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Progility plc

("Progility" or "the Group")

Interim Results

Progility plc (AIM: PGY) the technology led provider of project management services is pleased to announce its Interim Results for the six months to the 31 December 2013.

"In the period under review the Group has undergone fundamental change. The combination of our Training and recruitment services businesses along with our Technology and consulting businesses has created a platform to build a technology led project management services provider of scale" said Wayne Bos, Executive Chairman.

Highlights

- A period of restructuring and transition
- Financial Performance - six months to 31 December 2013 compared to the six months to 31 December 2012 (as restated):
  - Revenues were £18.6million (2012: £20.6 million) reflecting a significant negative currency translation movement of £1.7million (refer to Table 1)
  - Adjusted Ebitda £0.5 million (2012: £0.1 million) Refer to Table 2
  - Reduced loss before tax to £1.1million (2012: Loss £2.6million)
  - Increased costs associated with integrating acquisitions, restructuring existing operations and investing in areas identified for future growth
- Operationally:
  - Restructuring phase now largely complete with the focus switching to investment
  - On 4 October rebranded as Progility (previously ILX Group) following merger with Progility Pty Ltd
  - Transactions undertaken at a total consideration value of £16.75 million

Wayne Bos, Executive Chairman continued;

"We have been successful in attracting a management team who have had extensive experience of building technology businesses of scale; both organically and through acquisition.

Operationally the focus had been on improving trading operations and, where appropriate, restructuring them. We have made good progress and expect the benefits of this work to come to fruition in the near term.

Alongside the work being completed in this transformational period, significant time has been invested in identifying further markets where we believe there will be profitable growth and where we can successfully exploit our specific fields of expertise.

We expect the next six months to be a further period of positive transformation."

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Introduction

I am pleased to be able to report on a period during which the Group has successfully undergone substantial change and is, as a result, on the way to forming a strong base for a much larger business. Our strategic objectives remain to explore and develop the Group's capabilities within our areas of expertise where the Board believes we can generate above average returns.

In addition, we will be looking to make further acquisitions, which will complement our existing activities or provide an established presence in new industry verticals where our skills and existing services can be profitably applied.

Business Review

The Group's strategy is focused upon the supply of project-related services that can be applied across different sectors enabling the training, preparation and recruitment of people and the planning and implementation of technology-led projects for target clients.

By strengthening its project management capabilities, the Group will continue to:

- Exploit its market leading position in the provision of project management training to build complementary offerings;
- Provide recruitment services that complement our project management skills and help foster deeper relationships with our clients in other areas; and
- Aggressively expand our consultancy and technology solutions services in the UK and Europe, the Middle East and Africa, and Australasia applying our core skills to underpin this activity. We will promote these skills in industries where we already provide products and services, particularly to the mining and communications sectors.

The six months ended 31 December 2013 has seen a number of key events and initiatives that have significantly influenced the scale and performance of the Group.

- The merger with Progility Pty Limited, completed in October 2013;
- The acquisition of two specialist recruitment services companies in July and November 2013; and
- The integration of these acquisitions and the restructuring of and investment in the existing training businesses.

Progility Technologies

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

The business, which merged with the original ILX Group plc in October 2013, is headquartered in Melbourne, Australia, and has offices in Castlemaine, Perth, Sydney, Latrobe Valley, and Brisbane.

During the latter part of the calendar year 2013, following the merger with Progility Pty Limited, the Australian economy, and its currency weakness, has had an adverse impact on the timing of development in that area of the Group. However, we have a range of services and capabilities that are now well positioned to be applied, not only across our existing customer base, but also across other industries and geographies where we have identified the appropriate base of customers and relationships which we can build on.

In addition, the awarding of a contract for an in-pit high speed fixed and wireless communications network from the Roy Hill mine in December 2013 was a major step in the development of our integrated communications solutions business and demonstrates the division's capability to deliver large scale integrated projects to large customers. We anticipate that this will provide a template for future similar contract wins.

Training

The Training business trades under the ILX brand, which provides a blend of on-line learning, games and simulations, traditional classroom training, practical workshops and coaching. ILX delivers training in the UK Cabinet Office's best management practice products, primarily in PRINCE2, MSP and ITIL. As we have previously stated the reorganisation of the original ILX Training group activities has taken longer and required more management resource, than we initially anticipated, to make it fit for purpose. Furthermore the competitive nature of the business and the legacy of certain historic arrangements has impacted the pace at which we can fully demonstrate the benefit of the changes we have made. Consequently, the refocusing of this division has had to be both thorough and deep rooted.

Recruitment services

The recruitment services offering comprises TFPL and Sue Hill Recruitment & Services (both acquisitions were completed during the period). TFPL is a recruitment, training and consulting business specialising in the knowledge, information and data management industries, which was acquired in July 2013. It provides executive search, managed services and the placement of permanent, interim and contract personnel into the public and private sectors.

Sue Hill Recruitment, which was founded in 1997, is a specialist employment agency to the UK information, market research, insight and analysis sectors and was acquired in November 2013. Since the business was established within the Group in November 2013, demand for its recruitment services has been strong reflecting the economic upturn. The acquisition of Sue Hill Recruitment doubled the size of the existing revenue. More recently, we marked the online launch of a new Project Management recruitment brand www.progilityrecruitment.com, which is well placed to promote its services to project management trainees.

Consulting

The consulting offering comprises Obrar in the UK and ILX Consulting in Australia. Obrar is a consulting and project management services company, focused on multimedia contact centres, corporate technology infrastructure and associated operational change, with extensive experience in delivering contact centre outsourcing on a global basis. ILX Consulting, located in Sydney, is an organisational improvement and project management services company, specialising in information technology, service and supply chain improvement and overall project and programme management.

The Consulting division has consistently progressed with existing clients and is entering a new phase of its development by focusing on: winning new projects; developing a knowledge leadership discipline; and, pushing our procurement expertise.

Results

Given the nature and scale of the Progility Pty Limited transaction, we have accounted for the transaction as a merger; meaning the current and comparative figures reflect the situation as if the businesses had been combined for the current and comparative period.

For the six months to 31 December 2013 the Group delivered revenues of £18.6 million (2012: £20.6 million). Revenues were affected by a material adverse translation movement between the Australian Dollar and the UK pound, reducing revenues in this period by approximately £1.7 million. Our underlying sales performance, excluding currency translation, would show a broadly stable revenue line. In addition, H1 revenues did not have any benefit from key contracts won in Australia in [December] which will come through in H2. These contracts closed slightly later in the period than anticipated and therefore did not make a contribution. The negative foreign exchange translation movement of approximately £1.7 million represents the bulk of the notional decline of revenue when comparing the two six month periods to December 2013 and 2012 (refer to Table 1).

The impact from the fall in the Australian Dollar and comparatively weaker Australian economy has been felt both in the Progility Technology business and our Training/Consulting businesses located in Australia. While revenue has been maintained in our consulting business within the UK, the challenge has been to ensure we continue to develop new business relationships in the Training and Technology Solutions divisions while keeping our costs under control. This has been successfully achieved.

A consistent currency level would have reflected the higher commercial activity in the business during the six months to 31 December 2013 compared with the prior comparable period:

Table 1

Reconciliation of the revenue change attributable to foreign exchange rate translation:

Australian Dollar Revenue for 6 months to 31 December 2012	\$24.0 million
Average FX rate used GBP/AUD to 31 December 2012	1.53
Resulting translated revenue	£15.69 million
Average FX rate used for 6 months to 31 December 2013	1.72
Notional resulting revenue for 6 months to December 2012 using 2013 FX rate	£13.96 million
Notional change attributable to FX rate difference	£1.73 million

Reorganisation

The restructuring costs and other one time/exceptional items reflect the costs of the corporate transactions, and also the implementation of integrating rationalisation projects. These costs were absorbed by the UK based business.

Although we expect a modest level of non-recurring costs items in the second half we also expect the impact of our new business units in Australia to contribute to second half performance.

Operating performance

The Group's earnings before interest, depreciation, amortisation and transaction/restructuring costs were £0.5 million (2012: £0.1 million). The reconciliation is provided below.

The operating loss after accounting for transaction, re-organisation and restructuring costs was £0.7 million (2012 Loss of £2.2 million).

Transaction costs relate to the acquisition of TFPL Limited, Progility Pty Limited and Sue Hill Recruitment & Services Limited during the six months to 31 December 2013. Other restructuring and re-organisation costs relate to integration charges not in the course of normal operational activity.

Table 2

Financial reconciliation – adjusted operating profit to reported operating loss

Extract from the unaudited financial statements	Six months to 31 December 2013 £ million	Six months to 31 December 2012 £ million
Adjusted EBITDA	0.5	0.1
Restructuring costs	(0.5)	(1.9)
Depreciation/amortisation	(0.3)	(0.2)
Transaction costs	(0.4)	(0.2)
Operating loss per statement of comprehensive income	(0.7)	(2.2)

Cash flow, net debt and facilities

Cash flow

Cash outflow from operating activities was £0.86 million (2012: £0.64 million inflow) largely as a result of transaction costs, restructuring costs and reorganisation activity. The Group continues to generate operating cash flow from its stock sales, maintenance agreements, e-commerce, cash sales and from advance payments from customers across the Group.

It is anticipated that the restructuring investment will have a positive effect on future cash flow. The effectiveness of this investment will be reflected in its impact on the Group's Training and Recruitment business development and on the take up of a strengthened digital offering, once this is fully communicated to our customers.

The Group continues to invest in its product range and also incurred capital expenditure in the period relating to updates of the Training division's client portal and its internal systems and equipment to improve operating efficiency and remove labour intensive data processing.

Net debt and facilities

The Group has carefully managed its cash while integrating its businesses and maintaining focus on its client's requirements.

At the balance sheet date the Group's debt comprised £1.8 million by way of a fixed term facility, £1.4 million of invoice discounting facility, and £4.8 million of shareholder loans (including convertible loan notes). An overdraft facility was undrawn as at the balance sheet date.

Of those facilities drawn at the balance sheet date, £0.2million of term loan has been repaid since 31 December 2013. The remainder of the term loan is expected to be repaid in quarterly instalments during the subsequent twenty four months. The term loan and overdraft are payable on demand. The remainder of the loan facilities will not fall due until after 2015. Post period end the Group's invoice discounting facility was increased to £2.0 million by a draw-down of £0.6 million.

Net debt at the period end, defined as all bank and shareholder loans plus convertible debt, less cash at bank, was £6.6 million compared with a pro forma consolidated net debt at 30 June 2013 of £5.7 million (31 December 2012: £4.5 million). The net debt as at 31 December 2013 comprised: £4.8 million of shareholder loans and £3.2 million of external debt less £1.4 million in cash balances. The Group remains within the terms of all its financial covenants.

Dividend

As noted above, the Board does not recommend a dividend for the period ended 31 December 2013, which will remain the position for the foreseeable future.

Outlook

The Board remains confident in its belief that our operations in both Australia, the UK and the Middle East will continue to progress in the second half of the year. The outturn for the full year will depend on the pace of delivery on major contracts in Australia. However, improving performance in both the Training and Consulting divisions are expected to underpin a positive outcome for the Group's performance.

The businesses are all now in a robust position to provide Progility with a strong platform to exploit opportunities in new industries both via acquisition and organically.

Statement of comprehensive income	Unaudited Six month ended 31/12/2013 £000		Unaudited Restated Six month ended 31/12/2012 £000	
Revenue	18,634		20,608	
	-		-	
Cost of Sales	(13,333)		(14,385)	
	-		-	
Gross profit	5,301		6,223	
	-		-	
Administrative and Distribution expenses	(5,556)		(6,511)	
Restructuring costs	(450)		(1,918)	
Other income	39		-	
Operating profit	(666)		(2,206)	
	-		-	
Finance income	-		-	
Finance costs	(481)		(393)	
	-		-	
Loss before tax from continuing operations	(1,147)		(2,599)	
	-		-	
Tax benefit	356		463	
	-		-	
Profit/loss for the period attributable to equity shareholders	(791)		(2,136)	
	-		-	
Other comprehensive income	(53)		14	
	-		-	
Total comprehensive loss	(844)		(2,122)	
Loss per share				
Basic	(0.40)	p	(1.09)	p
Diluted	(0.40)	p	(1.09)	p

Statement of Financial Position	Unaudited Six month ended 31/12/2013 £000	Unaudited Six month ended 31/12/2012 £000
Assets		
Non-current assets		
Property, plant and equipment	786	1,164
Intangible assets	12,188	12,560
Deferred tax asset	1,314	1,005
Total non-current assets	14,288	14,729
	-	-
Current assets	-	-
Inventories	3,163	1,937
Trade and other receivables	7,009	7,184
Other current assets	283	73
Income tax receivable	366	79
Cash and Cash equivalents	1,402	1,700
Total current assets	12,223	10,973
	-	-
Total assets	26,511	25,702
	-	-
Current liabilities	-	-
Trade and other payables	(10,407)	(9,809)
Contingent consideration	(691)	(981)
Provisions	(897)	(1,006)
Tax liabilities	-	(175)
Loans and overdrafts	(3,661)	(1,277)
Total current liabilities	(15,656)	(13,248)
	-	-
Non-current liabilities	-	-
Contingent consideration	-	-
Loans and overdrafts	(4,416)	(4,913)
Provisions	(162)	(240)
Total non-current liabilities	(4,578)	(5,153)
	-	-
Total liabilities	(20,234)	(18,401)
	-	-
Net assets	6,277	7,301
	-	-
Issued share capital	19,967	19,967
Share premium	114	114
Other reserve	75	75
Merger reserve	(14,701)	(14,701)
Own shares in trust	(50)	(1,775)
Share option reserve	15	444
Retained earnings	965	3,084
Exchange differences arising on consolidation	(108)	93
Total equity	6,277	7,301

Cash flow statement	Unaudited Six month ended 31/12/2013 £000	Unaudited Six month ended 31/12/2012 £000
Loss from continuing operations	(666)	(2,206)
Adjustments for:		
Depreciation	341	1,509
Share option charge	1	42
Movement in inventories	(1,309)	(264)
Movement in trade and other receivables	1,979	2,815
Movement in trade and other payables	(1,304)	(1,299)
Gain on bargain purchase	(39)	
Exchange difference on consolidation	138	49
Cash generated from continuing operating activities	(859)	646
Tax paid	(15)	(353)
Net cash generated from continuing operating activities	(874)	293
Investing activities		
Interest received	-	-
Purchase of property plant and equipment	(47)	(234)
Capitalised expenditure on product development	(37)	(467)
Acquisition of subsidiaries (net of cash acquired)	(67)	(297)
Net cash used in investing activities	(151)	(998)
Financing activities		
Proceeds from borrowings	-	1,090
Repayment of borrowings	(1,071)	(2,132)
Proceeds of share issue	-	1,234
Interest and refinancing costs paid	(170)	(74)
Dividend paid	-	-
Net cash generated by/(used in) financing activities	(1,241)	118
Net change in cash and cash equivalents	(2,266)	(587)
Cash and cash equivalents at start of period	1,916	2,287
Cash and cash equivalents at end of period	(350)	1,700
Cash equivalents:		
Cash in hand and at bank	1,402	1,700
Bank overdraft	(1,752)	-
	(350)	1,700

Notes to the unaudited accounts:

1. Basis of preparation and accounting policies

These interim financial statements are for the six months ended 31 December 2013. They have been prepared in accordance with IFRSs as adopted by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of Progility Plc (formerly ILX Group Plc) for the period ended 30 June 2013. The financial information for the period ended 31 December 2012 set out in this interim report does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The Group's statutory financial statements for the period ended 30 June 2013 have been filed with the Registrar of Companies and can be found on the Group's website www.progility.com. The auditor's report on those financial statements was unqualified and did not contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006. These interim financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments. These interim financial statements have been prepared in accordance with the accounting policies detailed in the Group's financial statements for the year ended 30 June 2013 except as documented herein. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements. The interim financial statements are presented in Pounds Sterling (£), which is also the functional currency of the Company.

These interim financial statements have been approved for issue by the board of directors. It should be noted that accounting estimates and assumptions are used in preparation of the interim financial information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the interim financial information, are set out in note 2 to the interim financial information. In the future, actual experience may deviate from these estimates and assumptions

As announced on 10 September 2013 a share for share exchange agreement was entered into between the Company and the shareholders of Progility Pty Ltd. The agreement was completed on 7 October 2013 and, following completion, the Company is now the sole shareholder of Progility Pty Ltd.

In determining 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.

Accordingly, following the guidance regarding the selection of an appropriate accounting policy provided in IFRS 10 Consolidated Financial Statements (in relation to the evidence regarding what constitutes control) and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', the transaction has been accounted for in these accounts using the principles of merger accounting with reference to UK Generally Accepted Accounting Practice (UK GAAP) which does not conflict with IFRS and reflects the economic substance of the transaction.

Under UK GAAP, the assets and liabilities of both entities are combined at book value, not fair value (although adjustments are made to achieve uniform accounting policies) and the comparative amounts are restated as if the combination had taken place at the beginning of the earliest accounting period presented.

Therefore, although the combination did not become unconditional until 7 October 2013, the interim financial statements are presented as if the Group structure had always been in place.

2. Accounting estimates and key judgements

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

Key judgement – Merger Accounting

In forming its judgement as to the appropriateness of the use of merger accounting following the merger 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 the Group in August 2012 and its subsequent issue of convertible debt provided material additional influence over ILX Group plc to ensure its management's objective of restructuring and repositioning the Group was given a strong platform for success. Consequently taking all the factors together with the guidance provided in IFRS10 the Board has concluded that IFRS 3 would not apply, and that common control was in place both prior to and after the Transaction.

3. Loss per share

This has been calculated on the loss for the period of £791,000 (2012: Loss £2,136,000) and the number of shares used was 199,666,880 (2012: 187,326,880), being
the weighted average number of share in issue during the period.

4. Dividends

No dividend is proposed for the six months ended 31 December 2013.

5. Copies of Interim financial statements

The Interim Results will be posted on the Company's web site www.progility.com