

**Progility plc**

**ANNUAL REPORT 2015**

**Company No. 03525870**

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*Progility plc ("Progility") 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

21 September 2015

# Strategic Report

## Progility plc - Overview

Progility plc is a broad based project management services group. Our areas of expertise include technology solutions, consulting, training and recruitment services. Our goal is to become a first choice global project management service group for our clients, whether they plan to build operating theatres, for instance, or to train their staff professionally to manage a major project or to overhaul their internal communications. To achieve this we are growing our international business in two ways. First, organically, by building on the operations of the existing Group to increase our effective brand awareness, while developing the capabilities of our staff and our technology solutions. Secondly, through the acquisition of other established and complementary businesses. This approach enables us to broaden our reach beyond the existing sectors within which we work.

As regards our acquisition activity, we have shifted focus slightly of late towards fewer transactions with larger impact and potential. That is not to preclude further activity along similar lines, but rather that our efforts are more focused on the larger end of transaction size. We continue to aim to expand our presence in the markets we already service, but we will also look for value elsewhere, if there is a complementary client base. The current reporting period saw three corporate transactions and we will continue to look for good value businesses to which we can apply our skills. As the economy improves, vendors' price expectations tend to increase, and we will pursue opportunities only where we perceive the Group can achieve an acceptable return.

## Principal activity and business review

The principal activities of the Group during the period, as outlined above, remain technology solutions, consulting, training and recruitment services. These have extended during 2014/15 in terms of sectors and of geographic coverage, with the acquisition of Starkstrom and the Indian business, to include the healthcare sector.

## Corporate Management and segmental reporting

The Group's global headquarters remain in central London to suit the diverse needs of the various businesses within the Group. The London offices can accommodate sales presentations and client demonstrations for all of our businesses, as well as serving as a facility for training courses.

Our executive management team comprises highly capable managers within sales, finance and operations. The team has evolved largely out of the acquired/merged businesses, to become an effective operation, able to deliver across their respective geographical client base. Their combined experience covers both large and medium sized entities and includes: systems integration, consulting, business development, sales, classroom and e-learning, digital transformation, financial control and operating in a public company environment. Our executive directors are experienced in mergers and acquisitions, business integration and business improvement.

Our business continues to be managed through two geographical segments to maximize our ability to communicate and to deliver our full range of products and expertise to our clients' budget decision makers across the diverse territories and time zones in which we operate. These two segments reflect the management responsibility and accounting arrangements used to manage and report upon the performance of the business. The Group's chief operating decision maker remains the Executive Chairman who reviews and considers these reports at the formal board meetings.

## Northern operations

The founding unit of the Group, the Training business, operates under the ILX brand. ILX is a leading provider of training in best practice for programme, project and IT service management, including strategic programme and project management consulting solutions. ILX also develops bespoke training courses for large-scale IT migration and transformation projects. We operate the northern operations of this service from offices in the UK and Dubai, with partnerships extending into Europe and the US.

TFPL, Sue Hill and Progility Recruitment are our UK-based recruitment services brands. TFPL became part of the Group in July 2013 with Sue Hill joining in November 2013. Together they form a recruitment division which boasts a pool of quality assured candidates trained in project management services, including digital information management candidates. Progility Recruitment was established in January 2014 to offer specific project management recruitment services. Obrar is a consulting-led project management services company, with over 30 years' experience of delivering technology and people solutions in the UK and internationally. Obrar focuses on multimedia-driven contact centres, corporate technology infrastructure and associated operational change management. Woodspeen Training works with individuals and companies across a range of occupational areas, led by an experienced team of advisors and trainers, operating from seven locations across the UK, enhancing young people's skills helping them into work..

Starkstrom Group, the operating theatre and critical care business, delivers advanced medical equipment and is a leading provider of fully integrated solutions, with over 40 years' experience in the UK sector. Progility DMCC, operating in Dubai, will promote and sell the Starkstrom products within the region.

### **Southern operations**

Progility Technologies in Australia operates a communication systems integration business that designs, implements, trains and maintains technology solutions for medium and large enterprises. Its focus is on the transport, utilities, retail and healthcare industries in Australasia and on the mining industry globally. Progility Consulting and ILX training provide their services through this region. The business is headquartered in Melbourne, Australia, with five regional sales offices.

The client facing brands include:

- *Communications Australia*, focused on communication systems integration;
- *CA Bearcom*, Australia's largest distributor of two-way radio communications products;
- *Minerals & Energy Technologies*, which designs, implements and manages an array of integrated communications solutions for specific mining, energy and transport projects.
- *Progility Consulting*, an organisational improvement and project management consulting company, specialising in information technology, service and supply chain improvement and overall project and programme management; and
- *ILX Training* which provides ILX branded training and consulting primarily in Australia and New Zealand.

Progility Technologies Pvt. Ltd, formerly known as Unify Enterprise Communications Pvt provides unified communications and systems integration solutions across India and surrounding countries. Joining the Group in December 2014, the business has significant overlap of product offerings with Communications Australia whilst adding extensive service and maintenance capabilities, providing level 1, 2 and 3 support to its clients. With over 200 hospitals under contract and the rapid growth of the Indian market, the acquisition has generated a number of touchpoints throughout the Group. This business and the Australian businesses together comprise our Southern operations.

### **Developing our businesses' talent**

In order to develop the inherent capability of the businesses, we have created a structure which promotes talent, and allows rapid communication within our business. We look constantly for opportunities to strengthen the capability further, thus ensuring we have sufficient capacity to develop the business, and over the past year have enjoyed some success in securing appropriately qualified senior talent. The regional structure which we operate is a platform for our experienced executives to take the business forward. We shall continue to provide a rewarding and stimulating environment to make Progility a truly competitive force in the market place. Obtaining the best talent to strengthen capability will remain a challenge, particularly as the wider economy improves and intensifies competition for good people.

By strengthening our project management services capabilities and with a widened product technology portfolio, the Group will continue to:

- Expand our consultancy and technology solutions services actively in the UK and Europe, the Middle East, Africa, and Australasia applying our core skills to underpin this activity;
- Promote our skills in industries where we already provide products and services, particularly to the healthcare and communications sectors;
- Exploit our market leading position in the provision of project management training to build complementary offerings; and
- Provide recruitment services that complement our project management activities and help foster deeper relationships with our clients in other functions.

The Board believes that there is a significant opportunity to create value through building on its customer contacts, intellectual property and the further development of those assets. We believe that we have the capability to provide a wider range of project related services to our clients and that we can cross-sell opportunities in different areas to clients who have hitherto engaged with the Group in only a limited way. Additionally, as we have stated before, we will continue our search for new opportunities to develop the business and add companies which complement our skills and broaden our sector reach to our portfolio of brands, skills and geographies.

## Performance Management

### Highlights

- 51.9% growth in turnover year on year, driven by acquisitions in the period (2014/15 acquisitions added £25.28m)
- Profit before tax £0.51m (2014: £0.43m) after bargain gain on acquisition of £3.23m (2014: £nil)
- Prior year adjustments in respect of income recognition and deferred tax asset

### Revenue

**Northern operations** – The Group's Northern operations comprise operations in the UK and Ireland, the Middle East, the United States and Europe.

The Northern operations division includes the UK-domiciled businesses; the ILX group (the UK and United Arab Emirates training businesses), the recruitment businesses, (TFPL, Sue Hill and Progility Recruitment), Obrar Consulting, Starkstrom Group, and Woodspeen Training. Its segmental performance is shown below:

	<b>30.6.15</b>	<b>As reported Year ended 30.6.15</b>	<b>30.6.14</b>	<b>As reported Year ended 30.6.14</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	Revenue	Segment Profit	Revenue	Segment Profit
Northern operations revenue	28,793	2,805	13,926	3,256

During the period, the Northern segment's turnover increased wholly as a result of the acquisitions during the year. The decline in the ILX revenues in the UK, which has been a feature of the previous two years, continued. Actions have been taken recently to stem and reverse that decline, but the effects of that in the period under review were insufficient to offset the progress seen in the Recruitment business. The consulting business was less buoyant than expected as projects continued to be delayed before recovery was visible.

As indicated in our Interim statement, performance of the whole group tends to be second-half weighted.

**Southern operations** – The Group's Southern operations comprise operations in Australia, New Zealand and Asia (most particularly India). Both segments are encouraged to co-operate on large, sometimes global, accounts with key talent in the relevant field of expertise taking the lead role, though such cooperation remains embryonic at this stage.

The Southern operations grouping includes Progility Pty Ltd, ILX Group Pty Ltd, Progility Consulting Pty Ltd, all Australia domiciled, as well as ILX Group Limited in New Zealand, and Progility Technologies Pvt. Ltd in India.

	<b>30.6.15</b>	<b>As reported Year ended 30.6.15</b>	<b>30.6.14</b>	<b>As reported Year ended 30.6.14</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	Revenue	Segment Profit	Revenue	Segment Profit
Southern operations revenue	31,083	2,885	25,613	3,381

The Southern operations' revenue experienced reverses during the year, particularly amongst clients in the mining sector, where the reduction of activity in China and the economic downturn in Australia, with the resulting further decline in the value of the Australian dollar saw the existing operations lose some £3.8m of revenue. The increase of the segment's turnover arises from the acquisition in India of Unify's communications business.

The second-half weighting here is particularly marked here as a result of the acquisition of the Indian operations in December 2014.

## Central corporate costs

	<b>As reported</b>	<b>As reported</b>
	<b>Year ended</b>	<b>Year ended</b>
	<b>30.6.15</b>	<b>30.6.14</b>
	<b>£000</b>	<b>£000</b>
Central costs	(5,505)	(3,593)

Central costs comprise back office operations including property, legal, finance, IT, communications, HR and board costs, in both Melbourne and London. This year, we have highlighted fewer of our central costs as being once-off or unusual, on the basis that we expect some of these costs, around staff engaged on acquisition activity for instance, to be a regular feature of the group.

## Principal risks and uncertainties

The principal risks and uncertainties facing the group are as follows:

- Technological development – the risk of potential advances in technology making current products obsolete. This risk is mitigated by the Group’s continued investment in new technologies and the development of its existing product portfolio.
- Operational risk – the risks of failing to deliver, or providing inappropriate delivery of, our products, services or consultancy to customers or possibly recruiting inappropriately. These risks are mitigated by development reviews prior to delivery of products and services, the extensive experience of its consultants, the Group’s recruitment processes and its annual performance reviews.
- Information Security – Serious data breaches, external attacks and employee violation of company security policy. This risk is mitigated by the continuous independent review of our information security and the exercise of appropriate recruitment policies.
- Market Risk – geographic instability affecting business confidence which causes uncertainty for investment decisions and product delivery. This risk is mitigated by the Group’s continuous review of the markets in which it operates and by robust, advance investment appraisal..
- Personnel risks – losing the services of key managers and employees or delays in finding suitable replacements. This risk is mitigated by the Group’s recruitment policies and incentive programmes.
- Additional funding – the existing resources of the Group may prove insufficient to allow it to expand or exploit new business development opportunities. This risk is mitigated by the continued expression of financial support which the Group has from its largest shareholder.
- Foreign exchange – the risk of adverse currency movements against the Group. This risk is mitigated by the Group’s wide range of operations globally and the holding of appropriate funds in local currencies where the Group’s operations are based.
- Reliance on Government contracts – the risk that changes in the political environment in any of the geographies in which we operate, when such changes are clearly beyond our control, could lead, for instance, to loss of business or reduction of the associated margin. We seek to mitigate this risk through ensuring our product offerings are compelling and competitive.

The preparation of the Group accounts in conformity with IFRS requires management to make accounting 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 in the notes to the accounts. Such accounting 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.



## 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 (see note 11) 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).

	<b>Before highlighted items</b>	<b>Acquisitions in the</b>	<b>Underlying result</b>	<b>Result for the year</b>
	<b>30.6.2015</b>	<b>period</b>	<b>for the period</b>	<b>ended 30.6.2014</b>
	<b>£'000</b>	<b>£'000</b>	<b>30.6.2015</b>	<b>Restated</b>
			<b>£'000</b>	<b>£'000</b>
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 Cawley

21 September 2015

# Governance

## Board of Directors

### 1. Wayne Bos

#### *Executive Chairman and Interim Chief Executive Officer*

Wayne joined the Board on 21 August 2012 and he has over 20 years' experience managing and investing in businesses over a wide range of sectors, with particular expertise in the software and technology sector. For three years Wayne was Chief Executive of Sausage Software, an Australian public company. Under his leadership, Sausage grew from a single product company with 35 people and revenues of \$5 million, to an eBusiness solutions house with over 1500 people and revenues of more than \$150 million. Sausage Software, with subsidiaries in the UK, USA and Asia, became Australia's fastest growing company as it grew to a market capitalization of more than \$2 billion during the late 1990s and early 2000s. In 2000 Wayne worked closely with the management team of Uniqema, a division of Imperial Chemical Industries, to complete the acquisition of one of its business units which was subsequently successfully listed on the Australian Stock Exchange. In early 2006 Wayne became President and CEO of Natrol, a Nasdaq listed Nutraceutical company, (then traded at around US\$2.28 per share) which was sold in late 2007 to Plethico, an Indian public company, for US\$4.40 per share. In the private company market, Wayne was appointed Chairman of Ansett Aviation Training in 2004 as part of its rescue from the bankrupt Ansett Australia. After growing the business into the largest independent aviation training facility in the southern hemisphere, Ansett Aviation Training was successfully sold to a consortium led by an Australian private equity house in June 2012.

### 2. Hugh Cawley

#### *Chief Financial Officer*

Hugh joined the board towards the end of March 2015. A graduate of Chinese Studies, Hugh qualified as a Chartered Accountant over 35 years ago with what later became KPMG. After a number of years with Procter & Gamble and subsequently Imperial Chemical Industries PLC, he has since forged a career helping a variety of businesses, both listed and private to improve their performance, including the New Zealand Dairy Board, S Daniels plc, and Dawson Holdings PLC, where he was Chief Executive, seeing the business successfully through the most difficult period in its history to a trade sale for an immodest premium. His most recent role before Proglity was as CFO of office2office plc, where he helped the board realise its ambition to sell the business, to private equity. Hugh is also on the Advisory Board to the International Division of Leeds University Business School and an independent Non-executive director on the board of Petroceltic PLC.

### 3. John Caterer

#### *Independent Non-executive*

John was Managing Director, UK & Ireland, with Qualcomm, the Fortune 500 and Nasdaq listed wireless/mobile technology product developer, from 2005 until the summer of 2013. John joined Motorola's infrastructure division in 1990 when GSM was first being introduced in Europe. During 11 years at Motorola, John spent five years heading operations and new business activities in France/Benelux and then across Northern Europe latterly becoming business development director for Europe, Middle East and Africa. After leaving Motorola he held senior management roles with Juniper Networks and Kodiak Networks. Earlier in his career, John spent 15 years working in industrial plant engineering and contracting in Russia, Africa and the Far East. John is also a member, and immediate past Chairman, of the Prince's Trust Technology Leadership Group. John is a member of the Audit Committee and Chairman of the Remuneration Committee.

### 4. Michael Higgins

#### *Independent Non-executive*

Michael Higgins has over 25 years' experience of advising and working with public companies. Currently Michael is non-executive Chairman of Ebiquity plc, independent marketing performance specialists, senior independent director of Plant Health Care plc, a patented biological products provider and a non-executive director of Arria NLG plc, a software business. Michael is also Chairman of the Quoted Companies Alliance. After reading economics and politics at Cambridge, Michael qualified as an accountant at Price Waterhouse. Following international banking experience with Saudi International Bank he joined Charterhouse, the merchant bank, in 1984. Michael became a KPMG Partner from 1996 to 2006, remaining a senior adviser for a further five years. Michael is chairman of the Audit Committee and a member of the Remuneration Committee.

## Directors' Report for the year ended 30 June 2015

The Directors present their report and the financial statements for the year ended 30 June 2015.

### Principal activities and business review

A review of the principal activities and of trading and future developments is presented in the Chairman's Statement.

### Results and dividends

The results of the Group for the year are set out on page 21. As the group continues to invest in its growth, the existing negative reserves mean that no dividend can be declared.

### Principal shareholders

At the date of this report the Company has been notified of the following shareholdings in excess of 3% of the Company's issued share capital:

	Ordinary Shares of 10 pence each	Percentage
Praxis Trustees Limited*	129,294,195	64.75
Mmilt Pty Limited	31,300,597	15.68
Cameron Investment Trust	6,516,130	3.26

\*As trustee of the DNY Trust, a family trust of which Wayne Bos is a discretionary beneficiary, Praxis Trustees Limited holds 129,294,195 ordinary shares and, through DNY Investments Limited, a company which is an asset of the DNY Trust, has the right to subscribe for up to a further 8,000,000 ordinary shares by exercising the conversion rights attached to a convertible loan notes and warrants issued by the Company on 17 December 2012.

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review within the Strategic Report on pages 5 to 6. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 9 to 10. In addition, the notes to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group's banking facilities, which include an overdraft facility and a loan, are repayable on demand. The Group's forecasts and projections, taking account of reasonably foreseeable changes in trading performance, show that the Group should be able to operate within the level of its current facilities. Through discussions with its loan note holders and principal bankers and lenders, the Directors, after making enquiries, have concluded that they 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. Further information on Going Concern is included in the Notes to the Financial Statements on page 29.

The financial statements do not include the adjustments that would result if the Group or Company were unable to continue as a going concern.

### Employment policies

It is the policy of the Group to consider all applicants for employment on the basis of qualification for the specific job without regard to race, colour, religion, age, sex, sexual orientation, disability or national origin. This policy extends to all aspects of employment including recruitment, training, compensation, career development and promotion.

## Corporate social responsibility

The Group is developing a corporate responsibility programme that focuses on adding value to the communities and countries in which we operate, looking after our environment, ensuring quality and excellence for our customers and investing in our people.

## Directors and their interests

The present Directors are listed on page 11. The interests of the Directors in the share capital of the Company are as follows.

	Ordinary shares of 10 pence each		
	At 18.9.2015	At 30.6.2015	At 30.6.2014
W M Bos*	129,294,195	129,294,195	129,294,195
H C L Cawley	200,000	200,000	-
D J Stewart	430,547	430,547	-
J Caterer	12,500	12,500	-
M Higgins	-	-	-

\*As trustee of the DNY Trust, a family trust of which Wayne Bos is a discretionary beneficiary, Praxis Trustees Limited holds 129,294,195 ordinary shares and, through DNY Investments Limited, a company which is an asset of the DNY Trust, has the right to subscribe for up to a further 8,000,000 ordinary shares by exercising the conversion rights attached to a convertible loan notes and warrants issued by the Company on 17 December 2012.

In accordance with the articles of association Wayne Bos, being eligible, offers himself for re-election at the forthcoming Annual General Meeting. Hugh Cawley, having been initially appointed since the last AGM, offers himself for election.

## Directors' and officers' liability insurance

The Company has purchased insurance to cover its Directors and Officers against the costs of their defending themselves in any legal proceedings taken against them in that capacity and in respect of charges resulting from the unsuccessful defence of any proceedings.

## Auditors

KPMG LLP have been appointed as auditors of the Company. In accordance with S489 of the Companies Act 2006 a resolution proposing that KPMG LLP be reappointed as auditors to the Company will be put to the Annual General Meeting.

## Annual general meeting

The resolutions to be proposed at the Annual General Meeting will be communicated in due course.

This report was approved by the board on 21 September 2015.

On behalf of the board

**Hugh Cawley**

Director

21 September 2015

## Remuneration Report for the period ended 30 June 2015

### Remuneration policy

The objective of the Group's remuneration policy is to attract, motivate and retain high quality individuals who will contribute significantly to shareholder value. The remuneration committee decides on the remuneration of the Directors and other senior executives, which comprises a basic salary, plus any or all of a car allowance, healthcare, bonus scheme, share options, and medium term incentive plan. The Board as a whole decides the remuneration of the non-executives.

### Directors' remuneration

Details of the remuneration of the Directors for the year are set out below (the executive Directors are regarded as the Key Personnel for the purposes of the remuneration report):

	Salary & fees £'000	Compensation for loss of office £'000	Other benefits £'000	Bonus £'000	Pension contributions £'000	TOTAL for year ended 30.6.2015 £'000	TOTAL for year ended 30.6.2014 £'000
<b>Executive directors</b>							
W M Bos	160	-	7	-	-	167	166
D J Stewart	175	-	1	5	12	193	185
H C L Cawley*	45	-	-	-	2	47	-
J McIntosh+	97	80	1	-	8	186	135
<b>Non-executive directors</b>							
J Caterer	20	-	-	-	-	20	14
M Higgins	25	-	-	-	-	25	6
P R S Lever+	17	-	-	-	-	17	25
	539	80	9	5	22	655	531

\* From date of appointment - H C L Cawley 27 March 2015

+ Until date of resignation - P R S Lever 9 March 2015, J McIntosh 27 March 2015

### Share options

In November 2013 the Company adopted a bespoke Australian Share Option Scheme, specifically for employees of the Group resident in Australia, and the Progility plc 2013 Unapproved Share Option Scheme for employees in the UK and elsewhere. The share options granted to the Directors during the year and in previous years are as follows:

	Number of shares under option at 30.6.2014	Granted during the year	Lapsed during the year	Number of shares under option at 30.6.2015	Exercise price	Date of grant
J McIntosh	500,000	-	(500,000)	-	10p	06-Nov-13
J McIntosh	-	200,000	(200,000)	-	10p	23-Oct-14
D J Stewart	500,000	-	-	500,000	10p	06-Nov-13
D J Stewart	-	200,000	-	200,000	10p	23-Oct-14
H C L Cawley	-	1,000,000	-	1,000,000	10p	09-Jun-15
	1,000,000	1,400,000	(700,000)	1,700,000		

On the departure of Donald Stewart following the year end, those options have now lapsed.

**Bonus scheme for executive Directors**

The Company is considering creating a bonus scheme for the executive Directors and management, based on meeting market expectations and operating profit margin targets. No bonuses were paid for the period under review.

**Shareholder approval**

In accordance with best practice in corporate governance, the Company will put a resolution to shareholders to approve the remuneration report at the forthcoming Annual General Meeting.

## Corporate Governance

### Statement of compliance

As a Company quoted on the Alternative Investment Market (AIM) of the London Stock Exchange, the Company is not required to comply with the UK Corporate Governance Code. However, the Directors have adopted the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (the QCA Code). The QCA Code adopts key elements of the UK Corporate Governance Code, current policy initiatives and other relevant guidance and applies these to the needs and particular circumstances of small and mid-size quoted companies on a public market. The QCA Code meets the different needs of developing and growing companies.

The Directors are committed to ensuring appropriate standards of Corporate Governance are maintained by the Group and this statement sets out how the Board has applied the QCA Code in its management of the business during the year ended 30 June 2015.

The Board recognises its collective responsibility for the long term success of the Group. It assesses business opportunities and seeks to ensure that appropriate controls are in place to assess and manage risk. During a normal year there are up to ten scheduled Board meetings with other meetings being arranged at shorter notice as necessary. During the period, there were nine scheduled meetings. Meetings of the Board were attended by all Directors who were appointed at the time of the meeting. The Board agenda is set by the Chairman in consultation with the other Directors and the Company Secretary.

The Board has a formal schedule of matters reserved to it for decision which is reviewed on an annual basis. Under the provisions of the Company's Articles of Association all Directors are required to offer themselves for re-election at least once every three years. In addition, under the Articles, any Director appointed during the year will stand for election at the next following annual general meeting, ensuring that each Board member faces re-election at regular intervals. The Directors are entitled to take independent professional advice at the expense of the Company and have access to the advice and services of the Group's General Counsel and Company Secretary.

### The Board

The Board is ultimately responsible and accountable for the Group's operations. During the period the Board consisted of:

#### *Executive Directors*

Wayne Bos, Executive Chairman

Hugh Cawley, Chief Financial Officer (appointed 27 March 2015)

John McIntosh, Chief financial Officer (resigned 27 March 2015)

Donald Stewart, General Counsel (resigned 31 July 2015)

#### *Non-executive Directors*

Paul Lever (resigned 9 March 2015)

John Caterer

Michael Higgins

All of the Directors have access to the advice and services of the Company's legal counsel. The Board meets regularly and agrees and monitors the progress of a variety of Group activities. These include strategy, business plan and budgets, acquisitions, major capital expenditure and consideration of significant financial and operational matters. The Board also monitors the exposure to key business risks and considers legislative, environmental, employment, quality and health and safety issues. There is a written statement of matters reserved for consideration by the Board.

During the year to 30 June 2015 the Board has been fortunate to benefit fully from the expertise of two independent non-executive directors who broaden the experience available to the Company and who aid strong governance within the management of the Group.



The Chairman, who is responsible for running the Board, continues to assume the role of acting Chief Executive. The Board continues to believe that the circumstances in which this situation has arisen are both exceptional and appropriate given the transformational growth of the business during the period and Board's need to strengthen the drivers of the core business and successfully integrate the additional businesses acquired during the period. The Chairman has continued to display a clear vision and focus for the Company's strategy and has drawn together the disparate characteristics, skills, qualities and experience of the other members of the Board and senior management. Highly visible in his role, he continues to foster a positive corporate governance culture, which has permeated through the Company. In his role as acting Chief Executive he has been instrumental in facilitating the executive management team in running the Group's expanded business and implementing the Group's growth strategy. In addition to John Caterer and Michael Higgins, until his resignation in March of this year, Paul Lever was an independent non-executive Director and brought his independent judgement also to the governance of the Group.

The Board considers its current structure is appropriate for the scale of the business and enables the Group to be managed effectively.

The Group does not have an internal audit department, although the need for one is reviewed from time to time within the Audit Committee framework. Non-executive Directors are subject to reappointment by the shareholders at the Annual General Meeting at intervals of no more than three years.

## **Committees**

The Board was supported throughout the year by an audit committee and a remuneration committee with formally delegated responsibilities ensuring that appropriate governance procedures are followed. The audit committee comprises Michael Higgins (chairman) and John Caterer and the remuneration committee comprises John Caterer (chairman), Michael Higgins. John Caterer also chairs the recently constituted risk committee, whose role it is to review the risks and controls over risk in place to mitigate the Group's exposure to and management of risk.

The Board has not established a nomination committee as it regards the approval and appointment of Directors (whether executive or non-executive) as a matter for consideration by the whole board.

### **Audit committee**

The audit committee meets at least twice a year, and typically the auditors and the CFO are also invited to attend meetings. The committee is responsible for ensuring that the financial performance of the Group is properly monitored and reported. It also reviews the effectiveness of the Group's systems of internal control on a continuing basis. No significant weaknesses have been identified. However, the committee recognises that, as the Group continues to grow, particularly internationally, internal controls will have to be continually reviewed and updated. The audit committee is also responsible for appointing the auditors, ensuring the auditors' independence is not compromised, and reviewing the reports on the Group from the auditors in relation to the accounts and internal control systems.

### **Remuneration committee**

The remuneration committee is responsible for reviewing the performance of the Executive Directors and other senior executives, and for determining the scale and structure of their remuneration packages and the basis of their service contracts, bearing in mind the interests of shareholders. The committee also monitors performance and approves the payment of performance related bonuses and the granting of share options.

### **Internal control**

The QCA Code provides that the Board is responsible for putting in place and communicating a sound system to manage risk and implement internal control.

Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide the Directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The key procedures that have been established and which are designed to provide effective internal control are as follows:

- A formal management structure with a schedule of matters specifically reserved for the Board's approval. The Executive Directors and other members of senior management meet regularly to control and monitor the Group's activities.
- A strategic planning and budget setting process with both annual and longer-term forecasts reviewed and approved by the Board.
- A comprehensive monthly financial reporting system which compares results with budgets, together with a written report detailing current trading conditions, variations from budget and periodically updated forecasts.
- A report to the audit committee from the auditors stating any material findings arising from the audit. This report is also considered by the Board and action taken where appropriate.
- A framework for capital expenditure and controls including authorisation procedures and rules relating to the delegation of authority.
- Risk management policies to manage issues relating to health and safety, disaster recovery, legal compliance, insurance and security.

### **Relations with shareholders**

The Group places a high level of importance on communicating with its shareholders and welcomes and encourages such dialogue within the constraints of the AIM Rules and other regulations applicable to publicly quoted companies. The Group works closely with its Nominated Adviser, brokers and financial PR advisors to maintain an active dialogue with institutional and private shareholders and analysts through a programme of investor relations carried out during the year.

Information is made available on the Company's website in accordance with the requirements of Rule 26 of the AIM Rules for Companies. The Company has adopted electronic communication to the fullest extent permissible and shareholders are notified when new statutory information is available on the website. Hard copies of reports are only sent where shareholders have specifically requested their receipt.

### **Directors' Responsibilities**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and Parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In our opinion:

- The group financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group taken as a whole; and
- the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

#### **Disclosure of information to auditors**

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

#### **Annual General Meeting**

The Company's AGM will be held on 28 October 2015.

#### **Supplier payment policy**

The Company and Group policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of the payment.

#### **Share capital**

Details of the Company's share capital and changes to the share capital are shown in note 23 to the Consolidated Financial Statements.

#### **Website publication**

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website ([www.progility.com](http://www.progility.com)) in accordance with legislation and the AIM Rules. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the integrity of the financial statements contained therein.

#### **Charitable and political donations**

Group donations to charities worldwide during the period under review were £nil (2014: £nil). No donations were made to any political party.

This report was approved by the board on 21 September 2015.

On behalf of the board

***Hugh C L Cawley***

Director

21 September 2015

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROGILITY PLC**

We have audited the financial statements of Progility Plc for the year ended 30 June 2015 set out on pages 21 to 64. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of directors and auditor***

As explained more fully in the Directors' Responsibilities Statement set out on pages 18 and 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### ***Opinion on financial statements***

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Mark Prince (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

Canary Wharf

London

E14 5GL

21 September 2015

# Financial Statements

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

		Before Highlighted items 30.6.2015	Highlighted items Note 11	Year ended 30.6.2015	Before Highlighted items 30.6.2014 Restated	Highlighted items Note 11 Restated	Year ended 30.6.2014 Restated
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>	4,5	60,056	-	60,056	39,539	-	39,539
Cost of sales		(37,078)	-	(37,078)	(25,299)	-	(25,299)
<b>Gross profit</b>		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	-	3,227	3,227	-	-	-
Other expenses	15	-	(229)	(229)	-	(562)	(562)
<b>Operating profit</b>	6	185	2,551	2,736	3,044	(1,634)	1,410
Finance income	7	65	-	65	-	-	-
Finance costs	8	(2,296)	-	(2,296)	(984)	-	(984)
<b>Profit before tax</b>		(2,046)	2,551	505	2,060	(1,634)	426
Tax expense	12	(64)	46	(18)	(241)	-	(241)
<b>Profit for the year attributable to equity shareholders</b>		<u>(2,110)</u>	<u>2,597</u>	487	<u>1,819</u>	<u>(1,634)</u>	185
<b>Items that may be reclassified to profit or loss</b>							
Currency translation differences on foreign operations				<u>(287)</u>			<u>42</u>
Other comprehensive income, net of tax				<u>(287)</u>			<u>42</u>
<b>Total comprehensive income</b>				<u>200</u>			<u>227</u>
<b>Earnings per share</b>	13						
Basic				0.24p			0.09p
Diluted				0.24p			0.09p

The notes on pages 28 to 64 form part of the financial statements.

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

		As at 30.6.2015	As at 30.6.2014	As at 30.6.2013
			Restated	Restated
Assets	Notes	£'000	£'000	£'000
<b>Non-current assets</b>				
Plant and equipment	14	1,449	861	986
Intangible assets	15	20,135	11,503	12,210
Deferred tax asset	17	888	277	442
<b>Total non-current assets</b>		<u>22,472</u>	<u>12,641</u>	<u>13,638</u>
<b>Current assets</b>				
Inventories	18	4,001	3,251	2,068
Trade and other receivables	19	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
<b>Total current assets</b>		<u>26,241</u>	<u>13,372</u>	<u>12,694</u>
<b>Total assets</b>		<u>48,713</u>	<u>26,013</u>	<u>26,332</u>
<b>Current liabilities</b>				
Trade and other payables	20	(19,889)	(12,727)	(13,271)
Deferred/contingent consideration		(2,041)	(30)	(307)
Provisions	21	(4,282)	(1,028)	(969)
Tax liabilities		(28)	(55)	(69)
Bank and shareholder loans	20	(3,288)	(3,699)	(3,127)
<b>Total current liabilities</b>		<u>(29,528)</u>	<u>(17,539)</u>	<u>(17,743)</u>
<b>Non-current liabilities</b>				
Contingent consideration		-	-	(289)
Shareholder loans	22	(14,837)	(4,575)	(4,611)
Deferred tax liability	17	(199)	(91)	(91)
Provisions	21	(90)	(37)	(57)
<b>Total non-current liabilities</b>		<u>(15,126)</u>	<u>(4,703)</u>	<u>(5,048)</u>
<b>Total liabilities</b>		<u>(44,654)</u>	<u>(22,242)</u>	<u>(22,791)</u>
<b>Net assets</b>		<u>4,059</u>	<u>3,771</u>	<u>3,541</u>
<b>Equity</b>				
Issued share capital	23	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	24	(2)	(50)	(50)
Share option reserve		43	16	152
Retained earnings		(953)	(1,453)	(1,777)
Foreign currency translation reserve		(331)	(44)	(86)
<b>Total equity</b>	23	<u>4,059</u>	<u>3,771</u>	<u>3,541</u>

The notes on pages 28 to 64 form part of the financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 21 September 2015. They were signed on its behalf by:

**Wayne Bos**      **Hugh Cawley**  
 Director          Director

## Company Statement of Financial Position as at 30 June 2015

		As at 30.6.2015	As at 30.6.2014	As at 30.6.2013
	Notes	£'000	Restated £'000	Restated £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Plant and equipment	14	179	155	154
Intangible assets	15	1,276	1,513	1,568
Investments	16	14,493	26,559	8,434
Deferred tax asset	17	197	78	209
<b>Total non-current assets</b>		<b>16,145</b>	<b>28,305</b>	<b>10,365</b>
<b>Current assets</b>				
Trade and other receivables	19	1,119	1,047	927
Tax receivable		-	82	79
Cash and cash equivalents		111	288	685
<b>Total current assets</b>		<b>1,230</b>	<b>1,417</b>	<b>1,691</b>
<b>Total assets</b>		<b>17,375</b>	<b>29,722</b>	<b>12,056</b>
<b>Current liabilities</b>				
Trade and other payables	20	(9,918)	(7,636)	(5,746)
Deferred consideration		-	(30)	(307)
Bank and shareholder loans	20	(1,123)	(1,925)	(1,536)
<b>Total current liabilities</b>		<b>(11,041)</b>	<b>(9,591)</b>	<b>(7,589)</b>
<b>Non-current liabilities</b>				
Contingent consideration		-	-	(289)
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>	<b>(289)</b>
<b>Total liabilities</b>		<b>(11,041)</b>	<b>(9,591)</b>	<b>(7,878)</b>
<b>Net assets</b>		<b>6,334</b>	<b>20,131</b>	<b>4,178</b>
<b>Equity</b>				
Issued share capital	23	19,967	19,967	3,993
Share premium		114	114	114
Other reserve		75	75	75
Own shares in trust	24	(2)	(50)	(50)
Share option reserve		43	16	152
Retained earnings		(13,863)	9	(106)
<b>Total equity</b>		<b>6,334</b>	<b>20,131</b>	<b>4,178</b>

The notes on pages 28 to 64 form part of the financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 21 September 2015. They were signed on its behalf by:

**Wayne Bos**      **Hugh Cawley**  
Director          Director

## Consolidated Cash Flow Statement

		Year ended 30.6.2015	Year ended 30.6.2014 Restated
	Notes	£'000	£'000
<b>Operating profit</b>		2,736	1,410
<b>Adjustments for:</b>			
Depreciation and amortisation	14,15	1,154	720
Loss on fixed asset disposal	14	86	52
Impairment of intangibles	15	229	562
Gain on bargain purchase		(3,227)	-
Share option charge	24	40	3
Revaluation of own shares held in trust	24	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
<b>Cash generated from operations</b>		<u>1,312</u>	<u>450</u>
Income taxes (paid)/recovered		(439)	9
<b>Net cash generated from operating activities</b>		<u>873</u>	<u>459</u>
<b>Investing activities</b>			
Interest received		65	-
Purchases of property and equipment	14	(555)	(337)
Capitalised expenditure on product development	14	(52)	(126)
Acquisition of subsidiaries, net of cash acquired	3	(8,032)	(160)
<b>Net cash used by investing activities</b>		<u>(8,574)</u>	<u>(623)</u>
<b>Financing activities</b>			
Proceeds from borrowings		11,286	3,739
Repayment of borrowings		(1,235)	(3,682)
Interest costs paid		(408)	(216)
<b>Net cash from financing activities</b>		<u>9,643</u>	<u>(159)</u>
<b>Net change in cash and cash equivalents</b>		<u>1,942</u>	<u>(323)</u>
<i>Cash and cash equivalents at start of year</i>		1,533	1,916
Effect of foreign exchange rate differences		(125)	(60)
<i>Cash and cash equivalents at end of year</i>		<u>3,350</u>	<u>1,533</u>
Cash and cash equivalents comprise			
Cash in hand and at bank		3,538	1,798
Bank overdraft	20	(188)	(265)
		<u>3,350</u>	<u>1,533</u>

The notes on pages 28 to 64 form part of the financial statements.



## Company Cash Flow Statement

		Year ended 30.6.2015	Year ended 30.6.2014 Restated
	Notes	£'000	£'000
<b>Operating (loss)/profit</b>		(13,695)	257
<b>Adjustments for:</b>			
Depreciation and amortisation	14,15	377	332
Loss on fixed asset disposal		-	27
Investment impairment	16	12,129	562
Release of deferred consideration		-	(562)
Share option charge	24	40	3
Revaluation of own shares held in trust	24	48	-
Movement in trade and other receivables		(72)	(124)
Movement in trade and other payables		2,054	1,191
<b>Cash generated from operations</b>		<u>881</u>	<u>1,686</u>
Income taxes recovered		86	-
<b>Net cash generated from operating activities</b>		<u>967</u>	<u>1,686</u>
<b>Investing activities</b>			
Purchases of property and equipment	14	(112)	(74)
Expenditure on product development	15	(52)	(126)
Acquisition of subsidiaries	16	(93)	(2,153)
<b>Net cash used by investing activities</b>		<u>(257)</u>	<u>(2,353)</u>
<b>Financing activities</b>			
Proceeds from borrowings		-	1,500
Repayment of borrowings		(738)	(1,393)
Interest costs paid		(72)	(102)
<b>Net cash from financing activities</b>		<u>(810)</u>	<u>5</u>
<b>Net change in cash and cash equivalents</b>		<u>(100)</u>	<u>(662)</u>
<i>Cash and cash equivalents at start of year</i>		23	685
<i>Cash and cash equivalents at end of year</i>		<u>(77)</u>	<u>23</u>
<i>Cash and cash equivalents comprise</i>			
Cash in hand and at bank		111	288
Bank overdraft	20	(188)	(265)
		<u>(77)</u>	<u>23</u>

The notes on pages 28 to 64 form part of the financial statements.

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

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

The notes on pages 28 to 64 form part of the financial statements.

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

	Called up share capital	Share premium account	Other reserve	Own shares in trust	Share option reserve	Retained earnings	Total
<i>Company</i>	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Balance at 30.6.2013 as previously reported</i>	3,993	114	75	(50)	152	1,916	6,200
Adjustment to reflect prior year adjustment	-	-	-	-	-	(2,022)	(2,022)
<b>Revised balance at 30.6.2013</b>	<b>3,993</b>	<b>114</b>	<b>75</b>	<b>(50)</b>	<b>152</b>	<b>(106)</b>	<b>4,178</b>
Options granted	-	-	-	-	3	-	3
Options lapsed and waived	-	-	-	-	(139)	139	-
Share issue	15,974	-	-	-	-	-	15,974
<b>Transactions with owners</b>	<b>15,974</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(136)</b>	<b>139</b>	<b>15,977</b>
Loss for the year	-	-	-	-	-	(24)	(24)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24)</b>	<b>(24)</b>
<b>Balance at 30.6.2014</b>	<b>19,967</b>	<b>114</b>	<b>75</b>	<b>(50)</b>	<b>16</b>	<b>9</b>	<b>20,131</b>
Options granted	-	-	-	-	40	-	40
Revaluation of own shares	-	-	-	48	-	-	48
Options lapsed and waived	-	-	-	-	(13)	13	-
<b>Transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48</b>	<b>27</b>	<b>13</b>	<b>88</b>
Loss for the year	-	-	-	-	-	(13,885)	(13,885)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,885)</b>	<b>(13,885)</b>
<b>Balance at 30.6.2015</b>	<b>19,967</b>	<b>114</b>	<b>75</b>	<b>(2)</b>	<b>43</b>	<b>(13,863)</b>	<b>6,334</b>

The notes on pages 28 to 64 form part of the financial statements.

## Notes to the Financial Statements

Progility Plc (the “Company”) is a public limited company incorporated in England and Wales and, together with its subsidiaries listed in note 16, 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.

### 1 Basis of preparation and significant accounting policies

#### 1.1 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.

#### 1.2 Critical accounting estimates and Judgements

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 judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below. Key estimates and judgements relate to:

##### *Accounting for acquisitions*

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.

##### *Merger accounting for acquisition*

Following the completion of an agreement on 7 October 2013 the Company became the sole shareholder of Progility Pty Ltd. The resulting combination of businesses was renamed Progility plc. The consideration for 100% of the equity of Progility Pty Ltd was satisfied by the issue of the fully paid shares in the Company, which based on the issue price, valued the Progility Pty Ltd’s equity at £15.97 million. In forming its judgement as to the appropriateness of the use of merger accounting following the transaction with Progility Pty Ltd (“the Transaction”) the Board considered whether common control was in place for each of the merging entities (ILX Group plc and Progility Pty Ltd) both prior to and after the completion of the transaction on 3 October 2013. Following the preparation of the Group’s financial statements for the fifteen months to 30 June 2013 the Board adopted the wider definition of control under IFRS10 which takes into account other material influencing factors in addition to the consideration of an investor/shareholder’s equity holding. Prior to the Transaction the significant shareholder in Progility Pty Ltd was Praxis Trustees with a holding of 73.47%, and therefore control existed. Prior to the Transaction Praxis Trustees also held 29.9% of ILX Group plc in addition to holding convertible debt of £0.4 million. The importance of Praxis Trustees investment into ILX in August 2012 and subsequent loan note funding provided; together with the special

relationships as defined by IFRS10 that existed between Praxis and ILX through the involvement of the CEO Wayne Bos (who is a related party to Praxis) provided the basis for the conclusion that ILX and Progility were under common control.

In arriving at the appropriate accounting treatment for this Transaction the directors considered IFRS 3 'Business Combinations' (revised 2008). However, they concluded that this Transaction fell outside the scope of IFRS 3 since the Transaction represents a combination of entities under common control.

*Provisions for impairment of receivables (see note 26 on Financial Instruments – credit risk)*

The provision for impairment of receivables assessment requires a degree of estimation and management 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.

*Provisions for impairment of inventories (see note 1 on Inventories)*

The provision for impairment of inventories assessment requires a degree of estimation and management 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.

*Impairment of tangible/intangible and financial assets (see note 1 on Depreciation and Impairment)*

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.

*Long service provision (see note 1 on Provisions)*

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.

*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.

*Measurement of financial instruments (see note 26 on Financial Instruments)*

The entity is required to classify financial instruments, measured at fair value, using a three level hierarchy, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). An instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value. Considerable judgement is required to determine what is significant to fair value and therefore which category the financial instrument is placed in can be subjective.

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.

*Going concern*

The Group meets its day-to-day working capital requirements from its operating cash flows and from its banking facilities, of which £0.14 million was undrawn at the balance sheet date. The Group has an outstanding term loan which is repayable on demand from HSBC bank (£0.58 million at the balance sheet date), which is due to be repaid during the next seven months. The Group's banking facilities are repayable on demand.

The Directors, after making enquiries of its loan note holders, its principal bankers and other lenders, 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.

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

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 2016.

### 1.3 Basis of consolidation

The consolidated financial statements include the financial statements of Progility 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 consolidated financial statements. The Group uses the acquisition method of accounting to account for the acquisition of subsidiaries. The acquisition of Progility Pty Limited was accounted for as a merger in 2014.

### 1.4 Revenue

#### *Sales of Goods*

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and rebates.

#### *Software licences*

Revenue for licenses to use generic software products is recognised over the period of the license term, provided that delivery has occurred. Previously financial statements were prepared recognising revenue from software at the commencement of the licence period. The prior period results have been restated and the effect of this is explained in note 2.

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 based on the licence granted. The workshop or course deliverable will be recognised upon delivery of the service. The allocation of the fair value is based on stand-alone selling prices with the exception of the exam vouchers which are 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.

#### *Recognition of exam vouchers*

Provision is made for unredeemed exam vouchers based on actual take up rates. Actual experience may deviate from the assumptions used, which could impact the financial statements in the year in which circumstances change.

#### *Projects*

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 by reference to the percentage stage of completion.

#### *Services*

Revenue is generated for after-sales service, maintenance and consulting and telecommunication solutions. Consideration received for those services is initially deferred and included in other liabilities and 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 related products based on historical experience.

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

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

### *Contracts*

Revenue on fixed price contracts is recognised when the outcome of the contract can be estimated reliably and the stage of completion of the contract can be measured reliably.

Contract revenue and expenses are recognised in accordance with the stage of completion of the contract. Under the stage of completion method, contract costs, revenue and the resulting profit are recognised in the period in which the work is performed. Contract costs incurred that relate to future activities are deferred and recognised as inventory. Stage of completion is based on costs incurred as a percentage of total budgeted costs.

When the outcome of a contract cannot be estimated reliably, revenue is recognised to the extent of costs incurred that are probable of recovery.

Revenue relating to retention payments is recognised at the fair value of the amount receivable.

When a contract includes a service element then the contract is split into a servicing component that is recognised separately as services revenue. Where contracts have a fixed fee split, revenue is recognised in line with the contract. In cases where contracts do not clearly separate revenue streams a fair value estimate is performed to allocate an appropriate portion of the revenue to the service element.

### **1.4 Basis of consolidation**

#### *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### *Separate parent company financial statements*

In the parent company financial statements, all investments in subsidiaries are carried at cost less impairment.

### **1.5 Foreign currency**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be.

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

### 1.6 *Classification of financial instruments issued by the Group*

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company (or group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company (or group); and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

### 1.7 *Convertible loans*

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 within the 'other' reserve. 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.

### 1.8 *Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

#### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

#### *Trade and other payables*

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

#### *Investments in debt and equity securities*

Investments in subsidiaries in standalone accounts are stated at amortised cost less impairment.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

#### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.



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

### 1.9 *Plant and equipment*

Plant and equipment are stated at cost/deemed cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives are as follows:

Fixtures, fittings and equipment 2 to 4 years

Computer equipment and vehicles 3 to 5 years

Leasehold improvements Over the period of the lease or useful life (whichever is shorter)

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

### 1.10 *Business combinations*

All business combinations are accounted for by applying the acquisition method except for businesses under common control which are accounted for using merger accounting. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

The merger accounting principles used for the acquisition of Progility Pty Ltd in 2013 which was, prior to the acquisition, under common control gave rise to a merger reserve in the consolidated statement of financial position, being the difference between the nominal value of new shares issued by the Company for the acquisition of the shares of Progility Pty Ltd and that company's own share capital and share premium account.

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

### 1.11 *Intangible assets and goodwill*

#### *Goodwill*

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

#### *Research and development*

Expenditure on research activities is recognised in profit or loss as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends, has the technical ability and has sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

#### *Other intangible assets*

Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred. Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

#### *Amortisation*

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Brand	indefinite life
Capitalised development costs	10 years
Acquired customer relationships	indefinite life

### 1.12 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

### 1.13 *Impairment excluding inventories and deferred tax assets*

#### *Financial assets (including receivables)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### *Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or (“CGU”). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 1.14 Employee benefits

#### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

#### *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### *Share-based payment transactions*

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Group receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Group’s equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

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

### **1.15 Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability..

### **1.16 Expenses**

#### *Operating lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

#### *Financing income and expenses*

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in profit or loss (see foreign currency accounting policy). Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

### **1.17 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised

### **1.18 Highlighted items**

Highlighted items represent material items of income and expenses relating primarily to restructuring of the group, costs associated with the merger with Progility and impairments of intangible assets.

### **1.19 Adopted IFRS not yet applied**

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 9 Financial Instruments (effective date to be confirmed).
- IFRS 14 Regulatory Deferral Accounts (effective date to be confirmed).
- IFRS 15 Revenue from Contract with Customers (effective date to be confirmed).
- Defined Benefit Plans: Employee Contributions – Amendments to IAS 19 (effective 1 February 2015).
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (effective date to be confirmed).
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (effective date to be confirmed)
- Agriculture: Bearer Plants – Amendments to IAS 16 and IAS 41 (effective date to be confirmed).
- Equity Method in Separate Financial Statements – Amendments to IAS 27 (effective date to be confirmed).
- Sale or Contribution of Assets between and Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (effective date to be confirmed).
- Annual Improvements to IFRSs – 2010-2012 Cycle (effective 1 February 2015).
- Annual Improvements to IFRSs – 2011-2013 Cycle (effective 1 January 2015).
- Annual Improvements to IFRSs – 2012-2014 Cycle (effective date to be confirmed).

The impact on the Group's financial statements of the future adoption of these standards is still under review. Other than IFRS 9 and IFRS 15, where the Group is continuing to assess the materiality of the impact of these new standards, the Group does not expect any of the changes to have a material effect on the result or net assets of the Group.

## 2 Prior year restatements

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

### 2.1 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.

### 2.2 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.

### 2.3 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:

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

## 3 Acquisitions and Disposals

### Starkstrom Group Ltd

On 14 July 2014 the company acquired 100% of the ordinary share capital of Starkstrom Group Ltd. Starkstrom operates a UK based project management services company specialising in manufacturing and supplying medical infrastructure equipment for operating theatres and intensive care units. The entire share capital was acquired for an aggregate consideration, payable in cash and loan notes, of £10.68 million from its owner managers. This acquisition will provide a strong hub around which to focus the Group's work in the healthcare sector as a provider of project management services and solutions to hospitals.

The consideration paid was £7.96m in cash on completion and the issue of £2.72m of zero coupon loan notes repayable in four half-yearly tranches over the two years following Completion. The loan notes will be convertible into new ordinary Progility shares, at the prevailing market price, in the event of non-payment.

### 3 Acquisitions and Disposals (continued)

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	8,636
Fair value of deferred consideration	<u>2,041</u>
<b>Total</b>	<b>10,677</b>

	<b>Book value</b>	<b>Fair value</b>
	<b>£'000</b>	<b>£'000</b>
<b>Recognised amounts of identifiable net assets</b>		
Intangible assets	2,102	928
Tangible assets	536	536
Inventories	1,040	1,040
Trade and other receivables	3,209	3,209
Cash at bank and in hand	537	537
Trade and other payables	(3,237)	(3,237)
Tax liabilities	(287)	(287)
Deferred Tax	-	(185)
<b>Identifiable Net Assets</b>	<b><u>3,900</u></b>	<b><u>2,541</u></b>
<b>Goodwill on acquisition</b>		<b><u>8,136</u></b>
Consideration paid in cash		8,636
Cash and cash equivalents acquired		<u>(537)</u>
<b>Net cash paid relating to the acquisition</b>		<b><u>8,099</u></b>

The nature of the Starkstrom business is that sales are made to a wide variety of customers who behave as operating units in a large enterprise or government department. It is not the relationship with existing customers that helps Starkstrom to win new business, rather it is its reputation within that market sector. Consequently, the goodwill inherent in the business on acquisition lay in its brands rather than its customer relationships. The group also has the opportunity to exploit Starkstrom's brands in overseas markets. The Group has attributed a fair value of £928,000 to brands, which was determined by discounting the future cash flows to be generated from specific Starkstrom product lines. An assessment of other assets at the time of acquisition was also made, no other fair value adjustment was deemed necessary.

The summarised income statement for the acquired entity for the period from the beginning of its financial year on 1 June 2014 to the effective date of acquisition, and for its previous financial year, is set out below:

	<b>Period ended</b>	<b>Year ended</b>
	<b>14.07.2014</b>	<b>31.05.2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Revenue</b>	1,509	16,892
Cost of sales	<u>(875)</u>	<u>(10,345)</u>
<b>Gross profit</b>	634	6,547
Administrative and distribution expenses	<u>(849)</u>	<u>(4,973)</u>
<b>Operating (loss)/profit</b>	<b><u>(215)</u></b>	<b><u>1,574</u></b>

#### Progility DMCC

In May 2015, the company commenced a new operation in Dubai, this transaction creates scope for collaboration on product development and the opportunity to use Progility's international reach to extend Starkstrom's business beyond the UK into the Middle East and Australasia.

### 3 Acquisitions and Disposals (continued)

#### Progility India

On 29 December 2014, the company acquired from the Unify Group, 100% of the share capital of Progility Technology Private Ltd (formerly Unify Enterprise Communications Private Ltd), a systems integrator and independent solution provider specialising in communications infrastructure, applications and services based in Mumbai, India. Consideration was €1.0 m paid in cash, giving rise to a bargain gain of £3.2m as detailed below.

<b>Fair value of consideration</b>	<b>£'000</b>	
Cash paid		787
<b>Total</b>		<b>787</b>
	<b>Book value</b>	<b>Fair value</b>
	<b>£'000</b>	<b>£'000</b>
<b>Recognised amounts of identifiable net assets</b>		
Deferred Tax	573	573
Tangible assets	99	99
Inventories	1,272	1,197
Trade and other receivables	8,472	7,746
Cash at bank and in hand	1,273	1,273
Trade and other payables	(3,504)	(3,504)
Transfer pricing provision	-	(3,000)
Provisions	(370)	(370)
<b>Identifiable Net Assets</b>	<b>7,815</b>	<b>4,014</b>
<b>Bargain gain on acquisition</b>		<b>(3,227)</b>
Consideration paid in cash		787
Cash and cash equivalents acquired		(1,273)
<b>Net cash received relating to the acquisition</b>		<b>(486)</b>

It was apparent that the Unify Group's strategy had changed to a partner-based, rather than direct model and that its Indian business was therefore at risk. Whilst the business was not without its challenges, it seemed that it would be in both groups' interest for us to acquire the well-run entity now known as Progility Technologies Pvt. Ltd. It provides Progility with a valuable presence across the sub-continent in a sector we well understand with customers in sectors familiar to us, at the same time as having relieved Unify of potentially significant closure costs. The consideration agreed was very much influenced by this position.

After an assessment of each inventory category at acquisition, Group determined that the fair value was £75,000 below the book value, and a fair value reduction of £726,000 was made to trade receivables following a review and assessment of the age profile.

In addition, we have established a provision against possible liabilities associated with acquired, pre-existing transfer pricing discussions.

The summarised income statement for the acquired entity for the period from the beginning of its financial year on 1 October 2014 to the effective date of acquisition, and for its previous financial year, is set out below:

	<b>Period ended</b>	<b>Year ended</b>
	<b>29.12.2014</b>	<b>30.09.2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Revenue</b>	4,798	19,740
Cost of sales	(3,338)	(13,436)
<b>Gross profit</b>	1,460	6,304
Administrative and distribution expenses	(1,189)	(5,146)
<b>Operating profit</b>	271	1,158



### 3 Acquisitions and Disposals (continued)

#### Woodspeen Training

On 5 January 2015, the company acquired 100% of the share capital of Woodspeen Training Ltd, a UK provider of training and skills development for a cash consideration of £0.4m.

<b>Fair value of consideration</b>	<b>£'000</b>
Cash paid	400
<b>Total</b>	<b>400</b>

	<b>Book value</b>	<b>Fair value</b>
	<b>£'000</b>	<b>£'000</b>
<b>Recognised amounts of identifiable net assets</b>		
Tangible assets	185	185
Trade and other receivables	418	418
Cash at bank and in hand	11	11
Trade and other payables	(721)	(721)
<b>Identifiable Net Assets</b>	<b>(107)</b>	<b>(107)</b>

<b>Goodwill on acquisition</b>	<b>507</b>
Consideration paid in cash	400
Cash and cash equivalents acquired	(11)
<b>Net cash paid relating to the acquisition</b>	<b>389</b>

The summarised income statement for the acquired entity for the period from the beginning of its financial year on 1 August 2014 to the effective date of acquisition, and for its previous financial year, is set out below:

	<b>Period ended</b>	<b>Year ended</b>
	<b>05.01.2015</b>	<b>31.07.2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Revenue</b>	1,358	3,851
Cost of sales	(227)	(2,957)
<b>Gross profit</b>	1,131	894
Administrative and distribution expenses	(1,412)	(956)
<b>Operating loss</b>	<b>(281)</b>	<b>(62)</b>

We have reviewed the net assets acquired and concluded that the book value equates to the fair value.

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</b>		<b>Total for the</b>
	<b>Statement of</b>	<b>Pre-acquisition</b>	<b>year ended</b>
	<b>Comprehensive</b>	<b>trading of</b>	<b>30.6.2015 as</b>
	<b>Income for the</b>	<b>Starkstrom,</b>	<b>though the</b>
	<b>year ended</b>	<b>Woodspeen,</b>	<b>acquisition</b>
	<b>30.6.2015</b>	<b>Progility India</b>	<b>date was</b>
	<b>£'000</b>	<b>£'000</b>	<b>1.7.2014</b>
Revenue	60,056	12,001	72,057
Operating profit	2,736	68	2,804

## 4 Segment reporting

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

*Northern Operation* – The Group's northern operations comprise operations in the UK and Ireland, the United States, Europe and the Middle East, which are managed and directed from the London office.

*Southern Operation* – The Group's southern operations comprise operations in Australia, India and New Zealand, which are managed and directed by the Melbourne office.

The Group measures the operating performance of the business through monthly financial reports on the Northern and Southern segments. 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 chief operating decision maker is the chief executive officer.

During 2015 the Group acquired Starkstrom Group, Woodspeen Training and Progility India (see note 3). The Group are currently assessing the appropriateness of managing the allocation of resources to these acquisitions. As at 30 June 2015, Starkstrom and Woodspeen are under the management of the Northern operation, while India has been included in the Southern operation. To aid users in understanding the impact of the acquisitions, segment information relating to the acquisitions has been included below.

The Northern operations provide training, recruitment and consulting services and the Southern operations provide training, consulting services and technology solutions goods and services.

Segment profit or loss consists of earnings before interest, tax, and restructuring costs. This is the detail used by the chief operating decision maker in determining how to allocate resources.

	Year ended 30.6.2015		Year ended 30.6.2014	
Revenue by segment	Revenue	Segment Profit / (Loss)	Revenue	Restated Segment Profit / (Loss)
	£'000	£'000	£'000	£'000
Northern operations	28,973	2,805	13,926	3,256
Southern operations	31,083	2,885	25,613	3,381
Central costs		(5,505)		(3,593)
Total segment result	<u>60,056</u>	<u>185</u>	<u>39,539</u>	<u>3,044</u>
Highlighted items		<u>2,551</u>		<u>(1,634)</u>
Operating profit		<u>2,736</u>		<u>1,410</u>
Net finance costs		<u>(2,231)</u>		<u>(984)</u>
Profit before tax		<u>505</u>		<u>426</u>

Included in the Northern operation revenue is £13.7m relating to Starkstrom Group and £2.4m relating to Woodspeen Training. Included in the South operation revenue is £9.2m relating to Progility India.

Included in the Northern operation profit is £1.0m relating to Starkstrom Group and £0.2m relating to Woodspeen Training. Included in the South operation profit is £0.4m relating to Progility India.

Adjusting for highlighted items (note 11)		£'000	£'000
Acquisition and merger costs	Recurring	447	1,072
Bargain gain on acquisition	Non recurring	(3,227)	0
Impairment charges	Non recurring	229	562
		<u>(2,551)</u>	<u>1,634</u>

#### 4 Segment reporting (continued)

	Year ended 30.6.2015		Year ended 30.6.2014	
	Segment assets	Segment liabilities	Segment assets	Segment liabilities
	£'000	£'000	£'000	£'000
Northern operation	26,519	26,768	12,212	9,737
Southern operation	22,194	17,886	13,801	12,505
<b>Total</b>	<b>48,713</b>	<b>44,654</b>	<b>26,013</b>	<b>22,242</b>

Included in the Northern operation is segment assets of £8.5m relating to Starkstrom Group and £0.8m relating to Woodspeen Training. Included in the South operation segment assets of £11.9m relating to Progility India.

Included in the Northern operation is segment liabilities of £4m relating to Starkstrom Group and £0.7m relating to Woodspeen Training. Included in the South operation segment liabilities of £7.8m relating to Progility India.

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

	Year ended		Year ended	
	30.6.2015		30.6.2014	
	£'000	%	£'000	%
UK, Ireland & Europe	28,366	47.2	13,200	33.4
Australasia	21,847	36.4	25,613	64.8
Middle East and Africa	607	1.0	726	1.8
Asia	9,236	15.4	-	0.0
	<b>60,056</b>	<b>100.0</b>	<b>39,539</b>	<b>100.0</b>

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

#### 5 Revenue

Revenue comprises:

	Year ended	Year ended
	30.6.2015	30.6.2014
	£'000	£'000
Rendered Services	29,835	24,739
Goods Sold	30,221	14,800
	<b>60,056</b>	<b>39,539</b>

#### 6 Operating profit

Operating profit is stated after charging:

	Year ended	Year ended
	30.6.2015	30.6.2014
	£'000	£'000
Raw materials and consumables	21,754	10,123
Depreciation	626	368
Amortisation	528	352
Loss on disposal	86	52
Bargain gain on acquisition	(3,227)	-
Exchange losses / (gains)	(524)	(163)
Operating lease rentals - land and buildings	1,132	619
Operating lease rentals – other	9	112
Research and development	64	85

## 6 Operating profit (continued)

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

	Year ended 30.6.2015	Year ended 30.6.2014
	£'000	£'000
Audit of financial statements	158	80
Other services relating to taxation	18	4
Corporate finance and other advisory services	119	181
	<u>295</u>	<u>265</u>

## 7 Finance income

	Year ended 30.6.2015	Year ended 30.6.2014
	£'000	£'000
Interest received	65	-

## 8 Finance costs

	Year ended 30.6.2015	Year ended 30.6.2014
	£'000	£'000
On bank loans and overdrafts	354	265
On shareholder loans	1,910	683
Other interest	11	-
Amortisation of fair value of convertible loan	13	17
Arrangement fees	8	19
	<u>2,296</u>	<u>984</u>

## 9 Employees' and Directors' remuneration

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

	Year ended 30.6.2015	Year ended 30.6.2014
	Number	Number
<i>Employed by the Group</i>		
Development and delivery	339	98
Administration and management	127	46
Sales and marketing	223	69
	<u>689</u>	<u>213</u>

Their total remuneration was as follows:

	Year ended 30.6.2015	Year ended 30.6.2014
	£'000	£'000
<i>Group</i>		
Wages and salaries	17,868	11,802
Social security costs	999	876
Pension costs	919	853
Share based payments	40	3
	<u>19,826</u>	<u>13,534</u>

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

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

<i>Group</i>	<b>Year ended 30.6.2015</b>	<b>Year ended 30.6.2014</b>
	<b>£'000</b>	<b>£'000</b>
Cost of sales	6,877	6,560
Administrative expenses	12,927	6,515
Highlighted items	-	438
Product development capital expenditure	22	21
	<b>19,826</b>	<b>13,534</b>

### Directors' Remuneration

<b>Company</b>	<b>Year ended 30.6.2015</b>	<b>Year ended 30.6.2014</b>
	<b>£'000</b>	<b>£'000</b>
Remuneration and other emoluments	553	516
Severance pay	80	-
Pension contributions	22	15
	<b>655</b>	<b>531</b>
	<b>£'000</b>	<b>£'000</b>
Highest paid Director	193	185

One director is (in 2014, two directors were) accruing benefits under the group pension scheme. A detailed analysis of Directors' remuneration is provided on page 14.

<b>Key management personnel emoluments</b>	<b>Year ended 30.6.2015</b>	<b>Year ended 30.6.2014</b>
	<b>£'000</b>	<b>£'000</b>
Short term employment benefits	891	509
Other compensation including pension contributions	22	22
Post-employment benefits	-	3
	<b>913</b>	<b>534</b>

## 10 Pension costs

The Company 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 Company which amounted to £897,000 (2014: £838,000) plus contributions payable directly to Directors' and employees' personal pension schemes which amounted to £22,000 (2014: £15,000).

## 11 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 £'000	Year ended 30.6.2014 Restated £'000
<b>Recurring</b>		
Acquisition and merger costs *	447	1,072
<b>Non-recurring</b>		
Bargain gain on acquisition **	(3,227)	-
Impairment of intangibles ***	229	562
Total highlighted items	<u>(2,551)</u>	<u>1,634</u>

\* 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 – see note 3.

\*\*\* Relates to the impairment of Obrar intangible assets – see note 15:

## 12 Tax expense

	Year ended 30.6.2015 £'000	Year ended 30.6.2014 Restated £'000
Current tax benefit	232	109
Adjustment in respect of prior years	(13)	(33)
Tax benefit for the year	<u>219</u>	<u>76</u>
Deferred credit	(201)	165
Tax income	<u>18</u>	<u>241</u>
Factors affecting the tax charge for the year		
Profit before tax	<u>505</u>	<u>426</u>
Profit before tax multiplied by standard rate of UK corporation tax of 20.75% (2014: 22.5%)	105	96
Effects of:		
Non-deductible expenses	167	143
Tax exempt revenue	(670)	-
Recognition of previously unrecognised tax losses	(50)	(6)
Current year losses for which no deferred tax asset was recognised	379	81
Under/(over) provided in prior years	53	(33)
Effect of tax rates in foreign jurisdictions	34	(40)
Tax charge for period	<u>18</u>	<u>241</u>

### 13 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

### 14 Plant and equipment

Group	Fixtures, fittings and equipment	Computer equipment and software	Motor Vehicles	Leasehold improvements	Total
Cost	£'000	£'000	£'000	£'000	£'000
At 30.6.2013	831	739	154	48	1,772
Additions	4	333	-	-	337
Acquired with subsidiary	11	22	-	-	33
Disposals	(45)	(193)	-	-	(238)
Foreign exchange	-	(127)	-	(2)	(129)
At 30.6.2014	801	774	154	46	1,775
Additions	205	313	37	-	555
Acquired with subsidiary	602	62	156	-	820
Disposals	(69)	(3)	(58)	-	(130)
Foreign exchange	(103)	(72)	(15)	(6)	(196)
At 30.6.2015	1,436	1,074	274	40	2,824
<b>Depreciation</b>					
At 30.6.2013	342	389	43	12	786
Charge for the year	15	299	45	9	368
Disposals	(26)	(128)	-	-	(154)
Foreign exchange	-	(86)	-	-	(86)
At 30.6.2014	331	474	88	21	914
Charge for the year	320	209	88	9	626
Disposals	(1)	(2)	(41)	-	(44)
Foreign exchange	(52)	(55)	(10)	(4)	(121)
At 30.6.2015	598	626	125	26	1,375
<b>Net Book Value</b>					
At 30.6.2015	838	448	149	14	1,449
At 30.6.2014	470	300	66	25	861
At 30.6.2013	489	350	111	36	986

**14 Plant and equipment (continued)**

<b>Company</b>	<b>Fixtures, fittings and equipment</b>	<b>Computer equipment and software</b>	<b>Total</b>
<b>Cost</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 30.6.2013	55	192	247
Additions	4	97	101
Disposals	(44)	(65)	(109)
At 30.6.2014	15	224	239
Additions	10	102	112
Disposals	-	-	-
At 30.6.2015	25	326	351
<b>Depreciation</b>			
At 30.6.2013	20	73	93
Charge for the year	13	61	74
Disposals	(26)	(57)	(83)
At 30.6.2014	7	77	84
Charge for the year	5	83	88
Disposals	-	-	-
At 30.6.2015	12	160	172
<b>Net Book Value</b>			
At 30.6.2015	13	166	179
At 30.6.2014	8	147	155
At 30.6.2013	35	119	154



## 15 Intangible assets

<b>Group</b>	<b>Goodwill</b>	<b>Brand</b>	<b>Acquired customer relationships</b>	<b>Capitalised development costs</b>	<b>Total</b>
<b>Cost</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 30.6.2013	11,983	1,238	381	4,442	18,044
Additions	163	-	137	127	427
Foreign exchange	(90)	(105)	-	(38)	(233)
At 30.6.2014	12,056	1,133	518	4,531	18,238
Additions	8,643	928	-	52	9,623
Foreign exchange	(90)	(127)	-	(35)	(252)
At 30.6.2015	20,609	1,934	518	4,548	27,609
<b>Impairment and Amortisation</b>					
At 30.6.2013	3,278	-	-	2,556	5,834
Impairment charge for the year	562	-	-	-	562
Amortisation charge for the year	-	-	76	276	352
Foreign exchange	-	-	-	(13)	(13)
At 30.6.2014	3,840	-	76	2,819	6,735
Impairment charge for the year	-	-	229	-	229
Amortisation charge for the year	7	-	145	376	528
Foreign exchange	-	-	1	(19)	(18)
At 30.6.2015	3,847	-	451	3,176	7,474
<b>Net Book Value</b>					
At 30.6.2015	16,762	1,934	67	1,372	20,135
At 30.6.2014	8,216	1,133	442	1,712	11,503
At 30.6.2013	8,705	1,238	381	1,886	12,210

### Impairment testing for cash generating units (CGU) containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions. The aggregate carrying amounts of goodwill allocated to each cash generating unit are as follows:

<b>CGU</b>	<b>Year ended 30.6.2015</b>	<b>Year ended 30.6.2014</b>
	<b>£'000</b>	<b>£'000</b>
Training	7,604	7,097
Technology	859	958
Recruitment	163	161
Medical	8,136	-
	<u>16,762</u>	<u>8,216</u>

The recoverable amount of each CGU was based on its value in use and was determined by discounting the future cash flows to be generated from the continuing use of the CGU.

### Key Assumptions used in discount cash flow projection calculations

The key assumptions used in the calculation of the recoverable amounts are discount rates, terminal value growth rates, sales growth and cost inflation. These assumptions are as follows.

## 15 Intangible assets (continued)

### Discount Rate

Different discount rate have been used by each division as management's estimate of the average weighted cost of capital, taking into account past experience and a market interest rate.

### Terminal value growth rate

Each division have five years of cash flows included in their discounted cash flow models. A long term growth rate into perpetuity of 1% has been determined as the long term compound annual growth rate estimated by management.

### Budgeted growth

Value in use is calculated on the basis of projected cash flows derived from forecasts for the ensuing year based on past experience, with subsequent years including nominal rates of sales and cost growth. Management used modest nominal rates of sales growth (between 2%-3%, appropriate to the market of the cash generating unit) and cost inflation (2%) for the future extrapolated period, as we believe the market is sufficiently competitive to adopt this approach. These forecast cash flows are adjusted to present day values at a discount rate based on a weighted average cost of capital.

CGU	Discount Rate		Terminal value growth rate		Revenue growth		Cost Inflation	
	2015	2014	2015	2014	2015	2014	2015	2014
Training	14.3%	10.0%	1.0%	n/a	3.0%	3.0%	2.0%	2.0%
Technology	14.5%	10.0%	1.0%	n/a	3.0%	3.0%	2.0%	2.0%
Recruitment	12.0%	10.0%	1.0%	n/a	2.0%	2.5%	2.0%	2.0%
Medical	13.5%	n/a	1.0%	n/a	3.0%	n/a	2.0%	n/a

### Sensitivity to change in assumptions

Management has identified three key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount that these three assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

	Revenue Growth	Cost Inflation	Discount rate
Training	-2.30%	3.10%	4.55%
Recruitment	-3.40%	3.50%	48.00%
Medical	-1.70%	1.80%	2.80%
Technology	-0.75%	0.80%	13.52%

### Obrar

In relation to the acquired customer relationships of Obrar, these were being amortised over 5 years the anticipated life of the customer relationships, however, following review management determined that this was no longer appropriate and that the value of the customer relationships should be fully impaired with an impairment charge of £229,000 (2014: goodwill of £562,000 was impaired as a result of contingent consideration not payable).

## 15 Intangible assets (continued)

<b>Company</b>	<b>Goodwill</b>	<b>Capitalised development costs</b>	<b>Total</b>
<b>Cost</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 30.6.2013	11	3,394	3,405
Additions	-	127	127
At 30.6.2014	11	3,521	3,532
Additions	-	52	52
At 30.6.2015	11	3,573	3,584
<b>Impairment</b>			
At 30.6.2013	11	1,826	1,837
Amortisation charge for the year	-	182	182
At 30.6.2014	11	2,008	2,019
Amortisation charge for the year	-	289	289
At 30.6.2015	11	2,297	2,308
<b>Net Book Value</b>			
At 30.6.2015	-	1,276	1,276
At 30.6.2014	-	1,513	1,513
At 30.6.2013	-	1,568	1,568

## 16 Investments

	<b>Shares in group undertakings (at cost)</b>
<b>Cost</b>	<b>£'000</b>
At 30.6.2013	8,434
Additions	18,687
Impairment	(562)
At 30.6.2014	26,559
Additions	63
Impairment	(12,129)
At 30.6.2015	14,493

## 16 Investments (continued)

The Company has the following subsidiary undertakings:

Name	Principal Activity	Holding	Registered
Progility Pty Ltd	Trading	100%	Australia
Comms Aust Pty Ltd	Trading	100%	Australia
Comms Aust No 1 Pty Ltd	Trading	100%	Australia
ILX Group plc	Trading	100%	England & Wales
ILX Group Pty Ltd	Trading	100%	Australia
ILX Consulting Pty Ltd	Trading	100%	Australia
ILX Group Ltd	Trading	100%	New Zealand
ILX Consulting JLT	Trading	100%	UAE (Free Zone)
Progility DMCC	Trading	100%	UAE (Free Zone)
Obrar Ltd	Trading	100%	England & Wales
TFPL Ltd	Trading	100%	England & Wales
Sue Hill Recruitment & Service Ltd	Trading	100%	England & Wales
Progility Finco Ltd	Trading	100%	England & Wales
Progility Health Ltd	Trading	100%	England & Wales
Progility Overseas Ltd	Trading	100%	England & Wales
Starkstrom Group Ltd	Trading	100%	England & Wales
Starkstrom Ltd	Trading	100%	England & Wales
Woodspeen Training Ltd	Trading	100%	England & Wales
Progility Technology Pvt Ltd	Trading	100%	India
Progility Mauritius Ltd	Trading	100%	Mauritius
ILX Group Inc	Non-trading	100%	USA
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 Training Ltd	Non-trading	100%	England & Wales
Progility Consulting 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

Note: Only the Trading entities above require to be audited. The other entities are non-trading or soon to be dormant with no activity in the period of the report.

## 17 Deferred Taxation

The following are the major deferred tax assets recognised by the Group.

Group	Assets		Liabilities	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Intangible assets	-	-	199	91
Provisions	614	3	-	-
Tax value of loss carry-forwards	274	274	-	-
<b>Tax assets/liabilities</b>	<b>888</b>	<b>277</b>	<b>199</b>	<b>91</b>

## 17 Deferred Taxation (continued)

### Movement in deferred tax

	As at 30.6.2014	Recognised in income	Exchange difference	Acquired in business combination	As at 30.6.2015
Intangible assets	(91)	77	-	(185)	(199)
Provisions	3	59	(21)	573	614
Tax value of loss carry-forwards	274	65	(65)	0	274
	186	201	(86)	388	689

  

	Restated As at 30.6.2013	Recognised in income	Exchange difference	Acquired in business combination	As at 30.6.2014
Intangible assets	(91)	-	-	-	(91)
Provisions	3	-	-	-	3
Tax value of loss carry-forwards	439	(165)	-	-	274
	351	(165)	-	-	186

Deferred tax assets at 30 June 2015 of £1.685 million (2014: £1.289 million) have not been recognised in respect of tax losses, because it is not probable that future taxable profit will be available against which the Group can use the benefits.

Company	Assets		Liabilities	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Provisions	(5)	3	-	-
Tax value of loss carry-forwards	202	75	-	-
<b>Tax assets/liabilities</b>	197	78	-	-

### Movement in deferred tax in year

	As at 30.6.2014	Recognised in income	Exchange difference	Acquired in business combination	As at 30.6.2015
Provisions	3	(8)	-	-	(5)
Tax value of loss carry-forwards	74	128	-	-	202
	77	120	-	-	197

  

	Restated As at 30.6.2013	Recognised in income	Exchange difference	Acquired in business combination	As at 30.6.2014
Provisions	3	-	-	-	3
Tax value of loss carry-forwards	206	(132)	-	-	74
	209	(132)	-	-	77

## 18 Inventories

<i>Group</i>	<b>At 30.6.2015</b>	<b>At 30.6.2014</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials	1,779	808
Work in progress	300	-
Finished goods	1,922	2,443
	<u>4,001</u>	<u>3,251</u>

A total of £21.9 million of inventories was included as an expense (2014: £10.1 million). All group inventories form part of the assets pledged as security in respect of bank loans.

## 19 Trade and other receivables

<i>Group</i>	<b>At 30.6.2015</b>	<b>At 30.6.2014</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables	15,391	6,608
Other receivables	136	102
Prepayments	978	1,012
Accrued revenue	49	91
	<u>16,554</u>	<u>7,813</u>

Trade receivables over 60 days past due, unimpaired at the balance sheet date was 2,930 425

<i>Company</i>	<b>At 30.6.2015</b>	<b>At 30.6.2014</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables	770	770
Other receivables	97	38
Prepayments	244	179
Accrued revenue	8	60
	<u>1,119</u>	<u>1,047</u>

Trade receivables over 60 days past due, unimpaired at the balance sheet date was 105 378

## 20 Trade and other payables and Bank and shareholder loans

<i>Group</i>	<b>At 30.6.2015</b>	<b>At 30.6.2014</b>	<b>At 30.6.2013</b>
		<b>Restated</b>	<b>Restated</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade payables	8,217	5,310	5,226
Other taxes and social security costs	1,758	920	696
Accruals	4,042	1,372	1,219
Deferred revenue	5,872	5,125	6,130
	<u>19,889</u>	<u>12,727</u>	<u>13,271</u>

## 20 Trade and other payables and Bank and shareholder loans (continued)

### *Bank and shareholder loans*

HSBC 3-year term loan	-	-	511
HSBC 2-year revolving credit facility	-	-	700
HSBC 2-year term loan	580	1,318	-
5-year convertible shareholder loan (see note 22)	355	342	325
Moneytech loan	992	-	-
Moneytech invoice finance	1,173	1,774	1,591
Bank overdraft	188	265	-
	<u>3,288</u>	<u>3,699</u>	<u>3,127</u>

### *Company*

Trade payables	769	731	699
Amounts owed to group undertakings	5,544	3,389	642
Other taxes and social security costs	267	242	303
Accruals	668	539	725
Deferred revenue	2,670	2,735	3,377
	<u>9,918</u>	<u>7,636</u>	<u>5,746</u>

### *Bank and shareholder loans*

HSBC 3-year term loan	-	-	511
HSBC 2-year revolving credit facility	-	-	700
HSBC 2-year term loan	580	1,318	-
5-year convertible shareholder loan (see note 22)	355	342	325
Bank overdraft	188	265	-
	<u>1,123</u>	<u>1,925</u>	<u>1,536</u>

Loans repayable within one year or less include HSBC £0.6 million and shareholder loans of £0.4 million.

The HSBC loan and additional facilities of £0.6m outstanding at the 30 June 2015 are secured by a composite guarantee granted by the Group in favour of HSBC Bank Plc dated 29 August 2014, 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 HSBC 2-year amortising £1.5m term loan was issued in January 2014 and carries an interest rate of 4.15% above Bank of England Base Rate and had seven months left to run as at the balance sheet date. Repayments are due quarterly in arrears. The facility is repayable on demand by the bank.

Of the total £0.8 million in bank facilities drawn at the balance sheet date (including an overdraft of £0.2 million), £0.6 million is expected to be repaid during the current financial year.

## 21 Provisions

	Property £'000	Employee benefits £'000	Warranty and performance £'000	Corporate social responsibility £'000	Indian transfer pricing £'000	Total £'000
Balance at 30.6.2014						
Non-current	-	37	-	-	-	37
Current	-	1,028	-	-	-	1,028
<b>Total at 30.6.2014</b>	<b>-</b>	<b>1,065</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,065</b>
Provisions made	20	182	19	31	-	252
Provisions used	-	(154)	(28)	(10)	-	(192)
Arising from acquisitions	-	-	375	-	3,000	3,375
Exchange movement	-	(121)	(6)	(1)	-	(128)
<b>Balance at 30.6.2015</b>	<b>20</b>	<b>972</b>	<b>360</b>	<b>20</b>	<b>3,000</b>	<b>4,372</b>
Non-current	20	70	-	-	-	90
Current	-	902	360	20	3,000	4,282
<b>Total</b>	<b>20</b>	<b>972</b>	<b>360</b>	<b>20</b>	<b>3,000</b>	<b>4,372</b>

## 22 Shareholder loans

	At 30.6.2015 £'000	At 30.6.2014 Restated £'000
<b>Non current liabilities – Group only</b>		
18% Redeemable loan note 2016	2,133	2,133
12% Redeemable loan notes repayable 2021	10,131	-
Shareholder loans	2,573	2,442
	<b>14,837</b>	<b>4,575</b>
<b>Current liabilities – Group and Company</b>		
5-year convertible shareholder loan	355	342

### Convertible shareholder loan

On 17 December 2012 Progility plc entered into an agreement with Praxis Trustees Limited ("Praxis Trustees"), a subsidiary of the Praxis Group, to raise £0.4 million by way of a five year convertible loan. The loan notes 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 at par.

The Loan Note conversion rights cannot be exercised until the Company 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. Subject to these conditions being fulfilled, the loan notes can be converted by Praxis Trustees giving the Company 14 days notice.



## 23 Share capital and reserves

	As at 30.6.2015 £'000	As at 30.6.2014 £'000
<i>Allotted, called up and fully paid equity:</i>		
Ordinary shares of 10p each	19,967	19,967

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

<i>Issued and fully paid ordinary shares of 10 pence each</i>	Number of ordinary shares	£'000
At 30.6.2013	39,933,380	3,993
Issued on merger	159,733,500	15,974
At 30.6.2014 and 30.6.2015	199,666,880	19,967

### **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 Company 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 22.

### **Merger reserve**

This reserve records the difference between the nominal value of the shares issued and fair value of other consideration given and the nominal value of the share capital and other reserves received in a business combination under common control.

### **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 24.

### **Share option reserve**

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

### **Foreign currency translation reserve**

The translation reserve comprise all foreign currency differences arising from the translation of the financial statements of foreign operations.

## 24 Share options and own shares in trust

### **Share options**

<b>Date of grant</b>	<b>Number of shares under option at 30.6.2014</b>	<b>Granted during the year</b>	<b>Exercised during the year</b>	<b>Forfeited during the year</b>	<b>Number of shares under option at 30.6.2015</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
24-Dec-04	15,000	-	-	(15,000)	-	90p	24-Dec-2014
15-Jul-05	5,000	-	-	(5,000)	-	90p	15-Jul-2015
12-Jun-06	10,000	-	-	(10,000)	-	90p	12-Jun-2016
22-May-07	40,000	-	-	(40,000)	-	53p	22-May-2017
24-Feb-11	30,000	-	-	(30,000)	-	25p	24-Feb-2021
06-Nov-13	5,300,000	-	-	(1,800,000)	3,500,000	10p	05-Nov-2018
23-Oct-14	-	1,850,000	-	(700,000)	1,150,000	10p	22-Oct-2019
31-Dec-14	-	500,000	-	-	500,000	10p	30-Dec-2019
09-Jun-15	-	2,750,000	-	-	2,750,000	10p	08-Jun-2020
	5,400,000	5,100,000	-	(2,600,000)	7,900,000		

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

As at 30 June 15, 18 employees held options over total of 7,900,000 (2014: 5,400,000) at an average exercise price of 10.0p (2014: 11.0p).

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

	Options outstanding at 30.6.2014	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options exercisable at 30.6.2015	Options outstanding (including those exercisable) at 30.6.2015
Number of shares under option	5,400,000	5,100,000	-	(2,600,000)	1,166,667	7,900,000
Weighted average exercise price	10.7p	10.0p	0.0p	11.8p	10.0p	10.0p

  

	at 30.6.13				at 30.6.2014	at 30.6.2014
Number of shares under option	790,936	6,350,000	-	(1,740,936)	100,000	5,400,000
Weighted average exercise price	9.5p	10.0p	0.0p	2.8p	55.7p	10.8p

The weighted average time to expiry of the share options outstanding at 30 June 2014 was 3.8 years (2013: 4.3 years). Details of individual expiry dates are shown above.

Options granted since 2013 are exercisable in tranches beginning between 1 and 3 years from the date of grant and expire after 5 years. Details of Directors' share options can be found on page 14. The Company's share price on 30 June 2015 was 4.38p (on 30 June 2014: 5.63p).

The fair value cost of providing options granted is recognised equally over the lifetime of the option. The charge for the year was £40,000 (2014: £3,000). The material inputs into the Black-Scholes model used to calculate the fair value cost of options were:

	Granted in year ended 31.3.2010	Granted in year ended 31.3.2011	Granted in year ended 31.3.2012	Granted in year ended 30.6.2014	Granted in year ended 30.6.2015
Average share price at grant	35.0p	20.1p	25.5p	8.4p	6.5p
Average exercise price	1.4p	2.0p	10.2p	10.0p	10.0p
Expected volatility	62%	68%	55%	47%	54%
Expected life	3.5 years	3.5 years	3.5 years	6 years	4 years
Expected dividend yield	5.4%	0.0%	6.0%	0.0%	0.0%
Risk-free rate of return	1.0%	1.0%	1.0%	1.2%	1.7%

### Own shares in trust

At 30 June 2015 the Company held 49,231 of its own 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. Share price at 30 June 2015 4.38p (30 June 2014 5.63p)

## 25 Related party transactions

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

The parent company charged for sales of e-learning licences and management charges to its subsidiaries in the amounts of £143,504 (2014: £480,320) and £620,683 (2014:£595,938) respectively. The company was charged interest from its subsidiaries in the amount of £463,402. These amounts, along with any intercompany payable and receivable balances, are eliminated upon consolidation.

The issue of loans and warrants to Praxis Trustees and MMILT (together the "Transactions") are classified as related party transactions. The Group made repayments in the year to Praxis of £nil (2014: £2,133,000) and issued new loans of £10,131,000 (2013: £2,133,000). The Group made repayments in the year to MMILT of £nil (2014: £18,000).

## 26 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.

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

<i>Financial Assets</i>	At	At	At	At
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
	£'000	£'000	£'000	£'000
	Group		Company	
Trade and other receivables	16,554	7,813	1,119	1,047
Cash on hand	3,538	1,798	111	288

## 26 Financial instruments – risk management (continued)

Financial Liabilities	At	At	At	At
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
	£'000	£'000	£'000	£'000
	Restated			
	Group		Company	
Fair value through profit or loss:				
Deferred consideration	2,041	30	-	30
Other amortised cost:				
Bank loans and overdrafts	2,933	3,357	768	1,583
Shareholder loans	14,837	4,575	-	-
Convertible loan	355	342	355	342
Trade payables	8,217	5,310	769	731
Accruals	4,042	1,372	668	539

It is, and has been throughout the year under review, the Group's policy 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 balance sheet 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 (eg. as prices) or indirectly (eg. 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.

## 26 Financial instruments – risk management (continued)

The following tables present the Group's assets and liabilities that are measured at fair value:

<i>At 30 June 2015</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Group</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Deferred consideration	-	-	2,041	2,041
Net fair value	-	-	2,041	2,041

<i>At 30 June 2014</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Group</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Deferred consideration	-	-	30	30
Net fair value	-	-	30	30

<i>At 30 June 2015</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Company</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Deferred consideration	-	-	-	-
Net fair value	-	-	-	-

<i>At 30 June 2014</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Company</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Deferred consideration	-	-	30	30
Net fair value	-	-	30	30

### 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.

	<b>Group</b>	<b>Company</b>
	<b>£'000</b>	<b>£'000</b>
At 30 June 2013	596	596
Deferred consideration from acquisition of Sue Hill	30	30
Payment made	(34)	(34)
Adjustment to fair value of contingent consideration	(562)	(562)
At 30 June 2014	30	30
Deferred consideration from acquisition of Starkstrom	2,722	-
Payment made	(711)	(30)
At 30 June 2015	2,041	-

## 26 Financial instruments – risk management (continued)

### 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 over 60 days past due but not impaired at the balance sheet date was £2,930,000 (2014: £425,000). The receivables are aged as follows: Debt Aged 60 days and over 19%, up to 59 days 13%, and current up to 29 days, 68%.

The total exposure to credit risk lies within trade receivables and accrued revenue and cash. The majority of these balances are with blue-chip companies. The risk is spread over a wide range of approximately 3429 customers with an average balance of just over £4,500. The largest balance at year end comprised 3% of the total trade receivable balance.

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 its working capital facilities. It is the risk that the Group may encounter difficulty in meeting its financial obligations as they fall due.

The Group's banking facilities include an overdraft and a term loan facility which are repayable on demand and shareholder loans which are due to be repaid as disclosed below. The Group also utilises invoice finance facilities. The Directors, after making enquiries, of its loan note holders, its principal bankers and other lenders have a reasonable expectation that the Company and the Group will have adequate resources to continue in operational existence for the foreseeable future.

	At 30.6.2015	At 30.6.2014	At 30.6.2015	At 30.6.2014
	£'000	£'000	£'000	£'000
	Group		Company	
Cash on hand	3,538	1,798	111	288

As at 30 June 2015, the Group's non-derivative financial liabilities have contractual maturities as summarized below:

	Group			Company		
	Repayable on demand <12 months	Repayable over 6 to 12 Months	Repayable over 1 to 5 years	Repayable on demand < 12 month	Repayable over 6 to 12 Months	Repayable over 1 to 5 years
<b>As of 30 June 2015</b>	<b>£' 000</b>	<b>£' 000</b>	<b>£' 000</b>	<b>£' 000</b>	<b>£' 000</b>	<b>£' 000</b>
Trade Payables	8,217	-	-	769	-	-
Other taxation	1,786	-	-	267	-	-
Borrowings	2,933	355	14,837	768	355	-
Deferred consideration	2,041	-	-	-	-	-
<b>As of 30 June 2014</b>	<b>£' 000</b>	<b>£' 000</b>	<b>£' 000</b>	<b>£' 000</b>	<b>£' 000</b>	<b>£' 000</b>
Trade Payables	5,310	-	-	731	-	-
Other taxation	975	-	-	242	-	-
Borrowings	3,357	342	4,575	1,583	342	-
Deferred consideration	-	30	-	-	30	-

To ensure that this is achieved, rolling 12-month cash flow projections are reviewed 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.

## 26 Financial instruments – risk management (*continued*)

### *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. This risk is minimised by regular review of the facilities available to the Group.

The Group's exposure to interest rate risk arises principally from its bank borrowing and other secured borrowing, which carry an interest rate margin over Base Rate. 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 the Bank of England Base Rate would have approximately £34,000 (2014: £7,000) impact on the monthly interest rate charge.

### *Exchange rate risk*

All assets and liabilities are presented in Sterling. Transactions in Euros, American Dollars, Australian Dollars, Indian Rupee, 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 £1,058,000 (2014: £1,082,000) reduction on the annual sales recorded in pound sterling in the Group's accounts, an increase of £34,000 (2014: £7,000) in profit after tax and an increase of £77,000 (2014: reduction of £108,000) in total comprehensive income. Similarly, a five percentage point adverse movement in the Indian rupee exchange rate could potentially be reflected as a £462,000 reduction on the annual sales recorded in pound sterling in the Group's accounts, a reduction of £22,000 in profit after tax and a reduction of £37,000 in total comprehensive income.

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 profit or loss 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.

These objectives will be achieved by maintaining and adding value to existing projects and ultimately taking them through to delivery and cash flow.

The Group monitors capital on the basis of the carrying amount of share capital and other reserves as presented on the face of the financial position. Capital for the reporting periods under review is defined as total equity summarised in the consolidated statement of changes in equity and was £4,059,000 at the end of the year (restated 2014: £3,771,000).

The Group obtains 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.

## 27 Ultimate parent undertaking and controlling interest

Praxis Trustees Limited, as trustee of the DNY Trust, which holds the majority of shares of the company, is considered to be the ultimate controlling party of the company.

## 28 Operating leases

At 30 June 2015 the Group had minimum commitments under non-cancellable operating leases as set out below:

	<b>Land and buildings 30.6.2015</b>	<b>Land and buildings 30.6.2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Group</b>		
Due within one year	1,186	570
Due in second to fifth year	1,528	898
Total minimum lease payments	<u>2,714</u>	<u>1,468</u>
	<b>Land and buildings 30.6.2015</b>	<b>Land and buildings 30.6.2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Company</b>		
Due within one year	225	231
Due in second to fifth year	100	179
Total minimum lease payments	<u>325</u>	<u>410</u>

The Group leases 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.

## 29 Capital commitments

There were no material capital commitments at the end of the year (2014: £Nil).

## 30 Subsequent event review

There have been no significant event subsequent to the balance sheet date.



## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (“the Meeting”) of Progility plc (“the Company”) will be held at the offices of the Company, 4<sup>th</sup> Floor, 15 Fetter Lane, London, EC4A 1BW on 28 October 2015 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions numbered 1 to 6 will be proposed as ordinary resolutions:

### Ordinary Business

1. To adopt the accounts for the twelve month period ended 30 June 2015, together with the Reports of the Directors and Auditor.
2. To receive the Directors’ Remuneration Report.
3. To elect Hugh Cawley a Director of the Company.
4. To re-elect Wayne Bos a Director of the Company.
5. To re-appoint KPMG LLP as Auditor to the Company and to authorise the Directors to determine their remuneration.

### Special Business

6. **THAT** 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:
  - 6.1 up to an aggregate nominal amount of £13,311,125.00 (such amount to be reduced by the nominal amount of any relevant securities allotted pursuant the authority in paragraph 6.2 below) in connection with an offer by way of a rights issue:
    - a. to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
    - b. to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,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
  - 6.2 in any other case, up to an aggregate nominal amount of £6,655,562.00 (such amount to be reduced by the nominal amount of any relevant securities allotted pursuant to the authority in paragraph 6.1 above in excess of £6,655,562.00).

The authority 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.

**By Order of the Board**

Registered Office:  
15 Fetter Lane,  
London  
EC4A 1BW

Hugh Cawley  
*Company Secretary*  
30 September 2015

# Notice of Annual General Meeting (continued)

## NOTES

### Entitlement to attend and vote

1. Only those members registered on the Company's register of members at:

5.00 pm on 26 October 2015; or

if this Meeting is adjourned, at 5.00 pm on the day two days prior to the adjourned meeting,

shall be entitled to attend and vote at the Meeting.

### Attending in person

2. If you wish to attend the Meeting in person, please arrive at the Company's office at least fifteen minutes before the commencement of the Meeting to allow time to pass through security and register your attendance.

### Appointment of proxies

3. If you are a member of the Company at the time set out in note 1 above, 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 are set out in the notes to the proxy form.
5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.
6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If [you either select the "Discretionary" option or if] no voting indication is given, 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

7. 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 Asset Services at PXS1, 34 Beckenham Road, Beckenham BR3 4TU; and

received by Capita Asset Services no later than 10.00 am on 26 October 2015.

In the case of a member which is a company, the proxy form 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 proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

### Appointment of proxies through CREST

8. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from <https://www.euroclear.com/site/public/EUI>). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a 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 made by means of CREST to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (**EUI**) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by Capita Asset Services (ID RA 10) by no later than 10.00 am on 26 October 2015. 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 Capita Asset Services is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. 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.

## Notice of Annual General Meeting (continued)

### Appointment of proxy by joint members

9. 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

10. 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 Asset Services on 0871 664 0300.

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

11. In order to revoke a proxy instruction you will need to inform Capita Asset Services by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Asset Services, PXS1, 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.

The revocation notice must be received by Capita Asset Services no later than 10.00 am on 26 October 2015.

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

12. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

### Issued shares and total voting rights

13. As at 5.00 pm on 29 September 2015, the Company's issued share capital comprised 199,666,880 ordinary shares of 10 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.00 pm on 29 September 2015 is 199,666,880.

### Documents on display

14. The following documents will be available for inspection at the registered office of the Company, 15 Fetter Lane, London, EC4A 1BW from 30 September 2015 until the time of the Meeting and at the Meeting venue itself for at least 15 minutes prior to the Meeting until the end of the Meeting:

Copies of the service contracts of executive directors of the Company.

Copies of the letters of appointment of the non-executive directors of the Company.

### Communication

15. Except as provided above, members who have general queries about the Meeting should contact Capita Asset Services on 0871 664 0300 (calls cost 12p 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.