GY1 4NA	11,940,000	29.90	942,042	73.47	129,294,195	64.75
Mmilt	4 Pickwood Close, Montrose, Victoria 3765, Australia	–	–	287,886	22.45	35,863,179	17.96
Cameron Investment Trust	905/77-81 Berry Street North Sydney, NSW 2060, Australia	–	–	52,307	4.08	6,516,130	3.26
Stephen Arrowsmith	16 Barloa Road, Mount Albert, Victoria, Australia	–	–	–	–	–	–

No share or loan capital of Progility is under option or has been agreed, conditionally or unconditionally, to be put under option.

<i>Shareholder</i>	<i>Number of Ordinary Shares in Enlarged Group</i>	<i>Percentage of Ordinary Shares in Enlarged Group</i>	<i>Number of Ordinary Shares arising on full conversion of Convertible Loan Note</i>	<i>Number of Ordinary Shares arising on full exercise of Warrants</i>	<i>Percentage of Enlarged Issued Share Capital assuming full conversion of Convertible Loan Notes and full exercise of Warrants</i>
Praxis	129,294,195	64.75	4,000,000	4,000,000	66.11
Mmilt	35,863,179	17.96	–	–	17.27
Cameron Investment Trust	6,516,130	3.26	–	–	3.14
S Arrowsmith	–	–	–	–	–

The maximum controlling position based on full conversion of the Convertible Loan Notes and Warrants by DNY Investments Limited into 8,000,000 Ordinary Shares as illustrated in the above tables would result in members of the Concert Party controlling 86.52 per cent. of the Enlarged Share Capital. Should no other New Ordinary Shares have been issued in the intervening period.

Further information on the Convertible Loan Notes and Warrants is set out in paragraphs 9.1.3 and 9.1.4 of Part VII of this document.

## 1.2 Information on certain members of the Concert Party

- (i) Praxis Trustees, as trustee for the DNY Trust, together with Mmilt, purchased Progility in 2008. Praxis Trustees provides trustee services for numerous Guernsey trusts and for a wide international client base. Praxis Trustees is acting as trustee of the DNY Trust. Wayne Bos (of c/o Strand Bridge House, 138-142 The Strand, London, WC2R 1HH), the Company's Chairman and Interim Chief Executive and a director of Progility, is a discretionary beneficiary, along with his wife and family, of the DNY Trust. Praxis Trustees is a subsidiary of the Praxis Group ([www.praxisgroup.com](http://www.praxisgroup.com)), a licensed fiduciary Company based in Guernsey. Praxis Group is an independent, privately-owned group of financial companies providing a wide range of professional services including trust and company administration, fund administration, tax planning and compliance, accounting and financial services to private individuals, families and international corporate clients. Further details regarding Wayne Bos are set out on page 18 of this document.
- (ii) Mmilt, as trustee for the Vecchio Family Trust, together with Praxis Trustees, purchased Progility in 2008. Mmilt is the trustee of the Vecchio Family Trust, a trust of which Mario Vecchio, his wife and family are discretionary beneficiaries. Mario Vecchio (of 4 Pickwood Close, Montrose, Victoria 3765, Australia) is also a director of Progility. Further details regarding Mario Vecchio are set out on page 19 of this document.
- (iii) The Cameron Investment Trust is a trust of which Craig Cameron is a beneficiary. Craig Cameron (of 305/770 Tobrak Road, Glen Iris, Victoria 3146, Australia) is chief executive of Progility. Further details regarding Craig Cameron are set out on page 19 of this document. Craig Cameron, along with his wife and family are discretionary beneficiaries of this trust.
- (iv) Stephen Arrowsmith is Finance Director of Progility and is a member of the Concert Party by virtue of him being part of Progility's senior management team. Stephen Arrowsmith does not own any shares in either the Company or Progility. Further details regarding Stephen Arrowsmith are set out on page 19 of this document.

## 1.3 Interests and dealings in relevant securities

- (a) Definitions:

For the purpose of this paragraph:

“**acting in concert**” has the meaning attributed to it in the City Code;

“**arrangement**” includes indemnity or option arrangements, or any agreement or understanding, formal or informal, of whatever, relating to the relevant securities which may be an inducement to deal or refrain from dealing;

“**associate**” has the meaning given to it in the Takeover Code and includes (without limitation) in relation to a company:

- (i) its parent, subsidiaries and fellow subsidiaries, its associated companies and companies of which any such companies are associated companies;
- (ii) its connected advisers (as defined in the Takeover Code) to it or a company covered in (i) above, including persons (other than exempt principal traders or exempt fund managers) controlling, controlled by or under the same control as such connected advisers;
- (iii) its directors and the directors of any company in (i) above (together in each case with their close relatives and related trusts);
- (iv) its pension funds or the pension funds of a company covered in (i) above;
- (v) its employee benefit trusts or those of a company covered in (i) above;

- (vi) (in relation to the Company) an investment company, unit trust or other person whose investments an associate (as otherwise defined in this paragraph) manages on a discretionary basis, in respect of the relevant instrument accounts; and
- (vii) a company holding a material trading arrangement with the company in question or a company covered in (i) above;

**“associated company”** ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status;

**“connected adviser”** has the meaning given to it by the Takeover Code;

**“control”** means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holding gives de facto control;

**“dealing”** or **“dealt”** includes the following:

- (i) the acquisition or disposal of relevant securities, of the right (whether conditional or absolute) to exercise or direct the exercise of voting rights attached to relevant securities, or of general control of relevant securities;
- (ii) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a trade option contract) in respect of any relevant securities;
- (iii) subscribing or agreeing to subscribe for relevant securities;
- (iv) the exercise or conversion of any relevant securities carrying conversion or subscription rights (whether in respect of new or existing securities);
- (v) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to relevant securities;
- (vi) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and
- (vii) any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position;

**“derivative”** includes any financial product whose value, in whole or part, is determined directly or indirectly by references to the price of any underlying security;

**“Disclosure Date”** means 6 September 2013, being the latest practicable date prior to the posting of this document;

**“Disclosure Period”** means the period commencing on 6 September 2012, being the date 12 months prior to the date of the posting of this document and ending on the Disclosure Date;

being **“interested”** in relevant securities includes where a person:

- (i) owns relevant securities;
- (ii) has a right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to relevant securities or has general control of them;
- (iii) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire relevant securities or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
- (iv) is party to any derivative whose value is determined by reference to their price and which results, or may result, in his having a long position in them;

**“relevant securities”** means Ordinary Shares, any other securities in the capital of the Company converted into rights to subscribe for shares or options (including traded options) in respect of and derivatives referenced thereto, including any short positions; and



“**short position**” means a short position whether conditional or absolute and whether in the money or otherwise including any short position under a derivative, any agreement to sell or any delivery obligations or right to require another person to take delivery.

This information can be found in the table in paragraph 1.1 above.

(b) Dealings in relevant securities

The dealings by members of the Concert Party in ordinary shares of Progility during the Disclosure Period were as follows:

<b>Person Dealing</b>	<b>Description</b>	<b>Number of Shares acquired/sold</b>	<b>Class of shares</b>	<b>% of Progility capital class shares</b>	<b>Price per share</b>	<b>Date</b>
Praxis	Repurchase by Progility	1	A class income access	0	A\$ 1.00	5 August 2013
Praxis	Consideration for sale of Comms Aust	41,676	capital class	2.41	A\$ 15.86	6 August 2013
Mmilt	Repurchase by Progility	1	B class income access	0	A\$ 1.00	5 August 2013
Mmilt	Consideration for sale of Comms Aust	13,892	capital class	0.80	A\$ 15.86	6 August 2013
Cameron Investment Trust	Purchase from Mmilt	26,670	capital class	1.54	A\$ 6.95	6 August 2013
Cameron Investment Trust	Transfer from Praxis	19,636	capital class	1.14	A\$ 16.03	29 August 2013
Cameron Investment Trust	Transfer from Mmilt	6,001	capital class	0.35	A\$ 6.95	30 August 2013

- (i) Save as disclosed in paragraph 1.1 of this part of this document, as at the Disclosure Date each member of the Concert Party and/or directors of members of the Concert Party and persons acting in concert with them had no interest in or a right to subscribe for, or had any short position in relation to, any relevant ILX Group or Progility securities, nor had he dealt in any relevant ILX Group or Progility securities during the Disclosure Period;
- (ii) Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between any member of the Concert Party and any of the directors, recent directors, shareholders or recent shareholders of the Company or Progility, or any person interested or recently interested in shares of the Company or Progility, having any connection with or dependence upon the offer, and full particulars of any such agreement, arrangement or understanding;
- (iii) As at the Disclosure Date, no member of the Concert Party and/or directors of members of the Concert Party nor any persons acting in concert with them had borrowed or lent any relevant ILX Group or Progility securities, save for any borrowed shares which have either been on-lent or sold; and
- (iv) As at the Disclosure Date neither the Company nor any of the Directors nor any person acting in concert with them had an interest in or a right to subscribe for, or had any short position in relation to, any relevant securities of members of the Concert Party nor persons acting in concert with them, nor had it or he dealt in any relevant securities of members of the Concert Party during the Disclosure Period.

#### **1.4 General Information on the members of the Concert Party**

There is no agreement, arrangement or understanding whereby the legal or beneficial interest in any Consideration Shares to be held by members of the Concert Party will be transferred to another person.

#### **1.5 Middle Market Quotation**

The following table shows the closing middle market quotation for the Existing Ordinary Shares as derived from the AIM Appendix to the London Stock Exchange Daily Official List on the first dealing day of each month from 1 March 2013 to 2 September 2013 being the six months prior to the date of this document and 6 September, being the last practicable date before the publication of this document:

<b>Date</b>	<b>Price</b>
2 April 2013	7.75p
1 May 2013	10.00p
3 June 2013	9.75p
1 July 2013	11.25p
1 August 2013	10.00p
2 September 2013	10.38p
6 September 2013	9.88p

## PART VII

### ADDITIONAL INFORMATION

#### 1 Responsibility

- 1.1 The Directors, whose names are set out on page 3 of this document, accept responsibility, both individually and collectively, for the information contained in this document, other than the information referred to in the section entitled “Recommendation” in Part I of this document and the information referred to in paragraphs 1.2 and 1.3 of this Part VII, and confirm that to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The Independent Directors, whose names are set out on page 6 of this document, accept responsibility both individually and collectively, for the information contained in the section entitled “Recommendation” in Part I of this document and confirm that to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this document for which he is responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.3 Each member of the Concert Party (and in relation to each of Praxis Trustees Limited and Mmilt Pty Limited, the directors of these members of the Concert Party as disclosed in paragraph 1.1 of Part VI) accepts responsibility for the information contained in this document that relates to it or him. To the best of the knowledge and belief of each member of the Concert Party (having taken all reasonable care to ensure that such is the case), the information contained in this document for which he or she is responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2 The Company and its subsidiaries

- 2.1 The Company is domiciled in the UK and was incorporated in England and Wales on 12 March 1998 as a public limited company under the Companies Act 1985, with registered number 03525870 and under the name Atherguild Plc. The name of the Company was changed to Birchin Training & Consulting Plc on 2 July 1998, to Time2learn Plc on 27 September 2000, to Intellexis Plc on 14 December 2001 and to ILX Group plc on 30 July 2004. The Company obtained a certificate to do business and borrow under section 117 of the Companies Act 1985 on 21 November 2000. The liability of the members of the Company is limited.
- 2.2 The registered office and principal place of business of the Company is 2nd Floor, Strand Bridge House, 138-142 The Strand, London WC2R 1HH (telephone number +44 (0)20 7371 4444).
- 2.3 The principal legislation under which the Company operates is the Act and the regulations made thereunder. The Existing Ordinary Shares were created pursuant to the Companies Act 1985 and the Act.
- 2.4 On Admission, the Company will be the holding company of the Enlarged Group and will, directly or indirectly, own the following companies:

<b>Name</b>	<b>Principal Activity</b>	<b>Holding</b>	<b>Registered</b>
Progility Pty Ltd	Trading	100%	Australia
Comms Aust Pty Ltd	Non-trading	100%	Australia
Comms Aust No1 Pty Ltd	Trading	100%	Australia
ILX Group Inc	Trading	100%	USA
ILX Group Pty Ltd	Trading	100%	Australia

<b>Name</b>	<b>Principal Activity</b>	<b>Holding</b>	<b>Registered</b>
ILX Consulting Pty Ltd	Trading	100%	Australia
ILX Group Aps	Trading	100%	Denmark
ILX Group Ltd	Trading	100%	New Zealand
ILX Consulting JLT	Trading	100%	UAE (Free Zone)
Obrar Limited	Trading	100%	England & Wales
TFPL Limited	Trading	100%	England & Wales
ILX Connexions Ltd	Non-trading	100%	England & Wales
ILX Group Sp zoo	Non-trading	99%*	Poland
ILX Key Skills Ltd	Non-trading	100%	England & Wales
ILX Learning Ltd	Non-trading	100%	England & Wales
ILX Mindscope Ltd	Non-trading	100%	England & Wales
ILX Publishing Ltd	Non-trading	100%	England & Wales
ILX Software Ltd	Non-trading	100%	England & Wales
ILX Solutions Ltd	Non-trading	100%	England & Wales
ILX Training Ltd	Non-trading	100%	England & Wales
Computa-Friendly Ltd	Non-trading	100%	England & Wales
Corporate Training Solutions Ltd	Non-trading	100%	England & Wales
CTG Exam Training Ltd	Non-trading	100%	England & Wales
Customer Projects Ltd	Non-trading	100%	England & Wales
Intellexis International Ltd	Non-trading	100%	England & Wales
Progility Consulting Ltd	Non-trading	100%	England & Wales
Progility Ltd	Non-trading	100%	England & Wales
Mindscope Ltd	Non-trading	100%	England & Wales
Mount Lane Training & Implementation Solutions Ltd	Non-trading	100%	England & Wales
The Corporate Training Group Ltd	Non-trading	100%	England & Wales

\* 1% of ILX Group Sp zoo is held by a trustee on behalf of the Company for administrative purposes.

### 3 Share Capital

- 3.1 The issued share capital of the Company as at 30 June 2013 (being the last date to which audited financial information was prepared on the Company), as the date hereof is as follows and immediately following Admission will be as follows:

	<i>Issued share capital at</i>		<i>Issued share capital on</i>	
	<i>30 June 2013 and at the date</i>		<i>completion of the Proposals</i>	
	<i>of this document</i>			
	<i>£</i>	<i>Number</i>	<i>£</i>	<i>Number</i>
Ordinary Shares	3,993,337.60	39,933,376	19,966,688.00	199,666,880

- 3.2 At the date of its incorporation, the authorised share capital of the Company was £50,000 divided into 50,000 ordinary shares of £1.00 each, of which two subscriber shares were in issue, nil paid. On 17 June 1998 one subscriber share was transferred to Birchin International Plc and the other subscriber share was transferred to Roger Pulfrey.

- 3.3 The following are details of the changes in the issued share capital of the Company since incorporation:

3.3.1 At an Extraordinary General Meeting of the Company held on 17 June 1998 a resolution was passed for the purposes of sub-dividing each issued and authorised but unissued ordinary share of £1 each in the capital of the Company into 100 new ordinary shares of 1p each.

3.3.2 The Company allotted 2,430,000 ordinary shares of 1p each on 8 July 1998, 263,182 ordinary shares of 1p each on 15 July 1998, 2,544,541 ordinary shares of 1p each on 1 September 1998, and 260,364 ordinary shares of 1p each on 19 October 1998.

- 3.3.3 At an Extraordinary General Meeting of the Company held on 21 November 2000 resolutions were passed, *inter alia*, to subdivide the existing ordinary shares of 1p into 10 Ordinary shares of 0.1p, to increase the authorised share capital from £50,000 to £1,000,000 by the creation of 950,000,000 new ordinary shares of 0.1p each and to capitalise £94,000 standing to the credit of the share premium account of the Company to by allotting 94,000,000 unissued ordinary shares, credited as fully paid.
- 3.3.4 On 21 November 2000 the directors allotted the 94,000,000 ordinary shares of 0.1p referred to above and a further 298,919,130 ordinary shares of 0.1p each.
- 3.3.5 On 11 December 2000 on its admission to AIM the Company allotted 230,000,000 ordinary shares of 0.1p to successful applicants under an open offer.
- 3.3.6 At an Extraordinary General Meeting of the Company held on 11 December 2001 a resolution was passed, *inter alia*, to increase the Company's authorised share capital from £1,000,000 to £4,500,000 by the creation of 3,500,000,000 new ordinary shares of 0.1p each.
- 3.3.7 On 18 December 2001 the Company allotted 900,000,000 ordinary shares of 0.1p each in connection with the acquisition of Intellexis International Limited and a further 1,200,000,000 ordinary shares of 0.1p each pursuant to an open offer and offer for subscription.
- 3.3.8 On 2 April 2002 the Company allotted 55,000,000 ordinary shares of 0.1p each.
- 3.3.9 On 13 December 2002 the Company issued 201,640,480 ordinary shares of 0.1p each.
- 3.3.10 On 14 March 2003 the Company allotted 140,500,000 ordinary share of 0.1p each.
- 3.3.11 At the Annual General Meeting of the Company held on 30 September 2003 a resolution was passed for the Company to adopt new articles of association, *inter alia*, consolidating every 1000 existing ordinary shares of 0.1p each into 1 ordinary share of £1 each in the capital of the Company.
- 3.3.12 At an Extraordinary General Meeting of the Company held on 20 February 2004 resolutions were passed, *inter alia*, to subdivide each of the existing 4,500,000, ordinary shares of £1 each into 10 ordinary shares of 10p each and to re-designate nine of each ten sub-divided ordinary shares of 10p each as a special non voting deferred shares so that 28,369,260 issued ordinary shares of 10p each were re-designated as special non-voting deferred shares.
- 3.3.13 On 23 February 2004 the Company allotted 2,896,600 Ordinary Shares.
- 3.3.14 On 29 March 2004 the Company allotted 622,408 Ordinary Shares in connection with the acquisition of Key Skills Limited.
- 3.3.15 On 31 March 2004 the Company allotted 201,037 Ordinary Shares.
- 3.3.16 On 20 August 2004 the Company allotted 166,667 Ordinary Shares and on 24 August 2004 the Company allotted a further 654,000 Ordinary Shares.
- 3.3.17 On 1 October 2004 the Company allotted 231,750 Ordinary Shares in connection with the acquisition of Computa-Friendly Limited.
- 3.3.18 On 30 November 2004 the Company allotted 1,049,318 Ordinary Shares and on 18 August 2005 a further 363,020 Ordinary Shares in each case in connection with the acquisition of Mindscope Limited.
- 3.3.19 Following a special resolution passed at the Annual General Meeting of the Company held on 22 July 2005 and an order of the High Court of Justice made on 24 August 2005 the Company reduced its capital, *inter alia*, by cancelling each of the 28,369,260 special non-voting deferred shares of 10p each in issue.

- 3.3.20 On 23 November 2005 the Company allotted 1,700,000 Ordinary Shares in connection with the acquisition of Mount Lane Training and Implementation Solutions Limited and, on the same date, allotted a further 825,000 Ordinary Shares.
- 3.3.21 On 24 November 2005 the Company allotted 781,420 Ordinary Shares.
- 3.3.22 On 1 February 2006 the Company allotted 189,934 Ordinary Shares in connection with the acquisition of Customer Projects Limited.
- 3.3.23 On 26 July 2006 the Company allotted 2,500,000 Ordinary Shares in connection with the acquisition of The Corporate Training Group Limited and, on the same date, allotted a further 3,275,468 Ordinary Shares.
- 3.3.24 On 21 September 2006 the Company allotted 750,000 Ordinary Shares.
- 3.3.25 On 27 September 2006 the Company allotted 10,000 Ordinary Shares and on 18 October 2006 the Company allotted 17,000 Ordinary Shares in each case following the exercise of options.
- 3.3.26 On 19 April 2007 the Company allotted 5,000 Ordinary Shares.
- 3.3.27 On 30 October 2009 the Company allotted 106,590 Ordinary Shares by way of a scrip dividend.
- 3.3.28 On 8 January 2010 the Company allotted 4,070,000 Ordinary Shares pursuant to a placing by JMFinn Capital Markets Limited.
- 3.3.29 On 24 November 2010 the Company allotted 3,396,228 Ordinary Shares.
- 3.3.30 On 11 February 2011 the Company allotted 9,000 Ordinary Shares.
- 3.3.31 On 14 October 2011 the Company allotted 620,796 Ordinary Shares.
- 3.3.32 On 1 August 2012 the Company allotted 4,050,000 Ordinary Shares to Praxis Trustees.
- 3.3.33 On 21 August 2012 the Company allotted a further 8,290,000 Ordinary Shares to Praxis Trustees.
- 3.4 On 17 December 2012 the Company raised £400,000 from Praxis Trustees through the issue of a loan note convertible into 4,000,000 Ordinary Shares at a price of 10 pence per Ordinary Share at any time on or before 31 December 2017. The Company also issued warrants to subscribe for a further 4,000,000 Ordinary Shares at a price of 10p per share to Praxis Trustees. Further details of the Convertible Loan Note and Warrant are set out in paragraphs 9.1.3 and 9.1.4 of this Part VII. On 29 April 2013, Praxis Trustees transferred the Convertible Loan Notes and Warrants to DNY Investments Limited, a company incorporated in Guernsey and held by Praxis Trustees as an asset within the DNY Trust, for no consideration.
- 3.5 Since 30 June 2013 options over 660,936 Equity Ordinary Shares have lapsed or been waived. 130,000 Existing Ordinary Shares remain held under option with exercise prices ranging from 25 pence to 90 pence. Further information on the Share Options are set out in paragraph 8 of this Part VII.
- 3.6 Save as referred to in this paragraph 3 and in paragraph 9, no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.7 It is proposed that under the terms of the Acquisition, the Consideration Shares will be issued credited as fully paid to the Sellers at the Issue Price.
- 3.8 The Consideration Shares will rank pari passu in all respects with the New Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid after Admission of the Enlarged Share Capital.
- 3.9 Save for the Convertible Loan Note and Warrants issued on 17 December 2012, further details of which are set out in paragraph 3.4 above, the Company does not have any securities in issue not representing the share capital.
- 3.10 No shares in the capital of the Company are held by or on behalf of the Company or by any subsidiaries of the Company.

- 3.11 Save as referred to in this paragraph 3 and in paragraph 9 there are no acquisition rights or obligations over authorised but unissued capital or undertakings to increase the capital of the Company.
- 3.12 The Ordinary Shares have no redemption or conversion provisions.
- 3.13 The Ordinary Shares may be held in certificated form or under the CREST system, which is a paperless settlement procedure enabling securities to be evidenced and transferred, otherwise than by a written instrument in accordance with the Uncertificated Securities Regulations 2001. The Registrars are responsible for keeping the Company's register of members.
- 3.14 The statutory pre-emption rights contained in section 561 of the Act apply to the Company. Save to the extent such pre-emption rights are disapplied by shareholders any new shares proposed to be issued for cash must first be offered to existing shareholders of the Company on a pro rata basis. There are no pre-emption rights arising on a transfer of shares in the Company

#### **4 Memorandum and Articles of Association**

- 4.1 Pursuant to section 31 of the 2006 Act, the objects for which the Company is established are unrestricted and the Company has full power and authority to carry out any object not prohibited by law.

- 4.2 The Articles of Association contain, *inter alia*, provisions to the following effect:

##### *4.2.1 Rights attaching to the Ordinary Shares*

##### *4.2.1.1 Voting*

Subject to any special rights or restriction as to voting attached to shares in accordance with the Articles or by the terms on which shares have been allotted or issued, on a vote on a resolution on an show of hands each member entitled to vote on the resolution who is present in person or by proxy has one vote unless a duly appointed proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against it, in which case he has one vote for and one vote against the resolution. On a vote on a resolution on a poll every member has one vote in respect of each share held by him and all or any of the voting rights of a member may be exercised by one or more duly appointed proxies.

Unless the directors otherwise determine, no member shall be entitled in respect of any shares held by him to attend or vote or speak at any general meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum presently payable in respect of such shares remains unpaid or, subject to the AIM Rules, a member or any other person appearing to be interested in share held by such member has been duly served with a notice under section 793 of the Act and is in default for 14 days from the date of service of the notice in supplying the information required.

On a poll, a person entitled to more than one vote need not use all his votes or cast all the votes he has in the same way.

An appointment of a proxy shall be in writing stating the name and address of the member appointing the proxy and identify the person appointed to be that member's proxy and the general meeting in relation to which the person is appointed and (if not in electronic form) be executed by the appointor or his attorney or sealed or if such appointor is a body corporate, either sealed with its common seal or signed on its behalf by a director or an attorney or other person duly authorised by the body corporate and (if in electronic form) be submitted by or on behalf of the appointor, subject to such terms and conditions and authenticated in such manner as the directors may in their absolute discretion determine and be delivered to the Company in accordance with the articles and any instruction contained in the notice of the general meeting to which it relates.

The directors may send or make available invitations to appoint a proxy to members by electronic means and may permit appointments of a proxy to be made in the form of an Uncertificated Proxy Instruction (an instruction or other notification which is sent by means of

the relevant system concerned and receive by such participant in that system acting on behalf of the company as the directors may prescribe, in such form and subject to such terms and condition as may from time to time be prescribed by the directors (subject always to the facilities and requirement of the relevant system concerned) and may in a similar manner permit supplements to, or amendments or revocations of, any such Uncertificated Proxy Instruction to be made by like means. The directors may treat any Uncertificated Proxy Instruction which purports to be or is expressed to be sent on behalf of a holder of a share as sufficient evidence of the authority of the person sending that instruction to send it on behalf of that holder. The directors may require appointment of proxy in electronic form to be delivered to an address specified by the Company forth at purpose either generally or specifically.

A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. Unless the directors otherwise determine, when two or more valid but differing appointments of proxy are delivered for the same share for use at the same meeting, the one which was signed last shall be treated as replacing and revoking the others as regards that share. If in such circumstances (where the directors have not so otherwise determined) the Company is unable to determine which form of proxy was signed last, none of them shall be treated as valid in respect of that share.

#### 4.2.1.2 *Dividends*

Any profits which the Company may determine to distribute in respect of any financial year shall be distributed among the holders of the Ordinary Shares pro rata according to the amounts paid up or credited as paid up on the ordinary Shares held by them.

Subject to applicable statutes and the Articles the Company may by ordinary resolution declare dividends, but no such dividend shall exceed the amount recommended by the directors, and the directors may from time to time pay interim dividends on the shares of any class of such amounts, on such dates and in respect of such periods as they may think fit.

No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company unless otherwise provided by the rights attached to such share or the provisions of another agreement between the holder of that share and the Company.

Subject to applicable statutes, the AIM Rules, the Articles and the rights attaching to or the terms of issue of any shares, the Company in general meeting or the directors by resolution may specify any date as the date at the close of business on which persons registered as the holders of shares or other securities shall be entitled to receipt of any dividend or distribution and such dividend or distribution shall be payable or due to them in accordance with their respective registered holdings on the record date, but this shall not prejudice the rights between transferors and transferees of any such shares or other securities in respect of such dividends or distributions.

The directors may, if authorised by an ordinary resolution, offer any holders of shares the right to elect to receive further shares credited as fully paid instead of cash in respect of all or part of any dividends proposed at any time during a specified period (expiring not later than the fifth annual general meeting following the date of the resolution) is passed on such terms and conditions as may be specified in such ordinary resolution or otherwise decided on by the directors.

Where the Company has a lien on any share and a sum in respect of which the lien exists is presently payable, the directors may, instead of enforcing the lien, retain any dividend or other moneys payable on or in respect of that share (up to the amount of such sum) and apply the same in or towards satisfaction of the moneys payable to the Company in respect of that share.

#### 4.2.1.3 *Distribution of assets on a winding-up*

The capital and assets of the Company on a winding-up or other return of capital shall be applied in repaying to the holders of Ordinary Shares the amounts paid up or credited as paid



up on such shares and subject thereto shall belong to and be distributed according to the number of such shares held by them respectively.

#### 4.2.1.4 *Alteration of share capital*

Subject to the statute and without prejudice to any rights attached to any class of shares for the time being in issue, any share may be issued: (a) on terms that it is, or is liable to be, redeemed at the option of the Company or the holder on such terms and conditions and in such manner as the directors may, before allotment of such shares, determine; and (b) with such preferred, deferred or other rights or subject to such restrictions, whether as regards dividend, return of capital, voting, conversion or otherwise, as the Company may from time to time by ordinary resolution determine.

Subject to applicable statutes and if so authorised by ordinary resolution, the Company may from time to time: (a) consolidate, or consolidate and divide, all or any of its share capital into shares of a larger nominal amount than its existing shares; and (b) sub-divide its shares, or any of them, (whether or not following a consolidation) into shares of a smaller nominal amount than its existing shares and the resolution may determine that, as between the shares resulting from such sub-divisions, any of them may, as compared with the others, have any such preferred, deferred or other rights, or be subject to any such restrictions, as the Company has power to attach to new shares.

#### 4.2.2 *Directors*

##### 4.2.2.1 *Directors' Remuneration*

The directors shall be entitled to directors' fees in aggregate not exceeding £100,000 per annum or such other higher amount as the Company by ordinary resolution may from time to time determine, which shall (unless otherwise determined by the resolution by which it is voted) be divided between the directors as they may agree or, failing agreement, equally. The directors' remuneration shall be deemed to accrue from day to day.

Any director who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director may be paid such extra remuneration by way of salary, participation in profits or otherwise as the directors may determine.

The directors shall be entitled to be paid all reasonable travelling, hotel and other expenses properly incurred by them in connection with the business of the Company, or in attending and returning from meetings of the directors or of committees of the directors or general meetings.

##### 4.2.2.2 *Appointment and Retirement of Directors by Rotation*

The Company may by ordinary resolution appoint any person who is willing to act and is permitted by law to do so be a director. Without prejudice thereto, the directors shall have power at any time so to do, but any person so appointed by the directors shall hold office only until the conclusion of business at the next annual general meeting.

Any director appointed by the directors at any time and any director who was not appointed or re-appointed at one of the preceding two annual general meetings shall retire and shall be eligible for re-appointment.

##### 4.2.2.3 *Directors' Interests*

Pursuant to section 175 of the Act, the directors may authorise any matter which might constitute or give rise to a breach of a director's duty to avoid a situation in which he has, or can have, a direct or indirect interest that may conflict with the interests of the Company. Any such authorisation shall be subject to such conditions or limitations as the directors may determine and may be terminated by the directors at any time. Neither the director in question nor any other interested director shall vote on or be counted in the quorum at a meeting in relation to any resolution of the directors concerning any such authorisation. Pursuant to section 175(3) of the Act, no such authorisation is required in relation to a conflict of interest arising in relation to a transaction or arrangement with the Company.

A director, notwithstanding his office, may be or become a director or officer of, or hold any place of profit in, or act in a professional capacity for, or otherwise be interested in, any associated company. A director who is a director or officer of, or otherwise interested in, any associated company is authorised to act subject to any guidance issued by the directors for dealing with conflict situations arising in relation to associated companies. The directors may exercise any voting rights exercisable by the Company in any associated company in such manner as they think fit, including voting in favour of any resolution appointing them or any of their number directors or officers of any associated company or voting or providing for the payment of remuneration to the directors or officers of any associated company.

Where a director has, or can have, a direct or indirect interest that may conflict with the Company's interests and the matter giving rise to such conflict has been authorised by the directors or by the Company, or is otherwise permitted by the Articles, subject to the terms on which any authorisation has been given: (a) the director in question need not disclose to or use for the benefit of the Company any information relating to the relevant matter which he obtains or has obtained otherwise than as a director or employee of the Company and in respect of which he owes a duty of confidentiality to a person other than the company; (b) the director in question shall not (unless it is otherwise agreed) be liable to account to the Company for any profit, remuneration or other benefits realised or receivable by him in consequence of the relevant matter and no contract, transaction or arrangement relating thereto shall be liable to be avoided on the grounds of his conflict of interests; (c) the director in question need not consider board papers, nor participate in discussion of the directors, relating to the relevant matter; and (d) any director may act in any way authorised by any guidance for dealing with conflicts of interest issued by the directors from time to time.

#### 4.2.3 *Transfer of Shares*

Subject to the Articles, any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any such other form as shall be approved by the directors which shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf the transferee). An uncertificated share may be transferred in accordance with the Uncertificated Securities Regulations 2001 and the rules of any relevant system.

A transferor shall remain the holder of the share concerned until the name of the transferee is entered in the Company's register of members as the holder of that share.

Subject to the Articles and the AIM Rules, the directors may refuse to register the transfer of a certificated share or a renunciation of a renounceable letter of allotment (except where to do so would disturb the market in the shares) unless it is in respect of a fully paid share, it is in respect of only one class of shares, it is in favour of a single transferee or renounee or not more than four joint transferees or renounees, it is duly stamped (if required) and it is delivered for registration to the registrar's office or such other place as the directors have specified, accompanied by the certificate(s) for the shares to which it relates (except in the case of a transfer by a financial institution where a certificate has not been issued or in the case of a renunciation) and such other evidence as the directors may reasonably require to prove the title of the transferor or person renouncing and the due execution by him of the transfer or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so.

If the directors refuse to register a transfer of a certificated share, they shall, as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the purported transferee together with the reasons for the refusal and the directors shall provide the purported transferee with such further information about the refusal as the purported transferee may reasonably request.

All instruments of transfer which are registered shall be retained by the Company for at least six years from the date of registration or entry in the register of members but any instrument of transfer which the directors may refuse to register shall (except where fraud or any other crime involving dishonesty is suspected in relation to such transfer) be returned to the person lodging it when notice of the refusal is given.

No fee will be charged by the Company in respect of the registration of any transfer of a share or the renunciation of a renounceable letter of allotment or instruction or other document relating to or affecting the title to a share or otherwise for making any other entry in the register of members.

#### 4.2.4 *Variation of Rights*

Whenever the share capital of the Company is divided into different classes of shares, the rights attached to any class may, subject to applicable statutes, be varied or abrogated as provided by those rights or, in the absence of such provision, either with the consent of the holders of not less than three-quarters in nominal value of the issued share of that class (excluding any such shares held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class and may be so varied or abrogated whilst the Company is a going concern or during or in contemplation of a winding-up.

The rights attached to any class of shares shall, unless otherwise expressly provided by the terms of issue of such share or by the terms on which such shares are for the time being held, be deemed not to be varied or abrogated by the creation allotment or issue of further shares ranking equally in some or all respects with (but not having, in any respect, any priority over) such shares as regards participation in the profits or assets of the Company; or the purchase or redemption by the Company of any of its own shares (whether for cancellation or otherwise) or the cancellation of any of its shares following a reduction of capital approved by the court under applicable statutes; or the transfer or sale by the Company of any shares which it may hold as treasury shares from time to time in accordance with applicable statutes or the directors resolving that a class of shares shall become, or the operator of the relevant system permitting such class of shares to be, a participating security.

To every such separate General Meeting of varying or abrogating the Company's share capital, all the provisions of the statute and the Articles relating to General Meetings of the Company or to the proceedings thereat shall apply mutatis mutandis except that: (a) no Member shall be entitled to receive notice of such meeting or to attend it unless he is a holder of shares of the class in question; (b) no vote shall be given except in respect of a share of that class; (c) the quorum at any such meeting shall be at least two persons present holding or representing by proxy at least one-third in nominal value of the issued shares of the class, and at an adjourned meeting one person holding shares of the class in question or his proxy; and (d) a poll may be demanded by any Member present in person or by proxy and entitled to vote at the meeting.

#### 4.2.5 *Borrowing Powers*

Subject to applicable statutes and the Articles, the directors may exercise all the powers of the Company to borrow or raise money and to mortgage, charge or grant any security over all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to create and issue debentures, other loan stock and other securities and to give security, whether outright or as collateral security for any debt, liability or obligation of the Company or any third party.

The directors shall take all necessary steps, including the exercise of all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any), for securing (but as regards subsidiary undertakings, only in so far as by the exercise of the rights or powers of control the directors are able to secure) that the aggregate principal

amount at any one time outstanding of all borrowings by the Group (exclusive of borrowings owing by one member of the Group to another member of the Group) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed a sum equal to three times the Adjusted Total of Capital and Reserves.

For these purposes “Adjusted Total of Capital and Reserves” shall mean the aggregate of the amount for the time being paid up or credited as paid up on the issued share capital of the Company (including any shares held as treasury shares); the amounts for the time being standing to the credit of the reserves (including the share premium account, revaluation reserve, capital redemption reserve and any credit balance on the consolidated profit and loss account) of the Company all as shown in the Last Audited Balance Sheet but after making such adjustments as may be appropriate in respect of any variation in the issued and paid up share capital, the share premium account, revaluation reserve and capital redemption reserve since the date of the Last Audited Balance Sheet; deducting therefrom an amount equal to any debit balance on the profit and loss account except to the extent that a deduction has already been made and making such other adjustments as the Auditors consider appropriate.

For these purposes, “borrowings” shall be deemed to include the nominal amount of any issued and paid up share capital (other than equity share capital) which the Company may be required to purchase or redeem; the nominal amount of any issued and paid up share capital (other than equity share capital) of any subsidiary undertaking of the Company beneficially owned otherwise than by a member of the Group which a member of the Group may be required to purchase or redeem; the principal amount of any debentures or borrowed moneys of a member of the Group, the beneficial interest whereof is not owned by a member of the Group, and the redemption or repayment whereof may be required to be made by a member of the Group or is the subject of a guarantee or indemnity by or security from a member of the Group; the outstanding amount raised by acceptances by any bank or accepting house under any acceptance credit opened on behalf of and in favour of any member of the Group; any fixed or minimum premium payable by a member of the Group on final repayment of any borrowing or deemed borrowing; and a proportion of moneys borrowed by a member of the Group and owing to a partly owned subsidiary undertaking, being a proportion equal to the proportion of that partly owned subsidiary undertaking which is not beneficially owned by a member of the Group.

#### 4.2.6 *Electronic communication*

Subject to the Articles, applicable statutes and the AIM Rules, the Company may give any notice or send or supply any other document or information to any member by sending it by electronic means to an address for the time being notified to the Company by the member (generally or specifically) for that purpose.

Subject to the Articles, applicable statutes and the AIM Rules, the Company may give any notice or send or supply any other document or information to any member by making it available on a website in accordance with applicable statutes, where that the member has agreed (generally or specifically) that the document or information may be sent or supplied to him in that manner or that member is deemed to have so agreed in accordance with applicable statutes and in either case has not revoked that agreement; that Member is notified in accordance with the Articles of: (a) the fact that the document or information has been made available on the website; (b) the address of the website; and (c) the place on the website where the document or information may be accessed and how it may be accessed.

#### 4.2.7 *General meetings*

An Annual General Meeting shall be held in accordance with the applicable statutes at such time and place as the directors may determine. The directors may whenever they think fit convene a general meeting to be held at such time and place as they may determine. The

directors shall, on requisition in accordance with applicable statutes, proceed with proper expedition to convene a general meeting accordingly and if the directors fail to do so the meeting may be convened by the requisitionists.

An annual general meeting shall be called by not less than 21 clear days' notice in writing and any other general meeting by not less than 14 clear days' notice in writing in hard copy form, in electronic form or by means of a website in accordance with section 309 of the Act, or partly by one such means and partly by another and shall be given to the Auditors, the directors and all members who are entitled under the Articles to receive such notices from the Company.

Every notice calling a general meeting shall specify the place, date and time of the meeting, the general nature of the business to be dealt with at the meeting and, in the case of an annual general meeting, the notice shall specify the meeting as such. In the case of any general meeting at which any special resolution is to be proposed, the notice shall include the text of the resolution and specify the intention to propose it as a special resolution.

## 5 Directors' and other's interests

- 5.1 The interests of the Directors' and the persons connected with them (within the meaning of section 252-255 of the Act) in the share capital of the Company as at the date of this document and as they are expected to be immediately following Admission are as follows:

	<i>As at the date of this document</i>		<i>On Admission</i>	
	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of existing issued ordinary share capital</i>	<i>Number of New Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
Wayne Bos*	11,940,000	29.90	129,294,195	64.75
John McIntosh	–	–	–	–
Donald Stewart	–	–	–	–
Paul Lever	148,021	0.37	148,021	0.07

\*As trustees of the DNY Trust, a family trust of which Wayne Bos is a discretionary beneficiary, Praxis Trustees holds 11,940,000 Existing Ordinary Shares and, through DNY Investments Limited, has the right to subscribe for up to a further 8,000,000 Ordinary Shares pursuant to the Convertible Loan Notes and Warrants.

- 5.2 So far as the Directors are aware, the following persons (other than as disclosed in paragraph 5.1 above) have or will have an interest (within the meaning of Part 22 of the Act) in 3 per cent. or more of the issued share capital of the Company as at the date of this document and on Admission:

	<i>As at the date of this document</i>		<i>On Admission</i>	
	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of existing issued ordinary share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Issued Ordinary Shared Capital</i>
Praxis Trustees*	11,940,000	29.90	129,294,195	64.75
Mmilt Pty Limited	–	–	35,863,179	17.96
Cameron Investment Trust	–	–	6,516,130	3.26
Octopus Capital for Enterprise Fund	5,682,247	14.23	5,682,247	2.85
Webb Capital Asset Management Limited	3,485,121	8.73	3,485,121	1.75
Barnard Nominees Limited	2,177,430	5.45	2,177,430	1.09

\*As trustees of the DNY Trust, a family trust of which Wayne Bos is a discretionary beneficiary, Praxis Trustees holds 11,940,000 Existing Ordinary Shares and, through DNY Investments Limited, has the right to subscribe for up to a further 8,000,000 Ordinary Shares pursuant to the Convertible Loan Notes and Warrants

- 5.3 Save as disclosed in paragraphs 5.1 and 5.3 above, the Directors are not aware of any interest (within the meaning of Part 22 of the Act) in the Company's ordinary share capital which, at the date of this document and/or immediately on Admission, would amount to three per cent. or more of the Company's issued ordinary share capital.
- 5.4 The Company's significant shareholders do not have and on Admission will not have different voting rights to the Company's other shareholders.
- 5.5 As at 6 September 2013 (being the latest practicable date prior to publication of this document) and save as disclosed in Part V and this paragraph 5, the Directors are not aware of any person or persons who, directly or indirectly, jointly or severally, own or exercise or could own or exercise control over the Company.
- 5.6 Save as disclosed in this document in respect of the Sellers, the Company is not aware of any arrangements which may at a subsequent date result in a change of control in the Company.
- 5.7 There are no mandatory takeover bids outstanding in respect of the Company and none has been made either in the last financial year or the current financial year of the Company. No public takeover bids have been made by third parties in respect of the Company's issued share capital in the current financial year nor in the last financial year.
- 5.8 Save as set out in this paragraph 5, following Admission neither the Directors nor any person connected with the Directors (within the meaning of section 809 of the Act) is expected to have any interest, beneficial or non-beneficial, in the share or loan capital of the Company.
- 5.9 Save as disclosed in this document, none of the Directors have any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Company and no contract or arrangement exists in which a Director is materially interested and which is significant in relation to the business of the Enlarged Group.
- 5.10 There are no outstanding loans granted by the Company to any of the Directors, nor are there any guarantees provided by the Company for their benefit.
- 5.11 Save as disclosed in this paragraph 5, none of the Directors has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company since its incorporation and which remains in any respect outstanding or unperformed.
- 5.12 Neither the Directors nor any member of their respective families, has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.

## **6 Directors' Service Contracts**

- 6.1 Wayne Bos was appointed executive chairman of the Company with effect from 21 August 2012 (and subsequently as Interim Chief Executive) with a basic salary of £160,000 per annum. The Company may offer Mr Bos a discretionary bonus annually and he is entitled to participate in the Company's permanent health and life assurance schemes, to private medical insurance for him, his spouse and his dependent children and 30 days paid holiday per annum. The Company will reimburse his reasonable out of pocket expenses. Mr Bos may terminate his employment on not less than six months' notice and the Company may terminate his employment on not less than 12 months' notice. Within six months of a change of control occurring during his employment both Mr Bos and the Company may terminate his employment on one month's notice provided that, where the Company terminates his employment, it shall pay him 12 months' basic salary and, where Mr Bos terminates his employment, the Company shall pay him nine months' basic salary. The Company may also terminate Mr Bos' employment without notice in certain circumstances including where he is guilty of gross misconduct, bankrupt or is convicted of a criminal offence (other than a minor road traffic offence).

- 6.2 John McIntosh was appointed chief financial officer with effect from 21 January 2013 with a basic salary of £125,000 per annum plus a matching pension contribution of 3 per cent. of basic salary to the Company's pension scheme. Mr McIntosh is also entitled to participate in the Company's bonus scheme, to private healthcare insurance, life assurance and income protection insurance. Both Mr McIntosh and the Company may terminate his employment on three months' notice.
- 6.3 Donald Stewart was appointed General Counsel with effect from 3 June 2013 with a basic salary of £180,000 per annum plus a matching pension contribution of 3 per cent. of basic salary to the Company's pension scheme. Mr Stewart is also eligible for a quarterly bonus on the Group successfully achieving its targets and to participate in the Company's discretionary bonus scheme. Mr Stewart is eligible for a first tranche of share options from 9 August 2013 and thereafter for further grants of share options after 9 November 2013 and is entitled to participate in the Company's permanent health and life assurance schemes, to private medical insurance and 25 days paid holiday per annum. Both Mr Stewart and the Company may terminate his employment on three months' notice.
- 6.4 Paul Lever holds his position as a non-executive director pursuant to the terms of a letter of appointment dated 1 November 2006 and extended on 2 November 2009 pursuant to which, with effect from 31 October 2012, his appointment is subject to annual approval by shareholders. Mr Lever's initial fee was £35,000 per annum and he is not entitled to participate in any share, bonus or pension schemes or other benefits in kind. Mr Lever is entitled to be reimbursed for his travel and other expenses incurred in the performance of his duties. Both Mr Lever and the Company may terminate his appointment on six months notice.
- 6.5 The aggregate emoluments (including benefits in kind and pension contributions) of the Directors for the 15-month period ending 30 June 2013 (excluding termination payments) was £799,000 and it is estimated that, assuming Admission occurs, the aggregate emoluments of the New Board as employees or in respect of their services to the Enlarged Group (including benefits in kind and pension contributions, but excluding any performance-related bonuses) for the year ending 30 June 2014 (which will be the first full 12 month accounting period of the Enlarged Group) will amount to approximately £670,000 under the arrangements in force at the date of this document.
- 6.6 There are no Directors' service contracts, or contracts in the nature of services, with the Company, other than those which expire or are terminable without payment of compensation on no more than 12 months' notice.
- 6.7 Save as set out above, there are no commission or profit sharing entitlements to compensation on termination of any service contracts between any Directors and any member of the Enlarged Group.
- 6.8 Save as set out above, there are no existing or proposed service contracts between any Directors and any member of the Enlarged Group and there are no such service contracts which have been entered into or amended within six months of the date of this document.

## 7 Additional Information on the Board

7.1 In addition to the Company and the Directors hold or have held the following directorships or are or have been partners in the following partnerships within the five years prior to the date of this document:

<i>Director</i>	<i>Current Directorships/Partnerships</i>	<i>Past Directorships/Partnerships</i>
Wayne Malcolm Bos	Amad Holdings Pty Ltd Comms Aust No 1 Pty Ltd Comms Aust Pty Ltd Progility Pty Ltd Garden Drive Corner Properties Pty Ltd Sixville Pty Ltd Tahoe Lane Pty Ltd WMB Consulting Pty Ltd Yarra Business Investments Pty Ltd	Aviation Training Australasia Pty Ltd BDL Family Pty Ltd Catalina Drive Properties Pty Ltd Dama Equities Pty Ltd Dama Management Pty Ltd Garden Drive Properties Pty Ltd Tahoe Farms Pty Ltd Tomorrow Corporation Pty Ltd Yamala Pty Ltd
John Joseph McIntosh	Colourful Parachute Limited	DCD Media plc Digital Classics DVD Limited DCD Rights Limited Done and Dusted Group Limited Done and Dusted Ltd Done and Dusted Productions Ltd Done and Dusted West Coast Incorporated September Films Limited September Films USA Incorporated Prospect Pictures Limited West Park Pictures Limited Matchlight Ltd DCD Drama Limited Breathtaking Ltd Prospect Cymru/Wales Ltd Box Film (Boudicca) Ltd Digital Classic Distribution Productions (UK) Ltd September Songs Ltd Box Film Distribution Ltd Box Film Ltd Box Film (DICE) Ltd Box TV (Prodco) Ltd Box TV (in production) Ltd Box TV (Production) Ltd Box TV (S&L) Ltd Digital Classic Distribution Publishing Ltd Digital Classics Distribution Limited Digital Classic Distribution (2) Limited



<i>Director</i>	<i>Current Directorships/Partnerships</i>	<i>Past Directorships/Partnerships</i>
John Joseph McIntosh (contd)		Digital Classic Distribution Rights Ltd N.B.D. Pictures Ltd Pie Ship Productions Ltd N.B.D. Holdings Ltd DCD Media USA Inc September Holdings Ltd September International Ltd Box Film Productions Ltd Box TV (DOCS) Ltd Digital Classics Education Ltd N.B.D. Entertainment Limited Malvern Music Ltd Iambic Productions Limited Digital Classics Education Limited Box TV Limited Classical TV Limited Matchlight Ltd Done and Dusted West Coast Inc Exterminator Limited Liability Company Done and Dusted Inc Done and Dusted Productions Inc
Paul Ronald Scott Lever	Bishop Holdings Limited Bishop International Limited Corporate Training Solutions Ltd Croydex Group Pension Investments Ltd Croydex Group Pension Trust Ltd CTG Exam Training Limited Farncombe International Limited Independent Port Handling Limited Marylebone Associates LLP Marylebone Publishing Limited The Corporate Training Group Limited TTT Moneycorp Limited Virtual Global Taskforce Limited Xenophon Partners Limited	Apt Innovations Limited Datong Plc I-Plas Group Limited Mentor Associates Limited Mirus Plastics Limited Platform Four Limited Platform Four Plastics Limited
Donald John Stewart	The Quoted Companies Alliance Engines of Growth Limited Feis London	Faegre Baker Daniels LLP Ludgate Nominees Limited Ludgate Secretarial Services Limited Cursitor Nominees Cursitor Secretarial Services Limited Quintiles UK Holdings Limited

- 7.2 John McIntosh has been a director of the following:
- 7.2.1 West Park Pictures Limited, a subsidiary of DCD Media plc which was put into voluntary liquidation in May 2012. John McIntosh had resigned from all DCD boards in July 2011. There was no material shortfall to unrelated creditors.
  - 7.2.2 John McIntosh was a director of Imagestate plc from December 2003 until April 2006. The principal investor and investment house, Pacific Investments plc, placed Imagestate plc into administration under Kroll in April 2006. There was an undisclosed shortfall to Pacific Investments, which had written down their investment. John McIntosh sought out potential purchasers within the administration framework.
- 7.3 Paul Lever was a director of the following:
- 7.3.1 DLA Worldwide Limited, the holding company of a recruitment and advertising group, which went into administrative receivership in May 2001 following aborted attempts to seek admission to AIM in September 2000, to enter into a reverse takeover with a public company in December 2000 and to seek private equity financing in early 2001. Paul Lever became Chairman of DLA Worldwide at the request of its private equity investors during a period when the business had got into difficulties. Paul Lever made significant management changes and put the business into receivership with the consent of the secured creditors to facilitate its sale to management. The amount due to creditors at the date of the receivership was approximately £4.6 million. As a holding company, DLA Worldwide had no trading activities. Following the appointment of the administrative receivers the group's businesses were sold in May 2001 for approximately £930,000.
  - 7.3.2 Bond IT Limited, in respect of which he resigned from the board in May 2002 and which, subsequently, went into administrative receivership in July 2002. Paul joined the board of Bond IT at the request of its private equity investors and resigned when they refused to follow his recommendations for the business. Both preferential and secured creditors recovered their indebtedness in full but there was a shortfall to non-preferential unsecured creditors and Bond IT entered liquidation in March 2003. The liquidation was concluded in 2005 leaving a shortfall to unsecured creditors of approximately £1.25 million.
  - 7.3.3 Accountancy Tuition Centre (Holdings) Limited, the holding company of a group providing accountancy-related financial training. The group was put into administrative receivership in July 2003 and its businesses were sold for undisclosed amounts. Although preferential creditors were paid in full, secured creditors were owed approximately £13.4 million at the time of the receivership and, due to the substantial shortfall to secured creditors, there were no funds available for distribution to non-preferential unsecured creditors.
- 7.4 Save as disclosed above, none of the Directors has:
- 7.4.1 any unspent convictions in relation to indictable offences;
  - 7.4.2 any bankruptcy order made against him or entered into any individual voluntary arrangements;
  - 7.4.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
  - 7.4.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

- 7.4.5 been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership; or
- 7.4.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies) or been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.
- 7.5 As at 6 September 2013 (being the latest practicable date prior to publication of this document), the Company had 77 employees (excluding the Directors).
- 7.6 The number of employees employed by the Enlarged Group at the date of Admission is expected to be 220 and of whom 68 are employed in the UK, 151 are employed in Australia, and 1 is employed in UAE.

## **8 Share Option Schemes**

### **8.1 Enterprise Management Incentive Scheme**

On 28 November 2008 the Company adopted the ILX Group plc 2008 Enterprise Management Incentive Scheme (“the EMI Scheme”) for the grant of Enterprise Management Incentive options (“EMI Options”). Provided they comply with Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003 (“Schedule 5”) individuals can be granted EMI Options over shares with a market value on grant of up to £250,000. There will normally be no income tax or national insurance payable when EMI Options are exercised. The total market value of shares under EMI Options granted by the Company cannot exceed £3 million. Other than the provisions of Schedule 5, the principal terms of the EMI Scheme are summarised as follows:

#### *8.1.1 Eligibility*

The Directors may grant EMI Options at such times and on such bases as they may decide to employees working at least 25 hours per week or, if less, 75 per cent. of their working time for the Group. No exercise conditions may be imposed which are not capable of being fulfilled within 10 years after the date of grant.

#### *8.1.2 Option agreements*

Options are effected under the EMI Scheme by written option agreement.

#### *8.1.3 Exercise price*

The Directors may decide the exercise price in respect of which an EMI Option is exercisable which may include setting the exercise price at (i) the middle-market quotation (as derived from the Official List of the London Stock Exchange) of an Ordinary Share on the dealing day immediately preceding the Date of Grant or (ii) nil.

#### *8.1.4 Exercise of options*

(a) Ordinarily an EMI Option may only be exercised following the expiry a period of either two or three years as specified in the relevant Option Agreement and must be exercised within 10 years after the date of grant save where:

- an option holder dies, his personal representatives shall be entitled to exercise the EMI Option within one year after his death;
- an option holder ceases to be an employee because of injury, ill health, disability, redundancy or retirement, he will be entitled to exercise the EMI Option within 40 days (or such longer period as the Directors may agree in exceptional circumstances) of such cessation; and

- an option holder ceases to be an employee in any other circumstances the Directors shall have absolute discretion to permit him to exercise the EMI Option within 40 days of such cessation.
- (b) The Directors may permit option holders to exercise outstanding EMI Options prior to a resolution for voluntary winding-up of the Company being passed.
  - (c) The exercise of EMI Options granted to executive directors and other senior individuals exercisable in the event of death or termination of employment with an exercise price of £nil or £nominal may be scaled back by the Remuneration Committee on such basis as the Remuneration Committee considers appropriate.
  - (d) In the event of a change of control of the Company following a takeover offer which includes terms for the grant by the acquiring company of a replacement option for the EMI Option the option holder shall be entitled to accept such terms within 40 days of the acquiring company obtaining control of the Company and the EMI Option shall be released on the replacement option being granted to the option holder. A replacement option shall be regarded having been granted at the time when the EMI Option was granted.
  - (e) In the event of a change of control of the Company following a takeover offer which includes terms for Ordinary Shares arising on the exercise of an EMI Option to be acquired by the acquiring company then, in the absence of a replacement option, the option holder shall be entitled to exercise the EMI Option, subject to any exercise condition(s) being satisfied or waived, within 40 days of the acquiring company obtaining control of the Company provided the Option Holder shall accept the takeover offer as regards all the Ordinary Shares in respect of which he shall exercise the EMI Option.

#### 8.1.5 *Limits*

- (a) The Company may not grant rights which may result in the issue of Ordinary Shares exceeding 25 per cent of the issued share capital of the Company (from time to time) under the EMI Scheme and any other employee share scheme operated by the Company.
- (b) Ordinary Shares held as treasury shares shall count as newly issued Ordinary Shares for the purposes of the limit noted above unless institutional investor guidelines cease to require such shares to be so counted. Ordinary Shares sourced via the Company's employee benefit trust (other than from newly issued Ordinary Shares) shall not count for the purposes of the limit noted above.
- (c) No EMI Options shall be granted under the EMI Scheme after 27 November 2018.

#### 8.1.6 *Variation of capital*

In the event of any capitalisation or rights issue or open offer or any consolidation, subdivision or reduction of share capital by the Company, the number and/or nominal value of Ordinary Shares subject to EMI Options and/or the exercise prices shall be adjusted as the Directors may determine provided the Company's auditors shall certify such adjustment(s) are fair and reasonable, would not breach Schedule 5 or cause the Exercise Price of any share subject to any EMI Option to fall below its nominal value.

#### 8.1.7 *Alterations to the scheme*

The Remuneration Committee may amend the EMI Scheme provided no alteration to the material disadvantage of existing option holders shall be made unless such alteration is approved by a majority of the affected option holders and no alteration resulting in any EMI Options not constituting qualifying options for the purposes of Schedule 5 or requiring the approval of HMRC shall be effective.

### 8.1.8 *Termination*

The EMI Scheme may be terminated or suspended at any time by the Directors or by an ordinary resolution of the Company but subsisting Options shall not thereby lapse.

8.2 At the date of this document 130,000 Existing Ordinary Shares are held under option.

## 9 **Material contracts**

There are no contracts (not being in the ordinary course of business) entered into by the Company or any member of the Enlarged Group or the Concert Party in the last two years which are or may be material or which contain any provision under which the Company or any member of the Enlarged Group has any obligation or entitlement which is or may be material to the Company as at the date of this document save as follows:

### 9.1 *The Company*

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company within the two years preceding the date of this document which are, or may be, material:

- 9.1.1 An investment agreement dated 1 August 2012 between (1) Praxis Trustees; and (2) the Company pursuant to which Praxis Trustees as trustee for the DNY Trust subscribed for 11,940,000 Ordinary Shares at a subscription price of 10p per share in a first tranche of 4,050,000 Ordinary Shares conditionally, *inter alia*, on the publication of a circular to shareholders convening a general meeting and in a second tranche of 7,890,000 Ordinary Shares conditionally, *inter alia*, on the passing of resolutions authorising the directors to allot such shares and on the appointment of Wayne Bos as Chairman of the Company. The agreement contained certain warranties given by the Company in favour of Praxis Trustees and other warranties given by Praxis Trustees in favour of the Company.
- 9.1.2 An agreement dated 5 December 2012 between (1) the Company; and (2) David Mark Hopkins and Christine Hopkins pursuant to which the Company agreed to purchase the entire issued share capital of Obrar Limited (“Obrar”) for an initial cash consideration of £350,000 payable on completion, further cash consideration of £409,096 paid by reference to Obrar’s completion net assets and deferred consideration of up to £650,000 payable up to £300,000 on Obrar achieving £600,000 net profit for the year to 31 March 2014 and up to £350,000 on Obrar achieving £725,000 net profit for the year to 31 March 2015 or on Obrar achieving an aggregate net profit of £1,725,000 for the three years to 31 March 2013, 2014 and 2015. The agreement also contained warranties, indemnities and undertakings in favour of the Company concerning Obrar, its business, assets and liabilities.
- 9.1.3 An instrument executed by the Company on 17 December 2012 pursuant to which the Company created and issued £400,000 12 per cent. Unsecured Convertible Loan Notes 2017 (“Convertible Loan Notes”) issued to Praxis Trustees. Interest at 12per cent. (gross) per annum is payable in arrears on 31 March 2013 for the period from issue to that date and thereafter in arrears on 31 March, 30 June, 30 September and 31 December in each year. In the absence of material breach or an event of default the Notes are redeemable on 31 December 2017 and are convertible at a rate of one Ordinary Shares in satisfaction of £0.10 nominal of Notes on any business day on or before that date provided the Company is able to issue the necessary Ordinary Shares free from pre-emption rights and the conversion does not require a Noteholder to make an offer to other shareholders pursuant to rule 9 of the City Code or a dispensation in respect thereof has been obtained. The conversion rate will be adjusted in the event of a consolidation or sub-division of the Ordinary Shares, an issue of Ordinary Shares on the capitalisation of profits or reserves or in the event of a capital distribution.

- 9.1.4 An instrument executed by the Company on 17 December 2012 constituting warrants to subscribe for up to 400,000 Ordinary Shares at a subscription price of 10p per Ordinary Share on any business day on or before 31 December 2017 (“Warrants”) issued to Praxis Trustees. The warrants are exercisable provided the Company is able to issue the necessary Ordinary Shares free from pre-emption rights and the exercise does not require an offer to be made to other shareholders pursuant to rule 9 of the City Code or a dispensation in respect thereof has been obtained. The subscription rights will be adjusted in the event of the issue of Ordinary Shares on a capitalisation of profits or reserves or a consolidation or sub-division of the Ordinary Shares and warrant holders will be given the opportunity to exercise or exchange their warrants in the event of a takeover offer being made and to participate in the assets of the Company in the event of a winding up.
- 9.1.5 An agreement dated 10 February 2013 between (1) the Company and (2) Alexander Christian Greenshaw to acquire the entire issued capital (the “Careshield Shares”) of Careshield Limited (“Careshield”) and Careshield Training Limited (“Careshield Training”) at any time within three years of the date of the agreement for a consideration of five times EBIT for the most recent financial period completed before exercise of the option derived from the relevant audited accounts of Careshield for the twelve months to 31 December 2012, 2013 and 2014 subject to a minimum of £2 million and a maximum of £6 million. In the event the Careshield Shares are sold to a third party within 12 months of the date of the agreement with the consent of the Company, the Company shall be entitled to up to 25 per cent. of the aggregate consideration received. Wayne Bos is entitled to be appointed chairman of Careshield and Careshield Training.
- 9.1.6 An agreement dated 25 June 2012 between (1) idox Plc and (2) the Company pursuant to which the Company purchased the entire issued share capital of TFPL Limited (“TFPL”) for a consideration of £300,000 payable in cash on completion, deferred consideration of £50,000 payable on net fee income for the year to 31 October 2013 reaching £1.05 million and a single earn-out payment of up to £250,000 payable in full on net fee income for the twelve months to 30 June 2014 exceeding £1.3 million. The agreement also contained warranties, indemnities and undertakings in favour of the Company concerning TFPL, its business, assets and liabilities and was subject to certain conditions. The agreement was completed on 1 July 2013.
- 9.1.7 An engagement letter dated 3 June 2013 between SPARK and the Company pursuant to which SPARK was engaged by the Company as its Nominated and Financial Advisor in relation to the Proposed Acquisition to advise the Company’s Board, *inter alia*, on the appropriateness of the transaction, the relevant regulatory aspects of the Proposals and to provide advice to the Independent Directors and a fairness opinion. The Company agreed to pay SPARK a monthly fee of £10,000 in May, June and July 2013 and a success fee of £150,000 (less amounts already paid in relation to the monthly fee) at the time shareholders of the Company approve the Acquisition. In addition the Company agreed to reimburse all reasonable expenses incurred by SAPL. The engagement letter also contains an indemnity by the Company in favour of SPARK. The Company may terminate the engagement immediately where SPARK is in material breach. SPARK may terminate the engagement on three months’ written notice or immediately, *inter alia*, where the Company is suspended from trading on any relevant market, becomes insolvent or is in material breach of the agreement.
- 9.1.8 An agreement dated 10 September 2013 between (1) Praxis Trustees as trustee for the DNY Trust; (2) Craig Cameron as trustee for Cameron Investment Trust; (3) Mmilt Pty Ltd as trustee for Vecchio Family Trust; and (4) the Company pursuant to which the Company agreed to purchase the entire issued share capital of Progility from the Sellers in consideration for the allotment and issue to the Sellers of the Consideration Shares credited as fully paid. The agreement contains certain warranties and indemnities concerning the capacity and title of each of the Sellers and the Company and concerning Progility, its business, assets and liabilities and is conditional, *inter alia*, on the Resolutions being passed at the General Meeting and Admission. Further details of the Sellers and the allotment of the Consideration Shares is set out in Part V of this document.

## 9.2 *Progility*

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by Progility within the two years preceding the date of this document which are, or may be, material:

- 9.2.1 An agreement dated 30 March 2012 between (1) TR Pty Limited and (2) Progility pursuant to which Progility agreed to purchase the business carried on by TR Pty Limited trading under the name and style “TR Bearcom” including certain assets and liabilities as a going concern for a cash purchase price of A\$2.25 million payable on completion subject to adjustment against an assumed net asset value of A\$1.097 million. The agreement contained warranties in favour of Progility concerning the business, its assets and liabilities and undertakings concerning, amongst other things, stock purchasing, product and service warranty claims, contract assignments, accounts receivable, customer data, the transfer of employees and undertakings not to compete with the business.
- 9.2.2 An agreement dated 2 September 2013 between (1) Moneytech Finance Pty. Limited (“Moneytech”); (2) Progility; and (3) Progility Invoicing Pty. Ltd (“Invoicing Entity”) pursuant to which Progility has agreed to finance the purchase of approved goods and services by customers of Progility using funds provided to Progility by Moneytech up to an aggregate limit of A\$4.8m subject to certain conditions. Moneytech may refuse to authorise a transaction where, *inter alia*, a customer is or is likely to become insolvent or involved in fraudulent activity, or is otherwise subject to circumstances that may materially adversely affect the customer’s ability to pay amounts due. In respect of transactions approved under the agreement Progility has agreed not to bill or charge its customers directly and not to charge additional amounts to allow customers to use the Moneytech Exchange. Invoices are issued by the Invoicing Entity in accordance with Progility’s arrangements with its customers. In the absence of an event of default, Moneytech may cancel Progility’s account following 730 days written notice. Progility may cancel its account following 730 days written notice or 14 days written notice following a variation of the fee schedule. The agreement contains certain undertakings and indemnities in favour of Moneytech.
- 9.2.3 On 6th August 2013, Progility purchased the entire issued share capital of Comms Aust in consideration for the issue of 55,568 Capital Class Shares credited as full paid of which 41,676 were allotted to Praxis and 13,892 were allotted to Mmilt.

## 9.3 *The Concert Party*

- 9.3.1 A Loan Agreement dated 21 July 2008 as amended between (1) Praxis and (2) Progility pursuant to which Praxis, as trustee of the DNY Trust, made up to A\$3,000,000 available unsecured to Progility repayable by Progility, in the absence of default, at any time on or before the ninth anniversary of the date of the loan agreement with interest accruing at 18% per annum.
- 9.3.2 A Loan Agreement dated 21 July 2008 as amended between (1) Mmilt and (2) Progility pursuant to which Mmilt as trustee of the Vecchio Family Trust lent A\$493,333 unsecured to Progility repayable by Progility, in the absence of default, at any time on or before the ninth anniversary of the date of the loan agreement with interest accruing at 18% per annum. As at 30 June 2013 the amount due pursuant to this Loan Agreement was A\$827,495.14.
- 9.3.3 A Loan Agreement dated 13 November 2008 as amended between (1) WMB Consulting Pty Ltd (WMB Consulting) and (2) Progility pursuant to which WMB Consulting lent A\$150,000 unsecured to Progility repayable by Progility, in the absence of default, at any time on or before the ninth anniversary of the date of the loan agreement with interest accruing at 18% per annum. As at 30 June 2013 the amount due pursuant to this Loan Agreement was A\$ \$368,595.86.

- 9.3.4 A Loan Agreement dated 28 October 2009 as amended between (1) Praxis as trustee of the DNY Trust and (2) Comms Aust pursuant to which Praxis lent A\$1,125,000 unsecured to Comms Aust repayable by Comms Aust, in the absence of default, at any time on or before the ninth anniversary of the date of the loan agreement with interest accruing at 18% per annum.
- 9.3.5 A Convertible Note Deed dated 2 April 2012 as amended between (1) Progility (2) Comms Aust and (3) Praxis as trustee for the FMU Trust pursuant to which Praxis subscribed for US\$ 3,458,046 convertible notes. Progility agreed to pay interest on the notes at a rate of 11.5% per annum monthly in arrears. A noteholder may require Progility to redeem some or all of the convertible notes following the occurrence of certain events including non payment, insolvency or default and Progility must redeem all outstanding notes on the fourth anniversary of subscription. The notes are no longer convertible. The obligations of Progility were guaranteed by Comms Aust. As at 30 June 2013 the amount due pursuant to this Loan Agreement was A\$3,713,319.
- 9.3.6 A redemption notice dated 7 September 2012 by Praxis as trustee for the FMU Trust redeeming US\$ 500,100 convertible notes issued pursuant to the Convertible Note Deed dated 2 April 2012 and referred to in paragraph 9.3.8 above.
- 9.3.7 An Instrument of Assignment of Loan dated 13 September 2012 between (1) Praxis as trustee for the FMU Trust (Assignor) and (2) Praxis as trustee of the DNY Trust (Assignee) pursuant to which the Assignor assigned all rights arising under the Loan and Convertible Note Deed dated 2 April 2012 and referred to in paragraph 9.3.8 above to the Assignee.
- 9.3.8 An agreement dated 6 February 2013 between (1) Mmilt as trustee for the Vecchio Family Trust and (2) Craig Duncan Cameron as trustee for the Cameron Investment Trust pursuant to which Mmilt agreed to sell and transfer 25,556 capital class shares in Progility and 10,417 ordinary shares in Comms Aust Pty Ltd and A\$75,773.75 of the Mmilt loan referred to in paragraph 9.3.2 above for an aggregate purchase price of A\$250,000. As at 30 June 2013 the amount due pursuant to the loan transferred under this agreement was A\$77,473.19.

As at 30 June 2013 the amount due to Praxis pursuant to the agreements referred to in paragraphs 9.3.1 and 9.3.4 was A\$2,530,251

## **10 Intellectual property**

- 10.1 The Enlarged Group has registered the following Trade Marks at the UK Trade Mark Registry (“UK TMR”):
- 10.1.1 “Dogulus” trade mark UK00002526521 is registered for classes 9 and 41;
- 10.1.2 a symbol trade mark UK00002529641 is registered for classes 9, 35, 36 and 41;
- 10.1.3 “ILXGROUP” trade mark UK0002505137A is registered for classes 09 35 41 42;
- 10.1.4 “ILXGROUP” and “ILX GROUP” trade mark UK0002505137B is registered for classes 09 35 41 42;
- 10.1.5 “ILX” and “ilx” trade mark UK0002505137C is registered for classes 09 35 41 42
- 10.1.6 “Intelligent Resources” trade mark UK00002475837 is registered for class 35;
- 10.2 In addition the Enlarged Group has registered a number of domain names



## **11 Litigation**

### *11.1 The Company*

Neither the Company nor any of its subsidiaries is involved in any governmental, legal or arbitration proceedings which may have or have had during the 12 months preceding the date of this document a significant effect on the Company's financial position and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company.

### *11.2 Progility and its subsidiaries*

Neither Progility nor any of its subsidiaries are involved in any governmental, legal or arbitration proceedings, which may have or have had during the 12 months preceding the date of this document a significant effect on their financial position and, so far as the Directors are aware, there are no such proceedings pending or threatened against them.

## **12 Working capital**

The Directors are of the opinion that, having made due and careful enquiry, taking account of available bank and other facilities that the working capital available to the Enlarged Group will be sufficient for its present requirements, which is for at least 12 months from the date of Admission.

## **13 United Kingdom Taxation**

### *13.1 General*

The following comments are intended only as a general guide to the position under current United Kingdom tax law and what is understood to be the current practice (both of which are subject to change at any time, possibly with retrospective effect) of HM Revenue & Customs and may not apply to certain classes of investors, such as dealers in securities, insurance companies, collective investment schemes and persons who acquired securities in connection with their employment. Any person who is in doubt as to his tax position is strongly recommended to consult his own professional tax adviser.

### *13.2 Receipt of New Ordinary Shares*

A UK resident or, in the case of an individual, ordinarily resident holder of shares in Progility who holds any class of, shares in or debentures of Progility should not be treated as having made a disposal or part disposal of his shares in Progility for the purposes of UK taxation of chargeable gains as a result of the Merger. Instead, any chargeable gain or allowable loss which would otherwise have arisen on a disposal of such holder's shares in Progility should be rolled over into the New Ordinary Shares which he acquires. As a result, those New Ordinary Shares should be treated as the same asset and as having been acquired at the same time and for the same consideration as the shares in Progility from which they derived. This treatment applies if the Acquisition is effected for bona fide commercial reasons and does not form part of a scheme or arrangement of which the main purpose, or one of the main purposes, is avoidance of a liability to capital gains tax or corporation tax.

### *13.3 Taxation of Dividends*

#### (a) The Company

The Company will not be required to withhold tax at source on any dividends it pays to its shareholders in respect of the New Ordinary Shares.

#### (b) UK resident shareholders

Individuals resident in the UK for taxation purposes are generally liable to UK income tax on the aggregate amount of any dividend received and a non-repayable tax credit equal to 10 per cent. of the gross dividend (or one-ninth of the dividend received). For example, on a dividend received of £90, the tax credit would be £10, and an individual would be liable to income tax on £100.

No further income tax is payable in respect of the dividend by a UK resident individual to the extent such individual is not liable to income tax at the higher rate (currently 40 per cent) or the additional rate (currently 45 per cent). UK resident individuals who are subject to tax at the basic rate only will be charged to tax on the gross dividend at the dividend ordinary rate of 10 per cent and therefore the tax liability will be treated as satisfied in full by the tax credit and no additional tax liability will arise for such shareholders.

UK resident individuals who are subject to tax at the higher rate are subject to tax on dividends at the dividend upper rate (currently 32.5 per cent) but are entitled to offset the 10 per cent. tax credit against such liability, resulting in an effective tax rate of 25 per cent of the net dividend received. For example, on a dividend received of £90 such a taxpayer would have to pay additional tax of £22.50 (representing 32.5 per cent of the gross dividend less the 10 per cent. tax credit). UK resident individuals who are subject to tax at the additional rate are subject to tax on dividends at the dividend additional rate (currently 37.5 per cent) but are entitled to offset the 10 per cent. tax credit against such liability, resulting in an effective tax rate of 30.56 per cent. of the net dividend received. For example, on a dividend received of £90 such a taxpayer would have to pay additional tax of £27.50 (representing 37.5 per cent of the gross dividend less the 10 per cent tax credit). For this purpose, dividends are treated as the top slice of an individual's income.

No repayment of the tax credit in respect of dividends paid by the Company (including in respect of any dividend paid where the New Ordinary Shares are held in a personal equity plan or in an individual savings account) can be claimed by a United Kingdom resident shareholder (including pension funds and charities).

Provided that certain anti-avoidance provisions do not apply, and subject to certain exceptions for traders in securities and insurance companies, a corporate shareholder resident in the United Kingdom for tax purposes will generally not be subject to corporation tax on dividends received from the Company in respect of the New Ordinary Shares. Shareholders within the charge to UK corporation tax are advised to consult their independent professional tax advisers in relation to the implication of the legislation.

(c) Non UK resident shareholders

Non-UK resident shareholders are not generally entitled to claim any part of the tax credit and any ability to do so will depend on the terms of any applicable double tax treaty between the Company and the country in which the shareholder is resident. Non-UK resident shareholders may also be subject to tax on dividend income under any law to which they are subject outside the UK. Such shareholders should consult their own tax advisers concerning their tax liabilities.

#### 13.4 *Taxation of Capital Chargeable Gains*

(a) UK Resident Shareholders

A disposal of the New Ordinary Shares by a shareholder who is (at any time in the relevant United Kingdom tax year) resident or, in the case of an individual, ordinarily resident in the United Kingdom for tax purposes, may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of chargeable gains, depending on the shareholder's circumstances and subject to any available exemption or relief.

(b) Non-resident Shareholders

A shareholder who is not resident in the United Kingdom for tax purposes but who carries on a trade, profession or vocation in the United Kingdom through a branch or agency (or, in the case of a non-UK resident corporate shareholder, a permanent establishment) to which the New Ordinary Shares are attributable will be subject to the same rules which apply to United Kingdom resident shareholders.

A shareholder who is an individual and who after acquiring his New Ordinary Shares, ceases to be resident or ordinarily resident for tax purposes in the United Kingdom for a period of less than five complete years of assessment and who disposes of the New Ordinary Shares during that period may also be liable, on his return, to United Kingdom taxation of chargeable gains (subject to any available exemption or relief).

### 13.5 *Stamp Duty and Stamp Duty Reserve Tax*

The statements below summarise the current position and are intended as a general guide only to stamp duty and SDRT. Special rules apply to agreements made by brokers, dealers and market makers in the ordinary course of their business and to certain categories of person (such as depositories and clearance services) who may be liable to stamp duty or SDRT at a higher rate.

No stamp duty or SDRT will generally be payable on the issue or on the registration of the New Ordinary Shares to be issued pursuant to the Acquisition and Admission.

A transfer for value of the New Ordinary Shares will generally be subject to stamp duty or SDRT. Stamp duty will arise on the execution of an instrument to transfer New Ordinary Shares and SDRT will arise on the entry into an agreement to sell the New Ordinary Shares.

Stamp duty and SDRT are normally a liability of the purchaser or transferee (although where such purchase is effected through a stockbroker or other financial intermediary, that person should normally account for the liability to SDRT and should indicate this has been done in any contract note issued to a buyer).

The amount of stamp duty or SDRT payable on the transfer is generally calculated at the rate of 0.5 per cent. of the amount or value of the consideration paid (with stamp duty rounded up to the nearest £5). No stamp duty is chargeable on an instrument transferring New Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000. A liability to SDRT will be cancelled and any SDRT already paid will be repaid, generally with interest, where an instrument of transfer is executed and stamp duty is paid on that instrument within six years of the date on which the liability to SDRT arises.

Paperless transfers of the New Ordinary Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. SDRT on relevant transactions is generally settled within the CREST system. Deposits of shares into CREST will generally not be subject to SDRT, unless the transfer into CREST is itself for consideration.

Following the decision in *HSBC Holdings Plc and the Bank of New York Mellon Corporation v HMRC (2012) UKFTT163 (TC)* and *HSBC Holdings plc and Vidacos Nominees Ltd v Commissioners for HMRC (C569/07)*, issues of shares to persons who issue depository receipts or to clearance services located anywhere in the world should not be subject to a 1.5 per cent. charge to SDRT under section 93 of the Finance Act 1986. HMRC have confirmed that they will not seek to impose SDRT on issues of UK shares and securities to such entities anywhere in the world.

**Any person who is in any doubt as to his or her tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should consult his or her own professional adviser.**

## **14 Transparency, Squeeze-Out and Sell Out Rules**

### *14.1 Transparency Rules*

As a UK incorporated company with its shares admitted to trading on AIM, the Company and its shareholders will be subject to Chapter 5 of the Disclosure and Transparency Rules of the UK Financial Conduct Authority.

### *14.2 Squeeze out*

Under the Act, if a person who has made a general offer to acquire Ordinary Shares (the “offeror”) were to acquire, or contract to acquire, 90 per cent. in value of the Ordinary Shares which are the subject of such offer and 90 per cent. of the voting rights carried by those shares, the offeror could then compulsorily acquire the remaining 10 per cent. The offeror would do so by sending a notice to outstanding Shareholders before the end of the three month period beginning on the day after the last day on which the offer can be accepted. The notice must be made in the prescribed manner. Six weeks later, the offeror would send a copy of the notice to the Company together with an instrument of transfer executed in respect of the outstanding Ordinary Shares on behalf of the holder in favour of the offeror and pay the consideration for those Ordinary Shares. The Company would hold the consideration on trust for outstanding shareholders. The consideration offered to those shareholders whose Ordinary Shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the general offer.

### *14.3 Sell-out rules*

The Act gives minority shareholders a right to be bought out in certain circumstances by a person who has made a general offer. If, at any time before the end of the period within which the general offer can be accepted, the offeror holds, or has agreed to acquire, not less than 90 per cent. in value of the Ordinary Shares and those shares carry not less than 90 per cent. of the voting rights in the Company, any holder of Ordinary Shares to which the general offer relates who has not accepted the general offer can, by a written communication to the offeror, require it to acquire that holder’s Ordinary Shares. The offeror is required to give each Shareholder notice of his right to be bought out within one month of that right arising. The rights of minority shareholders to be bought out are not exercisable after the period of three months after the end of the acceptance period or a later date specified in the notice given by the offeror. If a Shareholder exercises his rights, the offeror is entitled and bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

## **15 General**

15.1 The accounting reference date of the Company is 30 June and of Progility is 30 June.

15.2 Grant Thornton UK LLP has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports in the form and context in which they appear and accepts responsibility for them. The reports from Grant Thornton UK LLP are dated the same date as this document. Grant Thornton UK LLP is a member firm of the Institute of Chartered Accountants in England and Wales.

15.3 SPARK has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context which it appears.

15.4 There are no arrangements in force for the waiver of future dividends. There are no specified dates on which entitlement to dividends or interest thereon on Ordinary Shares arises.

15.5 The total costs and expenses relating to the Proposals (including those fees and commissions referred to in paragraph 9 above) payable by the Company are estimated to amount to approximately £400,000 (excluding VAT).

- 15.6 No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Enlarged Group within the 12 months preceding the date of this document or has entered into any contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Enlarged Group on or after Admission fees totalling £10,000 or more or securities in the Enlarged Group having a value of £10,000 or more calculated by reference to the expected opening price or any other benefit with a value of £10,000 or more at the date of Admission.
- 15.7 The financial information contained in this document does not constitute statutory accounts of the Company within the meaning of Section 434 (3) of the Act.
- 15.8 Save as disclosed in this document, there has been no significant or material change in the financial or trading position of the Group since 30 June 2013, the date to which the last audited financial information on the Group has been published. There has been no significant change in the financial or trading position of Progility since 30 June 2013, the date to which the last audited financial information on Progility has been published.
- 15.9 Save as disclosed in this document, as far as the Directors are aware there are no known trends, uncertainties, demands, commitments or events that are reasonably expected to have a material effect on the Enlarged Group's prospects for at least the current financial year.
- 15.10 As far as the Directors are aware, there are no environmental issues that may affect the Enlarged Group's utilisation of its tangible fixed assets.
- 15.11 Save as disclosed in this document, as regards the Company's three previous financial reporting periods the Company has had no principal investments and there are no principal investments in progress and there are no principal future investments on which the Directors have made a firm commitment.
- 15.12 Where information has been sourced from a third party this information has been accurately reproduced. So far as the Company, the Directors are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 15.13 Save as disclosed in this document, there are no patents, intellectual property rights, licences or any industrial, commercial or financial contracts which are or may be material to the business or profitability of the Enlarged Group.
- 15.14 Save as disclosed in this document, there are no service contracts with members of the administrative, management or supervisory bodies of the Company or any of its subsidiaries providing for benefits upon termination of employment.
- 15.15 Saffrey Champness, Chartered Accountants of Lion House, Red Lion Street, London, WC1R 4GB were the Company's auditors for the years ended 31 March 2011 and 2012.

## **16 Documents Available For Inspection**

Copies of the following documents may be inspected at the offices of SPARK Advisory Partners Limited 33 Glasshouse Street, London W1B 5DG, during the usual business hours on any weekday (Saturdays and public holidays excepted) and have been published on [www.ilxgroup.com](http://www.ilxgroup.com) from the date of this document until one month from the date of Admission:

- 16.1 the articles of association of the Company;
- 16.2 the constitution of Progility;
- 16.3 the audited financial statements of the Company for the year ended 31 March 2012 and the fifteen month period ended 30 June 2013;
- 16.4 the audited financial statements of Progility for the two years ended 30 June 2012 and 30 June 2013;

- 16.5 the service contracts and letters of appointment referred to in paragraph 6 of this Part VII;
- 16.6 the irrevocable undertakings to vote in favour of the Resolutions;
- 16.7 the material contracts referred to in paragraph 9 above; and
- 16.8 the written consents referred to in paragraph 15 above.

Dated 10 September 2013

**Copies of this document are available to the public, free of charge, at the registered office of the Company and at the offices of SPARK Advisory Partners Limited 33 Glasshouse Street, London W1B 5DG (020 3368 3551) during normal business hours on any weekday (Saturdays and public holidays excepted) for a period of one month from the date of Admission. Copies of this document will also be available from the Company's website [www.ilxgroup.com](http://www.ilxgroup.com) from the date of this document.**

## PART VIII

### DEFINITIONS AND GLOSSARY

The following words and expressions shall have the following meanings in this document unless the context otherwise requires:

<b>“Act”</b>	the UK Companies Act 2006 (as amended)
<b>“Acquisition”</b>	the proposed acquisition by the Company of the entire issued share capital of Progility pursuant to the Acquisition Agreement,
<b>“Acquisition Agreement”</b>	the conditional agreement dated 10 September 2013 between (1) the Sellers and (2) ILX, further details of which are set out in paragraph 9.1.8 of Part VII of this document
<b>“Admission”</b>	admission of the Enlarged Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules
<b>“AIM”</b>	AIM, a market operated by the London Stock Exchange
<b>“AIM Rules”</b>	the AIM Rules for Companies published by the London Stock Exchange governing admission to, and the operation of, AIM as amended from time to time
<b>“Articles” or “Articles of Association”</b>	the articles of association of the Company a summary of which is set out in paragraph 4.2 of Part VII of this document
<b>“A\$”</b>	Australian dollars, the lawful currency of Australia
<b>“Board” or “Directors”</b>	the directors of the Company, or a duly authorised committee thereof, whose names appear on page 3 of this document
<b>“Business Days”</b>	any day (excluding Saturdays, Sundays or public holidays) on which banks are open in London for normal banking business and the London Stock Exchange is open for trading
<b>“Cameron Investment Trust”</b>	a discretionary trust of which Craig Cameron is a beneficiary
<b>“Capita Registrars”</b>	a trading name of Capita Registrars Limited
<b>“City Code”, “Code” or “Takeover Code”</b>	the City Code on Takeovers and Mergers
<b>“Cloud”</b>	application software service provisioning hosted at a remote location
<b>“Commander Communications”</b>	Commander Communications Limited
<b>“Comms Aust”</b>	Comms Aust Pty Limited, a company registered in Victoria with ACN 138 362 400
<b>“Company” or “ILX”</b>	ILX Group plc, a public limited company registered in England and Wales under registered number 03525870

<b>“Concert Party”</b>	those persons described in Part VI of this document
<b>“Consideration Shares”</b>	the 159,733,504 New Ordinary Shares to be issued to the Sellers as consideration for the Acquisition pursuant to the Acquisition Agreement
<b>“Convertible Loan Notes”</b>	£400,000 principal of unsecured convertible loan notes issued by the Company pursuant to an instrument dated 17 December 2012 further details of which are set out at paragraph 9.1.3 of Part VII of this document
<b>“CREST”</b>	the electronic settlement system operated by Euroclear
<b>“CREST Manual”</b>	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms)
<b>“CREST member”</b>	a person who has been admitted by CREST as a system-member (as defined in the CREST Manual)
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
<b>“CREST Sponsor”</b>	a CREST participant admitted to CREST as a CREST sponsor a CREST member admitted to CREST as a sponsored member
<b>“DNY Investments Limited”</b>	a company incorporated in Guernsey and held by Praxis Trustees as an asset within the DNY Trust
<b>“DNY Trust”</b>	a family trust of which Praxis Trustees are the trustee and Wayne Bos is a discretionary beneficiary
<b>“DTR” or “Disclosure and Transparency Rules”</b>	the Disclosure and Transparency Rules (in accordance with section 73A(3) of FSMA) being the rules published by the Financial Conduct Authority from time-to-time relating to the disclosure of information in respect of financial instruments which have been admitted to trading on a regulated market or for which a request for admission to trading on such a market has been made
<b>“Enlarged Group”</b>	the Company as enlarged by the Acquisition, to include Progility and its subsidiaries
<b>“Enlarged Share Capital”</b>	the ordinary share capital of the Company following Admission and the completion of the Acquisition
<b>“Existing Ordinary Shares”</b>	the 39,933,376 Ordinary Shares in issue at the date of this document
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, a company registered in England and Wales with registered number 2878738, the operator (as defined in the CREST Regulations) of the system for trading shares in uncertificated form known as CREST



<b>“Form of Proxy”</b>	the blue form of proxy sent to holders of Existing Ordinary Shares enclosed with this document for use by Shareholders in connection with the General Meeting
<b>“FSMA”</b>	the Financial Services and Markets Act 2000
<b>“General Meeting”</b>	the general meeting of the Company, to be held at 2nd Floor, Strand House, 138-142 The Strand, London WC2R 1HH on 3 October 2013 at 10.30 a.m. and any adjournment thereof to be held for the purpose of considering and, if thought fit, passing the Resolutions
<b>“Group”</b>	the Company and its subsidiaries at the date of this document
<b>“HMRC”</b>	HM Revenue & Customs
<b>“ILX Consulting”</b>	ILX Consulting Pty Limited
<b>“Independent Directors”</b>	John McIntosh, Donald Stewart and Paul Lever
<b>“Irrevocable Undertaking”</b>	the undertaking by Paul Lever to vote in favour of the Resolutions
<b>“Issue Price”</b>	10p per Consideration Share
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Mmilt”</b>	Mmilt Pty Limited, trustee of the Vecchio Family Trust
<b>“Money Laundering Regulations”</b>	the Money Laundering Regulations 2007 (SI 2007/2 157)
<b>“MSP”</b>	Managing Successful Programmes a methodology for managing a specific set of projects
<b>“New Ordinary Shares”</b>	199,666,880 new ordinary shares of 10p each in the capital of the Company
<b>“Noteholders”</b>	the holders of the Convertible Loan Notes
<b>“Notice”</b>	the notice convening the General Meeting, which is set out at the end of this document
<b>“Obrar”</b>	Obrar Limited
<b>“Options” or “Share Options”</b>	options to subscribe for New Ordinary Shares under the Share Option Scheme
<b>“Ordinary Shares”</b>	ordinary shares of 10p each in the capital of the Company
<b>“Praxis Group”</b>	the Praxis Group of companies including Praxis Asset Management Limited, Praxis Fiduciaries Limited, Praxis Fund Services Limited, Praxis Pensions and Benefits Limited, Fundamental Asset Management Limited, PraxisFiduciaries (Switzerland) SA, Praxis Luxembourg SA and Praxis Fund Services (Malta) Limited
<b>“Praxis” or “Praxis Trustees”</b>	Praxis Trustees Limited of Sarnia House, Le Truchot, St Peter Port, Guernsey, GY1 4NA, as trustee of the DNY Trust

<b>“PRINCE2”</b>	a process-based methodology for effective project management used extensively by the UK Government and widely recognised in the private sector, both in the UK and internationally
<b>“Progility”</b>	Progility Pty Ltd (formerly known as Communications Australia Pty Ltd), a company registered in Victoria with ACN 131 639 837
<b>“Proposals”</b>	means (a) the Acquisition; (b) the Waiver; (c) the change of name; and (d) Admission
<b>“Resolutions”</b>	the resolutions set out in the Notice
<b>“Restricted Jurisdiction(s)”</b>	each of Australia, Canada, Japan, New Zealand, The Republic of South Africa and the United States
<b>“Sellers”</b>	Praxis Trustees, Mmilt Pty Ltd and the Cameron Investment Trust (further details of whom are set out in Part VI of this document)
<b>“Shareholders”</b>	holders of Ordinary Shares
<b>“Share Option Scheme”</b>	the Company’s existing share option scheme, a summary of which is set out in paragraph 8.1 of Part VII of this document
<b>“SPARK”</b>	SPARK Advisory Partners Limited, the Company’s financial and nominated adviser
<b>“Takeover Panel”</b>	the Panel on Takeovers and Mergers
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“UKLA”</b>	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes Part VI of FSMA
<b>“uncertificated” or “in uncertificated form”</b>	an Ordinary Share recorded on the Company’s register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>“Nominated Adviser Agreement”</b>	the conditional agreement dated 3 June 2013, between (1) SPARK, (2) the Company relating to the Acquisition and Admission, details of which are set out in paragraph 9.1.7 of Part VII of this document
<b>“US” or “United States”</b>	the United States of America
<b>“USE instruction”</b>	has the meaning given in the CREST Manual
<b>“Vecchio Family Trust”</b>	a discretionary trust of which Mario Vecchio is a beneficiary
<b>“VOIP”</b>	a methodology and group of technologies for the delivery of voice communications over Internet Protocol (IP) networks

**“Waiver” or “Rule 9 Waiver”**

the consent of the Takeover Panel to waive any obligations on members of the Concert Party to make a mandatory offer to Shareholders for the Ordinary Shares not owned by members of the Concert Party upon completion of the Proposals which would otherwise arise under Rule 9 of the Takeover Code as a result of the issue of the Consideration Shares to members of the Concert Party in connection with the Acquisition

**“Warrants”**

warrants to subscribe for up to 400,000 Ordinary Shares issued by the Company pursuant to an instrument dated 17 December 2012 further details of which are set out at paragraph 9.1.4 of Part VII of this document

**“Whitewash Resolution”**

Resolution 2 in the Notice

In this document references to time are to London time.

Words importing the singular shall include the plural and vice versa, and words importing the masculine shall include the feminine or neutral gender.

## NOTICE OF GENERAL MEETING

# ILX GROUP PLC

*(Incorporated and registered in England and Wales with registered number 03525870)*

**NOTICE IS HEREBY GIVEN** that a General Meeting of ILX Group plc (“the Company”) will be held at 2nd Floor, Strand Bridge House, 138-142 The Strand, London WC2R 1HH at 10.30 a.m. on 3 October 2013 for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 3 will be proposed as ordinary resolutions, of which resolution 2 will be taken on a poll of Shareholders (all of whom are independent of the Concert Party) and resolutions 4 and 5 as special resolutions:

### Ordinary Resolutions

1. **THAT**, subject to the passing of resolutions 2, 3 and 5, the acquisition (“the Acquisition”) by the Company of the entire issued share capital of Progility Pty. Ltd. on the terms and subject to the conditions set out in the agreement dated 10 September 2013 (“the Acquisition Agreement”) between (a) Praxis Trustees Limited as trustee for the DNY Trust; (b) Craig Cameron as trustee for Cameron Investment Trust; (c) Mmilt Pty Ltd as trustee for Vecchio Family Trust; and (d) the Company and related documentation to be entered into pursuant to the Acquisition Agreement as summarised in the admission document published by the Company on 10 September 2013 (the “Admission Document”), be and is hereby approved with such minor amendments as the Directors may approve, and the Directors or any duly authorised committee of the Directors be and are hereby authorised to take all steps necessary or desirable to complete the Acquisition.
2. **THAT**, subject to the passing of resolutions 1, 3 and 5, the waiver granted by the Panel on Takeovers and Mergers of the requirement under Rule 9 of the City Code on Takeovers and Mergers that would otherwise arise on the Concert Party to make a general offer to shareholders of the Company as a result of the allotment and issue of the Consideration Shares (as defined below) in the Company to the Concert Party pursuant to the Acquisition Agreement, representing approximately 80 per cent. of the enlarged issued share capital of the Company following such issue of Consideration Shares, as described in the Admission Document of which this notice forms part, be and is hereby approved.
3. **THAT**, subject to and conditionally upon the passing of resolutions 1, 2 and 5, in substitution for any existing and unexercised authorities, the Directors be and they are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (as amended) (“the Act”) to exercise all the powers of the Company to allot relevant securities, within the meaning of section 560(1) of the Act, up to the amount of £19,473,350.40 provided this authority shall be limited to the allotment of:
  - (a) 159,733,504 new Ordinary Shares with a nominal value of £15,973,350.40 pursuant to the Acquisition Agreement (the “Consideration Shares”);

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and
  - (b) in any other case, up to an aggregate nominal amount of £3,500,000.

The authorities conferred by this resolution shall expire at the conclusion of the next annual general meeting of the Company (unless previously renewed, varied or revoked by the Company in general meeting), provided that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred hereby has expired (and in this Resolution the expression “relevant securities” and

reference to the allotment of relevant securities shall bear the same respective meanings as in section 560 of the Act). This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

### **Special Resolutions**

4. **THAT**, the name of the Company be changed to Progility plc.
5. **THAT**, subject to and conditionally upon the passing of resolutions 1 to 3, in substitution for any existing and unexercised authorities, the Directors be and they are hereby empowered pursuant to section 570 of the Act to allot equity securities wholly for cash, within the meaning of section 560(1) of the Act, pursuant to the authority conferred by resolution 3 above or by way of a sale of treasury shares as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
  - (i) the allotment of the Consideration Shares pursuant to the terms of the Acquisition Agreement;
  - (ii) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of Ordinary Shares in the Company on the register of members at such record dates as the Directors may determine and other persons entitled to participate therein where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares in the Company held or deemed to be held by them on any such record dates (which shall include the allotment of equity securities to any underwriter in respect of such issue or offer), subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and
  - (iii) the allotment of equity securities (otherwise than in sub-paragraphs (i) and/or (ii) above) to any person or persons up to an aggregate nominal amount of £998,334,

provided that the authorities conferred by this resolution shall expire at the conclusion of the next annual general meeting of the Company (unless previously renewed, varied or revoked by the Company), save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred hereby has expired. This resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if section 561(1) of the CA 2006 did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

### **BY ORDER OF THE BOARD**

Registered Office  
2nd Floor, Strand Bridge House  
138-142 The Strand, London  
WC2R 1HH

John McIntosh  
*Company Secretary*  
10 September 2013

Notes:

#### **Entitlement to attend and vote**

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at:
  - 5.00 pm on 2 October 2013; or,
  - if this general meeting is adjourned, at 6.00 pm on the day two days prior to the adjourned meeting,shall be entitled to attend and vote at the general meeting.

#### **Poll**

2. Resolution 2 will be taken on a poll of independent shareholders in accordance with the requirements of the Panel on Takeovers and Mergers.

#### **Appointment of proxies**

3. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
4. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form or via CREST are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
5. If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

#### **Appointment of proxy using hard copy proxy form**

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to Capita Registrars at PXS, 34 Beckenham Road, Beckenham BR3 4TU; and
- received by Capita Registrars no later than 10.30 a.m. on 1 October 2013.

by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

#### **Appointment of proxy via CREST**

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (formerly CRESTCo's) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must in order to be valid, be transmitted so as to be received by Capita Registrars (ID RA 10) by no later than 10.30 a.m. on 1 October 2013. No such message received through the CREST network after this time will be accepted. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

#### **Appointment of proxy by joint members**

8. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

#### **Changing proxy instructions**

9. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars on 0871 664 0300. Calls cost 10p per minute plus network extras.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

#### **Termination of proxy appointments**

10. In order to revoke a proxy instruction (other than a CREST Proxy Instruction) you will need to inform Capita Registrars by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to PXS, 34 Beckenham Road, Beckenham BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. Revocation of a CREST Proxy Instruction should be made in accordance with the CREST Manual.

The revocation notice must be received by Capita Registrars no later than 10.30 a.m. on 1 October 2013.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

#### **Corporate Representatives**

11. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the Meeting so that:
- (i) if a corporate member has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all the other corporate representatives for that member at the meeting, then, on a poll, those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
  - (ii) if more than one corporate representative for the same corporate member attends the Meeting but the corporate member has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives, available from [www.icsa.org.uk](http://www.icsa.org.uk), for further details of this procedure. The guidance includes a sample form of representation letter to appoint the Chairman as a corporate representative as described in (i) above.

#### **Communication**

12. Except as provided above, members who have general queries about the meeting should contact Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network extras). No other methods of communication will be accepted.

You may not use any electronic address provided either:

- in this notice of annual general meeting; or
- any related documents (including the proxy form),

to communicate with the Company for any purposes other than those expressly stated.

### **Share Capital Structure**

13. As at 5.00 pm on the date immediately prior to the date of posting of this Notice, the Company's authorised share capital comprised 39,993,376 Ordinary Shares. The total number of voting rights in the Company as at 5.00 p.m. on the date immediately prior to posting of this Notice is 39,993,376.





