Progility plc

("Progility" or "the Company" or "the Group")

Final Results

Progility plc (AIM: PGY) is the holding company of a systems integration and project management services group which has been created to provide a range of project management services including innovative and market leading technology solutions.

Chairman's Statement

I am pleased to present Progility's results for the twelve months to 30 June 2015. The results show a business making significant progress in its growth ambitions over the last twelve months through further acquisitions; of a unified communications business in India, strikingly similar in scope and magnitude to that which we already owned in Australia; of an operating theatre fit-out business in the UK and of a UK training and apprenticeship business. We have also made significant steps in improving our existing businesses.

Shortly after the start of our financial year, on 14 July 2014, we acquired Starkstrom Group Limited, a project services company in the healthcare sector, currently focused on providing, equipping and servicing operating theatres within hospitals. Two further acquisitions followed at the end of the calendar year, 2014. On 30 December 2014, the Group completed the acquisition of the Indian business of the Unify Group, the communications joint venture between Siemens AG and US private equity firm, Gores Group. On 5 January 2015, the Group then completed the acquisition of a training and development services business, Woodspeen Training Limited, providing apprenticeships and skills development with the help of public funding. In May 2015 we registered a new company in Dubai that will promote and sell the Starkstrom's Healthcare products into and beyond the region.

Our strategic objective is to stabilise and develop the Group's project management services, particularly in technology, training and consulting solutions, where the Board believes we can generate above average returns. Progility currently represents a platform upon which we are establishing a portfolio of project services businesses, with the ability to service our international client base and provide an integrated offering to address our clients' needs. Corporate activity of this sort continues and we are constantly looking for opportunities to acquire complementary businesses or businesses which provide an established presence in new industry verticals where the Group's skills and services can be profitably applied. In total, over the last twelve months, the aggregate value of these transactions amounted to over £11m.

Financial Performance
As we embark upon the next phase of our growth, and with the appointment of our new CFO and a change of auditors, we have taken the view that it is both necessary and prudent to review a number of our accounting practices. We have therefore, reviewed our application of our revenue recognition policy on the sale of on-line training materials, recognising on-line training over the period of the contract. We have also taken a more stringent view of the recoverability of deferred tax assets, resulting in the write-down of such an asset in our Australian business. These items are accounted for as prior year adjustments. These are explained as appropriate in the notes.
Overall our business generated a profit before tax of £0.51 million (2014: £0.43 million), after taking into account a bargain gain, arising from the acquisition of the Indian business, of £3.23 million, on turnover generated of some £60.06 million (2014: £39.54 million). The growth in turnover arose very largely from the three acquisitions executed during the year, the full year effects of which will of course be seen in the current year.

The board's objective remains to grow the group's business, reinvesting such funds as are generated to implement its stated strategy.

The board will not therefore be proposing the payment of a dividend.

Business operations

The business now comprises operations in Australasia, India, the United Kingdom and the Middle East. Australia has had a difficult year, driven largely by the very disappointing circumstances of the mining industry there and around the world, as the strong engine of Chinese growth has slowed. That factor in turn has further weakened the Australian dollar, thus exacerbating an already difficult situation. The general level of business confidence in Australia has affected our other communications business there as the readiness to commit to such investment has slowed lately. The training businesses in Australia and New Zealand continue nonetheless to trade profitably, generating interest and providing customers with globally recognised qualifications in project management. Our early experience in India has been encouraging, with the strong management team acquired with the business providing a degree of confidence that the inevitable challenges of trading in a competitive Indian market are under control. Cash generation there continues strongly and the compelling nature of our offering is proving a real asset. India and Australasia together combine to form our Southern segment.

The ILX training business in the UK, after some years of turnover decline, has recently secured the services of a highly competent Managing Director whose early impact on the business has been positive. We are confident that the upgrading of that business now underway will pay dividends in the near term. The UAE-based ILX training business continued to make progress. Woodspeen, which had been part of the group in the UK for six months at the period end, saw some growth and the recent appointment of an interim MD has been necessary to take the business to the next level. The Starkstrom acquisition has given the group greater exposure to the exciting world of healthcare and the business has continued profitably to grow, particularly in the area of its service business. The opportunity with our geographic stretch to grow that business outside of its home market has been eagerly grasped with the appointment of a Dubai-based Managing Director. The UK Recruitment businesses have enjoyed a good year, with some modest growth and Consulting in the UK has been a little disappointing as the very competitive tenders in that business have constrained our ability fully to recover our costs. These businesses as a whole in the UK and Middle East comprise the Northern segment.

Management and the Board

During the year we saw a number of changes to the board. In early March, we said goodbye to one of our Non-executive directors, Paul Lever, whose sage advice had been available to the board for over twelve years. At the end of March, John McIntosh, our CFO resigned, after two and a half years, to pursue other interests. After the year end, at the end of July, Donald Stewart left the company, some three years after joining Progility, to develop his professional practice. I should like to take this opportunity to thank them each for their considerable contributions and to wish them well in their future endeavours. At the time of John's resignation, we appointed Hugh Cawley as our CFO and we welcome his contribution to the board in its deliberations.

Alongside these changes, we have made some significant additions to the management capability of the senior teams, as well as, of course, inheriting further skills and experience from the acquisitions we have made. We are now well placed, in terms of a mix of skills and abilities, to take advantage of the opportunities that are already apparent from ownership of a diverse portfolio of businesses.

Prospects

We believe there remains a significant opportunity to leverage our strong international customer base. The combination, for instance, of our strengths in supplying apprenticeships, training, recruitment and consulting holds some exciting prospects for helping our clients in a variety of ways.

We shall of course continue to look at opportunities to acquire other suitable businesses which are capable of delivering profitable growth to the existing platform and indeed to extend that platform still further.

Wayne Bos
Executive Chairman

Financial Review

Operating performance

The Group delivered revenues of £60.06 million (2014: £39.54 million), growth of 51.9%. All of this growth was derived from the acquisitions in the year, as the pre-existing business experienced some modest falling away of turnover, most particularly in the Australian business. Gross margins increased to 38.3% (2014: 36.0%). Operating profit after excluding highlighted items fell to £0.2 million (2014: 3.0 million).

Highlighted items include acquisition related costs of £0.45 million (2014: £1.07 million), an impairment charge of £0.23 million (2014: £0.56 million) and a bargain gain on acquisition, from the Indian deal, of £3.23 million (2014: £nil).

	Before highlighted items 30.6.2015 £'000	Acquisitions in the period £'000	Underlying result for the period 30.6.2015 £'000	Result for the year ended 30.6.2014 Restated £'000
Revenue	60,056	25,282	34,774	39,539
Operating profit	185	1,658	(1,473)	3,044

Finance costs
The Group incurred net finance costs of £2.23 million (2014: £0.98 million) during the reporting period. The year on year increase reflects most particularly the increased levels of debt associated with the acquisitions made during the year.

Taxation
The tax expense for the year was £0.02 million (2014: £0.24 million), reflecting inter alia the non-taxable nature of the bargain gain on the Indian acquisition.

Profit for the period and earnings per share
The profit attributable to equity shareholders was £0.49 million (2014: £0.19 million). Earnings per share were 0.24 pence basic and diluted (2014: 0.09 pence).

Going concern
The Group has prepared its accounts on a going concern basis based on current forecasts for the period through to November 2016. While the Group currently has slightly negative net current assets, the Board believes that it can meet its day-to-day working capital requirements from operating cash flows and its existing facilities. The Company's largest shareholder, Praxis Trustees Limited, as trustee of the DNY Trust, announced its intention, on 7 July 2014, to support Progility by making up to £30 million available on commercial terms. This facility retains significant capacity.

Cash flow, net debt and facilities

Cash flow
Cash generated from operating activities was £1.31 million (2014: £0.45 million). The Group generates operating cash flow from its product sales, maintenance contracts and from advance payments from customers.

The Group paid £0.44 million in income tax during the period of reporting (2014: £0.01 million received).

The Group continues to invest in its staff development, its product range and also incurred capital expenditure in the period relating to updates of intellectual property assets, product development and its internal systems and equipment to improve operating efficiency.

Net debt and facilities
At the balance sheet date the Group's debt comprised loans and overdrafts due within one year of £3.29 million (2014: £3.70 million) and £14.84 million (2014: £4.58 million) falling due in over one year. Of these amounts a total of £15.20 million represents shareholder loans made up of £0.36 million of convertible loan notes and £14.84 million of other notes.

Of the bank facilities drawn at the balance sheet date, the fixed term loan of £0.6 million is expected to be repaid in full within the next seven months with £0.2 million having already been paid since the balance sheet date. At the balance sheet date £0.2 million of the overdraft facility remained undrawn.

Net debt at the year end, defined as all bank and third party debt, less cash at bank, excluding shareholder loans was an asset of £0.6 million (2014: liability £1.6 million). This comprised: £3.5 million in cash balances, less £0.8 million in bank facilities drawn, invoice discounting facilities of £1.2 million and other third party loans of £1.0 million.

Dividend

As noted above, it is the Board's objective to invest to grow the Group's business. That ambition, together with a lack of distributable reserves militates against the payment of a dividend for the period ended 30 June 2015. As the Board intends that income generated by the Group will generally be re-invested to implement the Group's growth strategy this is likely to remain the position for the foreseeable future.

Post balance sheet events

There have been no post balance sheet events which would affect the overview of the Group provided by these statements.

On behalf of the Board

Hugh C L Cawley
CFO and Company Secretary

Consolidated Statement of Comprehensive Income for the Year ended 30 June 2015

	Before Highlighted items 30.6.2015	Highlighted items	Year ended 30.6.2015	Before Highlighted items 30.6.2014 Restated	Highlighted items Restated	Year ended 30.6.2014 Restated
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	60,056	-	60,056	39,539	-	39,539
Cost of sales	(37,078)	-	(37,078)	(25,299)	-	(25,299)
Gross profit	22,978	-	22,978	14,240	-	14,240
Administrative and distribution expenses	(22,793)	(447)	(23,240)	(11,196)	(1,072)	(12,268)
Other income	-	3,227	3,227	-	-	-
Other expenses	-	(229)	(229)	-	(562)	(562)
Operating profit	185	2,551	2,736	3,044	(1,634)	1,410
Finance income	65	-	65	-	-	-
Finance costs	(2,296)	-	(2,296)	(984)	-	(984)
Profit before tax	(2,046)	2,551	505	2,060	(1,634)	426
Tax expense	(64)	46	(18)	(241)	-	(241)
Profit for the year attributable to equity shareholders	(2,110)	2,597	487	1,819	(1,634)	185
Items that may be reclassified to profit or loss						
Currency translation differences on foreign operations			(287)			42
Other comprehensive income, net of tax			(287)			42
Total comprehensive income			200			227

Earnings per share

Basic	0.24p	0.09p
Diluted	0.24p	0.09p

Consolidated statement of Financial Position for the Year ended 30 June 2015

	As at 30.6.2015	As at 30.6.2014 Restated	As at 30.6.2013 Restated
Assets	**£'000**	**£'000**	**£'000**
Non-current assets			
Plant and equipment	1,449	861	986
Intangible assets	20,135	11,503	12,210
Deferred tax asset	888	277	442
Total non-current assets	22,472	12,641	13,638
Current assets			
Inventories	4,001	3,251	2,068
Trade and other receivables	16,554	7,813	8,177
Other current assets	2,107	428	451
Tax receivable	41	82	82
Cash and cash equivalents	3,538	1,798	1,916
Total current assets	26,241	13,372	12,694
Total assets	48,713	26,013	26,332
Current liabilities			
Trade and other payables	(19,889)	(12,727)	(13,271)
Deferred/contingent consideration	(2,041)	(30)	(307)
Provisions	(4,282)	(1,028)	(969)
Tax liabilities	(28)	(55)	(69)
Bank and shareholder loans	(3,288)	(3,699)	(3,127)
Total current liabilities	(29,528)	(17,539)	(17,743)
Non-current liabilities			
Contingent consideration	-	-	(289)
Shareholder loans	(14,837)	(4,575)	(4,611)
Deferred tax liability	(199)	(91)	(91)
Provisions	(90)	(37)	(57)
Total non-current liabilities	(15,126)	(4,703)	(5,048)
Total liabilities	(44,654)	(22,242)	(22,791)
Net assets	4,059	3,771	3,541
Equity			
Issued share capital	19,967	19,967	19,967
Share premium	114	114	114
Other reserve	75	75	75
Merger reserve	(14,854)	(14,854)	(14,854)
Own shares in trust	(2)	(50)	(50)
Share option reserve	43	16	152
Retained earnings	(953)	(1,453)	(1,777)
Foreign currency translation reserve	(331)	(44)	(86)
Total equity	4,059	3,771	3,541

Consolidated Cash Flow Statement

	Year ended 30.6.2015	Year ended 30.6.2014 Restated
	£'000	£'000
Operating profit	2,736	1,410
Adjustments for:		
Depreciation and amortisation	1,154	720
Loss on fixed asset disposal	86	52
Impairment of intangibles	229	562
Gain on bargain purchase	(3,227)	-
Share option charge	40	3
Revaluation of own shares held in trust	48	-
Movement in inventories	1,101	(1,359)
Movement in trade and other receivables	146	322
Movement in trade and other payables	(942)	(1,306)
Exchange difference on consolidation	(59)	46
Cash generated from operations	1,312	450
Income taxes (paid)/recovered	(439)	9
Net cash generated from operating activities	873	459
Investing activities		
Interest received	65	-
Purchases of property and equipment	(555)	(337)
Capitalised expenditure on product development	(52)	(126)
Acquisition of subsidiaries, net of cash acquired	(8,032)	(160)
Net cash used by investing activities	(8,574)	(623)
Financing activities		
Proceeds from borrowings	11,286	3,739
Repayment of borrowings	(1,235)	(3,682)
Interest costs paid	(408)	(216)
Net cash from financing activities	9,643	(159)
Net change in cash and cash equivalents	1,942	(323)
Cash and cash equivalents at start of year	1,533	1,916
Effect of foreign exchange rate differences	(125)	(60)
Cash and cash equivalents at end of year	3,350	1,533
Cash and cash equivalents comprise		
Cash in hand and at bank	3,538	1,798
Bank overdraft	(188)	(265)
	3,350	1,533

Statement of Changes in Equity for the year ended 30 June 2015

Group	Called up share capital £'000	Share premium account £'000	Other reserve £'000	Merger reserve £'000	Own shares in trust £'000	Share option reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total £'000
Balance at 30.6.2013	**19,967**	**114**	**75**	**(14,854)**	**(50)**	**152**	**(86)**	**1,709**	**7,027**
Adjustment to reflect prior year adjustment	-	-	-	-	-	-	-	(3,486)	(3,486)
Revised balance at 30.6.2013	19,967	114	75	(14,854)	(50)	152	(86)	(1,777)	3,541
Options granted	-	-	-	-	-	3	-	-	3
Options lapsed and waived	-	-	-	-	-	(139)	-	139	-
Transactions with owners	-	-	-	-	-	(136)	-	139	3
Profit for the year	-	-	-	-	-	-	-	185	185
Other comprehensive income:									
Foreign currency translation adjustment	-	-	-	-	-	-	42	-	42
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**42**	**185**	**227**
Balance at 30.6.2014	**19,967**	**114**	**75**	**(14,854)**	**(50)**	**16**	**(44)**	**(1,453)**	**3,771**
Options granted	-	-	-	-	-	40	-	-	40
Revaluation of own shares	-	-	-	-	48	-	-	-	48
Options lapsed and waived	-	-	-	-	-	(13)	-	13	-
Transactions with owners	**-**	**-**	**-**	**-**	**48**	**27**	**-**	**13**	**88**
Profit for the year	-	-	-	-	-	-	-	487	487
Other comprehensive income:									
Foreign currency translation adjustment	-	-	-	-	-	-	(287)	-	(287)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(287)**	**487**	**200**
Balance at 30.6.2015	**19,967**	**114**	**75**	**(14,854)**	**(2)**	**43**	**(331)**	**(953)**	**4,059**

Financial Information

The preliminary financial information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 but is derived from the audited accounts for the years ended 30 June 2015 and 30 June 2014.

Progility Plc (the "Company") is a public limited company incorporated in England and Wales and, together with its subsidiaries, forms the Progility group (the "Group"). These financial statements are presented in pounds sterling which is the Company's functional currency. All amounts have been rounded to the nearest thousand unless otherwise indicated.

The Group financial statements were authorised for issue by the Directors on 21 September 2015.

The Group financial statements consolidate those of the Company and its subsidiaries. The Company financial statements present information about the Company as a separate entity and not about its Group.

Both the Group financial statements and the Company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). In publishing the Company financial statements here together with the Group financial statements, the Company has taken advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

The statutory accounts for the year ended 30 June 2015 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. Statutory accounts for the year ended 30 June 2014 have been filed with the Registrar of Companies. The auditor's report on those 2014 accounts was unqualified.

Basis of preparation

The preparation of the Group accounts 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 financial statements. The key accounting estimates and assumptions are set out below. 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.

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 financial statements have been prepared on the historical cost basis as modified by financial assets and financial liabilities (including derivative financial instruments) at fair value.

Prior year restatements

The prior year comparatives in these financial statements have been restated to reflect the following:

1. Change to recognition of income from software licences

The Group previously recognised Revenue from software licences at the start of the licence term provided that delivery had occurred. Following a review of the method delivery of the products, it has been determined that the correct practice should be to recognise the revenue over the period of its availability to the user rather than immediately upon the sale.

The opening balance sheet and 2014 comparatives in these financial statements have been restated to reflect this change in revenue recognition. The opening balance at 30 June 2013 has been restated to include an increased deferred income creditor of £2,677,000 and an increased deferred tax asset of £179,000. During the year ended 30 June 2014 revenue has been restated upwards by £754,000 to reflect the impact of the revenue recognition policy, the tax charge for the period has also been restated by £171,000.

2. Recognition of deferred tax asset

A deferred tax asset previously recognised at 30 June 2013 in Progility Pty Ltd did not meet the Groups accounting policy for recoverability. Accordingly the deferred tax assets at 30 June 2013 has been adjusted and restated by £988,000. The tax charge for the year ended 30 June 2014 has also been restated by £81,000 so as not to recognise the tax loss in the year for the company.

3. Reclassification of costs

Certain costs including administrative and technical staff costs, marketing and IT costs which had previously classified as costs of sales have been reclassified as administrative and distribution expenses as it has been determined that this is the correct classification of these costs. The amount of this restatement in 2014 was £2,005,000, this has no impact on the reported results for the year.

Summary of restatements

The impact of the above restatements on previously reported amounts is summarised below:

	Net assets at 30.6.14	Profit for the year end 30.6.14	Net assets at 30.6.13
	£'000	£'000	£'000
Previously stated amounts	6,672	(358)	7,027
1 Recognition of software licence revenue	(1,917)	581	(2,498)
2 Deferred tax asset	(1,069)	(81)	(988)
3 Reclassification of costs	-	-	-
Foreign exchange difference	85	85	-
	3,771	227	3,541

Highlighted items

The Group incurred costs during the year which we have highlighted. These costs include transaction costs, restructuring costs and other strategic, non-cash items including impairment, bargain gain on acquisition and non-recurring acquisition expenses. This has resulted in the following charges, gains and intangibles impairment as follows:

	Year ended 30.6.2015	Year ended 30.6.2014 Restated
	£'000	£'000
Recurring		
Acquisition and merger costs *	447	1,072
Non-recurring		
Bargain gain on acquisition **	(3,227)	-
Impairment of intangibles ***	229	562
Total highlighted items	(2,551)	1,634

* Relates to the acquisitions of Starkstrom Group, Progility India and Woodspeen in the period ended 30.6.2015 (2014: acquisition of Sue Hill and Progility Pty Ltd)

** Relates to gain on the acquisition of Progility India.

*** Relates to the impairment of Obrar intangible assets.

Earnings per share

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

Potential ordinary shares arising under potential conversion of the convertible loan and share options outstanding are considered anti-dilutive for the year ended 30 June 2015 and the period ended 30 June 2014. At 30 June 2015, the 7.9 million outstanding share options were excluded from the dilution calculation as the exercise price of 10 pence was greater than the average price for the period in issue.

	Year ended 30.6.2015	Year ended 30.6.2014 Restated
	£'000	£'000
Profit for the year attributable to equity shareholders	487	185
Weighted average shares	199,666,880	199,666,880
Weighted average shares for diluted earnings per share	199,666,880	199,666,880
Basic earnings per share	0.24p	0.09p
Diluted earnings per share	0.24p	0.09p

Copies of the Annual Report and Accounts are to be posted to the Company's shareholders on 2 October 2015 and will be available, along with this announcement, on Progility's website at www.progility.com.

For further information, please contact:

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Group Description

Progility plc, the systems integrator and project management services firm has four divisions: Technology Solutions, Training, Consulting and Recruitment.

Technology Solutions

The technology solutions division comprises Progility Technologies in Australia and India and Starkstrom in the UK.

Progility Technologies 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, water and healthcare industries in Australia, on the healthcare, hospitality, financial services, public sector, manufacturing, education and IT sectors in India and on the mining industry globally.

The Australian business, which was merged with the Group in October 2013, is headquartered in Melbourne, Australia, and has offices in Sydney, Brisbane, Perth, Latrobe Valley, and Castlemaine. The Indian business joined the Group in December 2014, is headquartered in Mumbai and operates through a network of 21 offices throughout India.

Starkstrom is a UK-based project management services company specialising in manufacturing and supplying medical infrastructure equipment for operating theatres and intensive care units. Acquired in July 2014, Starkstrom is headquartered in north-west London and with a manufacturing and assembly facility in Leicester.

Training

The training division comprises ILX Group and Woodspeen Training. ILX provides a blend of on-line learning, games and simulations, traditional classroom training, practical workshops and coaching. ILX delivers training in the UK Cabinet Office's best management practice products, primarily in PRINCE2, MSP and ITIL. Woodspeen based in the UK provides apprenticeships and skill development with the help of public funding.

Consulting

The consulting division comprises Obrar in the UK, a consulting and project management services company, focused on multimedia contact centres, corporate technology infrastructure and associated operational change, with experience in delivering contact centre outsourcing on a global basis.

Recruitment

The recruitment division comprises TFPL, Sue Hill Recruitment and Progility Recruitment. TFPL is a recruitment, training and consulting business specialising in the knowledge, information and data management industries, acquired in July 2013. Sue Hill Recruitment, which was founded in 1997, is a specialist employment agency to the UK information, market research, insight and analysis sectors and was acquired in November 2013. Progility Recruitment Progility Recruitment launched in 2014 is a Business Change and Transformation specialist, complimenting ILX's project management training and consulting businesses.

Progility Finco is a wholly owned subsidiary of Progility which was incorporated as a special purpose vehicle in order to issue loan notes which would be admitted to the Official List of the Channel Islands Securities Exchange Authority to help meet the financing requirements of the Group.