Progility Plc

ANNUAL REPORT 2018

Company No. 03525870

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Chairman's statement

At the end of July this year the Company's shares ceased to be traded on AIM. The Board had previously been content to maintain the trading of shares on AIM to provide strategic and financial flexibility with the potential access to capital market funding. However, this had proved very difficult in practice with the company needing to use debt funding provided by Praxis.

Following the delisting the Board now intends to take advantage of the lower disclosure and reduced administrative burden on the company to reduce its central costs and focus on the operational aspects of the business. It is intended to put a resolution at the AGM to re-register as a private limited company. If passed this will enable the Board to minimise administrative costs going forward.

In due course we will also engage with Praxis to find the most effective way of restructuring the balance sheet to create a firm platform for the future.

Wayne Bos
Chairman

Strategic Report

Progility Plc - Overview

The Progility Group comprises three business segments: Professional Services, (comprising the training and recruitment businesses), Healthcare (comprising Starkstrom) and Communications (comprising our technology businesses in India and Australia).

The group continues to be run as a portfolio. Mergers, acquisitions and disposals are considered when the opportunity to generate above average returns arises. The current and prior period saw no transactions occur.

Principal activity

The principal activities of the Group during the period, as outlined above, are Professional Services, Healthcare and Communications.

Corporate management

The Group's global headquarters remain in central London, to suit the diverse needs of the various businesses within the Group and is located with our professional services London-based operations. Operational management is delegated to the senior management in each segment, with a very small team in corporate headquarters maintaining oversight of business performance and control over cash management. The annual budget process has become increasingly rigorous and will continue to be improved with greater accountability and transparency being provided to the group.

The Group's chief operating decision maker remains the Executive Chairman who reviews and considers these reports at the formal board meetings and in regular dialogue with the senior management in each segment.

Segment Overview

Our business is managed through three business segments to maximise our ability to communicate and to deliver our full range of products and expertise to our key clients' decision makers across the diverse territories and time zones in which we operate. These three segments reflect the management responsibility and accounting arrangements used to manage and report upon the performance of the business.

<u>Professional Services</u>

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 deliver ILX services from offices in the UK, Dubai and Australia, 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 2014 with Sue Hill joining in November 2014. Together they form a recruitment division which has access to a pool of quality assured candidates trained in, amongst other skills, project management services and digital information 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 locations across the UK, enhancing young people's skills, helping them into work. The business faced a tough year operating in a sector that has seen significant structural changes but continues to adapt to market conditions to align resources with the training opportunities available.

The recruitment business, which specialises in both temporary and permanent resources in information management, has been through a period of change to create a more robust business. Whilst the core markets of the recruitment business (Knowledge and Information Management) remain favourable, we are continuing to create a more diverse revenue stream by investing in new areas markets for the future.

Overall segmental revenue for the year was £13.56 million down from £15.73 million in the prior year. The operating performance was disappointing after taking into account some one-off charges in Woodspeen and a significant investment in the repositioning of Sue Hill and TFPL.

Healthcare

Healthcare comprises the activities of the Starkstrom Group, the operating theatre and critical care equipment business, which delivers and installs advanced medical equipment and is a leading provider of fully integrated solutions, with over 40 years' experience in the UK.

Revenue in this segment in the year was £13.18 million down from £14.28 million the prior year. The operating performance was particularly affected by cost overruns on major projects of £0.4 million and increased recruitment and one-off consultancy costs of £0.15 million.

We expect the business to make progress as we continue to develop the Starkstrom brand and extend relationships with existing UK based clients. The Company is well placed to increase overseas sales which we believe will provide an additional area of growth over the coming year. Investment in senior management has been made to deliver to not only deliver this growth, but to improve margins through product development, mix management and quality initiatives, and project management and process improvement.

Communications

Communications comprises the technology businesses in Australia and India.

Progility Technologies in Australia operates a communication systems integration business that designs, implements, trains and maintains technology solutions for medium and large enterprises. The market is broad and includes energy, health, retail and security industries. The business is headquartered in Melbourne, Australia, with five regional sales offices.

Progility Technologies Pvt. Ltd, formerly known as Unify Enterprise Communications Pvt, provides unified communications and systems integration solutions across India and surrounding countries. 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, which includes a large number of hospitals under contract in the Indian market.

Revenue this year amounted to £40.05 million down from £45.09 million in the prior year. However, the operating performance was materially ahead of the prior year. The business remains stable across all our target business segments (voice, video, data, surveillance and services) and we have strengthened the Progility brand across the enterprise market.

Central corporate costs

Central costs comprise back office operations including property, legal, finance, IT, communications, HR and board costs in London. Our focus on rationalising these costs has resulted in a 39% reduction over prior year from £0.95 million to £0.58 million. This reduction does not reflect any of the benefits of ceasing to have our shares traded on AIM, which only became effective after the year end.

Central costs have been recharged to subsidiaries where possible, however it should be noted that certain of these central costs are not deemed appropriate to recharge as they relate to group costs and the running of the group as a portfolio, the listed status of the group and not therefore directly related to the operating nature of individual operating segments.

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.

- 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.

- Brexit and FX risk – until further clarity is known regarding terms in which the UK will exit, the directors are not able to assess the impact on the Company or what impact the wider regulatory and legal consequences of the UK leaving the EU would be on the Company.

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.

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 and is collocated with our professional services London-based operations. Operational management is delegated to the senior management in each segment, with a very small team in corporate headquarters now maintaining oversight of business performance and control over cash management. The annual budget process has become increasingly rigorous and will continue to be improved with greater accountability and transparency being provided to the group.

Our business is managed through three business segments to maximise our ability to communicate and to deliver our full range of products and expertise to our key clients' decision makers across the diverse territories and time zones in which we operate. These three segments reflect the management responsibility and accounting arrangements used to manage and report upon the performance of the business.

Key performance indicators (KPI's) for each business are revenue, gross profit margin and operating profit.

The Group's chief operating decision maker remains the Executive Chairman who reviews and considers these reports at the formal board meetings and in regular dialogue with the senior management in each segment.

Finance review

The Group delivered revenues of £66.7 million (2017: £74.7 million), decline of 10.7%. Gross margins decreased slightly to 30.9% (2017: 32.9%). Operating profit before highlighted items (see note 3) was £0.5 million (2017: £2.4 million).

In the prior year highlighted items include the release of £1.0 million from a provision which arose from the acquisition of Progility Technologies Pvt in India.

	Result for the period ended **30.6.2018** **£'000**
Revenue – continuing operations	66,673
Revenue – discontinued operations	43
Revenue – total	66,716
Operating profit/(loss) – continuing operations	522
Operating profit/(loss) – discontinued operations	(48)
Operating profit/(loss) - total	474

Finance costs

The Group incurred net finance costs of £3.6 million (2017: £3.3 million) during the reporting period. The year on year increase reflects the higher levels of debt in the Group, a result of the capitalisation of unpaid interest.

Taxation

The tax expense for the year was £0.63 million (2017: £0.57 million), higher than the prior year as a result of increased tax in India.

Profit for the period

The loss attributable to equity shareholders was £3.8 million (2017: £0.5 million loss) from continuing and discontinued operations.

Going Concern

The Group has prepared its accounts on a going concern basis based on current forecasts for the period through to December 2019. The Board believes that it can meet its day-to-day working capital requirements from operating cash flows and its existing facilities.

Cash flow, net debt and facilities

Cash flow

Cash generated from operations was £2.0 million (2017: £1.4 million). The Group generates operating cash flow from its product sales, maintenance contracts and from advance payments from customers.

The Group paid £0.9 million in income tax during the reporting period (2017: £0.4 million paid).

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 £nil (2017: £1.3 million) and £20.1 million (2017: £19.3 million) falling due in over one year. Of these amounts a total of £20.1 million (2017 £19.7 million) represents shareholder loans made up of £0.4million (2017: £0.4 million) of convertible loan notes and £19.7 million (2017: £19.3 million) of other notes.

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 £2.6 million (2017: asset of £2.4 million). This comprised: £2.3 million (2017: £3.3 million) in cash balances, and £0.3 million (2017: less £0.9 million) in invoice discounting facilities.

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 2018. 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

Wayne Bos

Executive Chairman

Date 23 November 2018

Governance

Board of Directors

1. Wayne Bos

Executive Chairman and Interim Chief Executive Officer

Wayne joined the Board on 21 August 2012 and 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 1,500 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 capitalisation 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. Michael Higgins

Independent Non-executive

Michael Higgins has over 25 years' experience of advising and working with public companies. Currently Michael is senior independent director of Plant Health Care Plc, a patented biological products provider, a non-executive director of Premier Technical Services Group Plc, a niche specialist service provider and the non-executive Chairman of IPSX (UK) which, subject to regulatory approval from the FCA, will operate a securities exchange dedicated to the IPO and secondary market trading of shares in Exchange Traded Properties. Michael is a director and former Chairman of the Quoted Companies Alliance and is an alternate member of the Panel on Takeovers and Mergers on behalf of the QCA. 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 joined KPMG and was a Partner from 1996 to 2006, remaining a senior adviser for a further five years.

The following Directors held office during the year:

W M Bos

J Caterer (resigned 31st October 2018)

M Higgins

Directors' Report

The Directors present their report and the financial statements for the year ended 30 June 2018.

Principal activities and business review

A review of the principal activities and of trading and future developments is presented in the Chairman's Statement on page 3 and the Strategic Report on pages 4 to 8.

Results and dividends

The results of the Group for the year are set out on page 16. 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 0.25 pence each	Percentage
Praxis Trustees Limited* (aggregate of two separate shareholdings: (i) nominal account controlled by Huntress (CI) Nominees Limited and (ii) directly by Praxis Trustees for the shares purchased via the Praxis Purchase Facility	1,205,719	75.4%
Mmilt Pty Limited	235,127	14.71%
Cameron Investment Trust	52,128	3.26%

*As trustee of the DNY Trust, a family trust of which Wayne Bos is a discretionary beneficiary, Praxis Trustees Limited holds 1,205,719 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 64,000 ordinary shares by exercising the conversion rights attached to a convertible loan notes and warrants issued by the Company on 17 December 2012. In addition, Praxis Trustees Limited have agreed with Mmily Pty Limited to purchase its entire shareholding in the Company and await registering the transfer of the shares with the Company's Registrars. This purchase will take the Praxis Trustees Limited shareholding to 1,440,846 Ordinary Shares representing 90.11% shareholding of the Company's entire issued share capital

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 4 to 8. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 7 to 8. 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. Details of the Group's funding facilities, which include invoice financing and shareholder loans, are set out in the notes to the accounts. 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 25. The financial statements do not include the adjustments that would result if the Group or Company were unable to continue as a going concern.

Directors' Report (continued)

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 9. The interests of the Directors in the share capital of the Company are as follows.

	Ordinary shares of 0.25 pence each	Ordinary shares of 10 pence each	Ordinary shares of 10 pence each
	At 30.6.2018	At 30.06.2017	At 30.6.2016
W M Bos*	1,034,352	129,294,195	129,294,195
M Higgins	-	-	-

*As trustee of the DNY Trust, a family trust of which Wayne Bos is a discretionary beneficiary, Praxis Trustees Limited now holds 1,205,719 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 64,000 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.

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.

Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' 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. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law.

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:

Directors' Report (continued)

- 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.

Disclosure of information to auditor

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

Auditor

Crowe U.K. LLP have been appointed as auditor of the Company. In accordance with S489 of the Companies Act 2006 a resolution proposing that Crowe be reappointed as auditor 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 23 November 2018.

On behalf of the board

Wayne Bos

Executive Chairman

Address of Registered Office:

7th Floor, 95 Aldwych, London,

England, WC2B 4JF

Independent Auditor's Report to the Members of Progility Plc

Opinion

We have audited the financial statements of Progility Plc (the "parent company") and its subsidiaries (the "group") for the year ended 30 June 2018 which comprise Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Financial Position, Consolidated and Company Cash Flow Statements, Consolidated and Company Statements of Changes in Equity and related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Independent Auditor's Report to the Members of Progility Plc (Continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Matthew Stallabrass
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

23 November 2018

Financial Statements
Consolidated Statement of Comprehensive Income for the Year ended 30 June 2018

Continuing operations	Note	Year ended 30.6.2018	Before Highlighted items 30.6.2017 £'000	Highlighted items Note 7 £'000	Year ended 30.6.2017 £'000
Revenue	2	66,673	74,682	-	74,682
Cost of sales		(46,044)	(50,141)	-	(50,141)
Gross profit		20,629	24,541	-	24,541
Administrative and distribution expenses		(20,107)	(22,095)	-	(22,095)
Other operating income	7	-	-	1,000	1,000
Operating profit	3	522	2,446	1,000	3,446
Financial income		151	132	-	132
Financial expenses	4	(3,758)	(3,458)	-	(3,458)
Net financial expenses		(3,607)	(3,326)	-	(3,326)
Profit/(Loss) before tax		(3,085)	(880)	1,000	120
Taxation	9	(625)	(568)	-	(568)
Profit/(Loss) from continuing operations		(3,710)	(1,448)	1,000	(448)
Discontinued operation					
Profit/(loss) from discontinued operations, net of tax	8	(48)	1	-	1
Profit/(Loss) for the year attributable to equity shareholders		(3,758)	(1,447)	1,000	(447)
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences – foreign operations		(577)			600
Other comprehensive income for the year, net of tax		(577)			600
Total comprehensive Income/(loss) for the year		(4,335)			153

The notes on pages 23 to 58 form part of the financial statements.

Financial Statements *(continued)*

Consolidated statement of Financial Position as at 30 June 2018

Assets	Notes	As at 30.6.2018 £'000	As at 30.6.2017 £'000
Non-current assets			
Plant and equipment	10	671	937
Intangible assets	11	19,405	19,535
Deferred tax asset	13	733	825
Total non-current assets		20,809	21,297
Current assets			
Inventories	14	3,920	3,927
Trade and other receivables	15	18,579	17,837
Other current assets		3,424	3,088
Cash and cash equivalents		2,340	3,305
Total current assets		28,263	28,157
Total assets		49,072	49,454
Current liabilities			
Trade and other payables	16	(19,872)	(23,797)
Provisions	17	(2,131)	(2,144)
Tax liabilities		(114)	(443)
Bank and shareholder loans	16	-	(1,261)
Total current liabilities		(22,117)	(27,645)
Non-current liabilities			
Shareholder loans	18	(28,797)	(19,302)
Deferred tax liability	13	(186)	(186)
Provisions	17	(86)	(100)
Total non-current liabilities		(29,069)	(19,588)
Total liabilities		(51,186)	(47,233)
Net assets		(2,114)	2,221
Equity			
Issued share capital	19	19,967	19,967
Share premium		114	114
Other reserve		75	75
Merger reserve		(14,854)	(14,854)
Own shares in trust	21	(2)	(2)
Share option reserve		57	57
Retained earnings		(7,825)	(4,067)
Foreign currency translation reserve		354	931
Total equity		(2,114)	2,221

The notes on pages 23 to 58 form part of the financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 23 November 2018. They were signed on its behalf by:

Wayne Bos
Director

Michael Higgins
Director

Financial Statements *(continued)*

Company Statement of Financial Position as at 30 June 2018

		As at 30.6.2018	As at 30.6.2017
Assets	**Notes**	**£'000**	**£'000**
Non-current assets			
Investments	12	8,163	8,163
Total non-current assets		8,163	8,163
Current assets			
Trade and other receivables	15	3,727	45
Cash and cash equivalents		1	379
Total current assets		3,728	424
Total assets		11,891	8,587
Current liabilities			
Trade and other payables	16	(17,947)	(12,864)
Bank and shareholder loans	16	-	(388)
		(17,947)	(13,252)
Non-current liabilities			
Bank and shareholder loans	16	(400)	-
Total non-current liabilities		(400)	-
Total liabilities		(18,347)	(13,252)
Net liabilities		**(6,456)**	**(4,665)**
Equity			
Issued share capital	19	19,967	19,967
Share premium		114	114
Other reserve		75	75
Own shares in trust	21	(2)	(2)
Share option reserve		57	57
Retained earnings		(26,667)	(24,876)
Total equity		**(6,456)**	**(4,665)**

The loss for the year dealt with in the accounts of Progility Plc was £1,791,000 (2017: £2,777,000). The notes on pages 23 to 58 form part of the financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 23 November 2018. They were signed on its behalf by:

Wayne Bos
Director

Michael Higgins
Director

Financial Statements *(continued)*

Consolidated Cash Flow Statement for the Year ended 30 June 2018

	Notes	Year ended 30.6.2018 £'000	Year ended 30.6.2017 £'000
Operating profit		474	3,446
Adjustments for:			
Depreciation and amortisation	10,11	669	743
Share option charge	21	-	22
(Increase)/decrease in inventories		(111)	(449)
(Increase)/decrease in trade and other receivables		(1,809)	(2,077)
Increase/(decrease) trade and other payables		2,940	(276)
Exchange difference on consolidation		(141)	31
Cash generated from operations		2,022	1,390
Income taxes (paid)/recovered		(904)	(357)
Net cash generated from operating activities		1,118	1,033
Investing activities			
Interest received		151	132
Purchases of property and equipment	10	(240)	(465)
Capitalised expenditure on product development	11	(160)	(80)
Acquisition of subsidiaries, net of cash acquired	23	-	(681)
Net cash used by investing activities		(249)	(1,094)
Financing activities			
Repayment of borrowings		(1,413)	(347)
Interest costs paid		(281)	(28)
Net cash from financing activities		(1,694)	(375)
Net change in cash and cash equivalents		(825)	(436)
Cash and cash equivalents at start of year		3,305	3,564
Effect of foreign exchange rate differences		(140)	177
Cash and cash equivalents at end of year		2,340	3,305
Cash and cash equivalents comprise			
Cash in hand and at bank		2,340	3,305
Bank overdraft	16	-	-
		2,340	3,305

The notes on pages 23 to 58 form part of the financial statements.

Financial Statements *(continued)*

Company Cash Flow Statement for the Year ended 30 June 2018

	Notes	Year ended 30.6.2018 £'000	Year ended 30.6.2017 £'000
Operating (loss)		(1,791)	(2,777)
Adjustments for:			
Investment impairment	12	-	730
Share option charge	21	-	22
(increase)/decrease in trade and other receivables		(3,682)	(22)
Increase/(decrease) in trade and other payables		5,095	2,140
Net cash (used in)/generated from operating activities		(378)	93
Net change in cash and cash equivalents		(378)	93
Cash and cash equivalents at start of year		379	268
Cash and cash equivalents at end of year		1	379
Cash and cash equivalents comprise			
Cash in hand and at bank		1	379
Bank overdraft	16	-	-
		1	379

The notes on pages 23 to 58 form part of the financial statements.

Financial Statements *(continued)*

Consolidated Statement of Changes in Equity for the year ended 30 June 2018

Group	Called up share capital £'000	Share premium account £'000	Other reserve £'000	Merger reserve £'000	Own shares in trust £'000	Share option reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total £'000
Balance at 30.6.2016	**19,967**	**114**	**75**	**(14,854)**	**(2)**	**42**	**331**	**(3,620)**	**2,053**
Options granted	-	-	-	-	-	22	-	-	22
Options lapsed and waived	-	-	-	-	-	(7)	-	-	(7)
Transactions with owners	-	-	-	-	-	15	-	-	15
Loss for the year	-	-	-	-	-	-	-	(447)	(447)
Other comprehensive income:									
Foreign currency translation adjustment	-	-	-	-	-	-	600	-	600
Total comprehensive income for the year	-	-	-	-	-	-	600	(447)	153
Balance at 30.6.2017	**19,967**	**114**	**75**	**(14,854)**	**(2)**	**57**	**931**	**(4,067)**	**2,221**
Balance at 30.6.2017	**19,967**	**114**	**75**	**(14,854)**	**(2)**	**57**	**931**	**(4,067)**	**2,221**
Options granted	-	-	-	-	-	-	-	-	-
Options lapsed and waived	-	-	-	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-	-	-	-
Loss for the year	-	-	-	-	-	-	-	(3,758)	(3,758)
Other comprehensive income:									
Foreign currency translation adjustment	-	-	-	-	-	-	(577)	-	(577)
Total comprehensive income for the year	-	-	-	-	-	-	(577)	(3,758)	(4,335)
Balance at 30.6.2018	**19,967**	**114**	**75**	**(14,854)**	**(2)**	**57**	**354**	**(7,825)**	**(2,114)**

The notes on pages 23 to 58 form part of the financial statements.

Financial Statements *(continued)*

Company Statement of Changes in Equity for the year ended 30 June 2018

	Called up share capital	Share premium account	Other reserve	Own shares in trust	Share option reserve	Retained earnings	Total
Company	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 30.6.2016	**19,967**	**114**	**75**	**(2)**	**42**	**(22,106)**	**(1, 910)**
Options granted	-	-	-	-	22	-	22
Options lapsed and waived	-	-	-	-	(7)	7	-
Transactions with owners	-	**-**	**-**	**-**	**15**	**7**	**22**
Loss for the year	-	-	-	-	-	(2,777)	(2,777)
Total comprehensive income for the year	-	-	-	-	-	**(2,777)**	**(2,777)**
Balance at 30.6.2017	**19,967**	**114**	**75**	**(2)**	**57**	**(24,876)**	**(4,665)**
Balance at 30.6.2017	**19,967**	**114**	**75**	**(2)**	**57**	**(24,876)**	**(4,665)**
Options granted	-	-	-	-	-	-	-
Options lapsed and waived	-	-	-	-	-	-	-
Transactions with owners	**-**	**-**	**-**	**-**	-	**-**	**-**
Loss for the year	-	-	-	-	-	(1,791)	(1,791)
Total comprehensive income for the year	-	-	-	-	-	**(1,791)**	**(1,791)**
Balance at 30.6.2018	**19,967**	**114**	**75**	**(2)**	**57**	**(26,667)**	**(6,456)**

The notes on pages 23 to 58 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 12, 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 23 November 2018.

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.

Notes to the Financial Statements *(continued)*

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

1.2 Critical accounting estimates and Judgements (continued)

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 2014. Following the preparation of the Group's financial statements for the fifteen months to 30 June 2014 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 23 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.

Notes to the Financial Statements *(continued)*

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

1.2 Critical accounting estimates and Judgements (continued)

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 23 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. The Company's largest shareholder, Praxis Trustees Limited, as trustee of the DNY Trust, has confirmed its intention not to require repayment of any amounts already advanced to the group or any interest due on such balances, for a period of at least 12 months following the date of signing these financial statements.

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.

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 2019.

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.

Notes to the Financial Statements *(continued)*

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

1.3 Basis of consolidation (continued)

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.

1.4 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. 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.

Notes to the Financial Statements *(continued)*

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

1.4 Revenue (continued)

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.

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, contracts 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.

1.5 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.

Notes to the Financial Statements *(continued)*

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.

Notes to the Financial Statements *(continued)*

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

1.8 Non-derivative financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances, demand deposits and other short term, highly liquid investments with original maturities of three months or less.

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.

1.9 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.

Notes to the Financial Statements *(continued)*

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

1.10 Business combinations (continued)

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.

1.11 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	amortised over the period to which the contract with the customer relates.

Notes to the Financial Statements *(continued)*

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

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.

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.

Notes to the Financial Statements *(continued)*

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

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.

1.15 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.

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

1.16 Expenses (continued)

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 1 January 2018).
- IFRS 15 Revenue from Contract with Customers (effective 1 January 2018).
- IFRS 16 Leases (effective 1 January 2019)

Notes to the Financial Statements *(continued)*

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

1.19 Adopted IFRS not yet applied (continued)

The impact on the Group's financial statements of the future adoption of these standards is still under review. Other than IFRS 9, IFRS 15 and IFRS 16, 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 Revenue

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

	Year ended 30.6.2018 £'000	Year ended 30.6.2018 %	Year ended 30.6.2017 £'000	Year ended 30.6.2017 %
UK, Ireland & Europe	24,398	36.5%	27,034	36.8%
Australasia	18,895	28.3%	21,596	28.9%
Middle East and Africa	277	0.4%	521	0.7%
Asia	23,146	34.7%	25,531	34.2%
UK discontinued operations	(43)	(0.1%)	(416)	(0.6%)
	66,673	100.0%	74,682	100.0%

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

Revenue comprises:

	Year ended 30.6.2018 £'000 Continuing	Year ended 30.6.2018 £'000 Discontinued	Year ended 30.6.2018 £'000 Total	Year ended 30.6.2017 £'000 Continuing	Year ended 30.6.2017 £'000 Discontinued	Year ended 30.6.2017 £'000 Total
Rendered Services	23,289	43	23,332	26,436	416	26,852
Goods Sold	43,384	-	43,384	48,246	-	48,246
	66,673	43	66,716	74,682	416	75,098

Notes to the Financial Statements *(continued)*

3 Operating profit

Operating profit is stated after charging/(crediting):

	Year ended 30.6.2018 £'000	Year ended 30.6.2017 £'000
Raw materials and consumables	29,878	32,926
Depreciation	466	596
Amortisation	202	147
Release of provision/provision for tax liabilities in India	-	(1,000)
Exchange losses / (gains)	(124)	222
Operating lease rentals - land and buildings	1,476	1,476
Operating lease rentals – other	261	261
Research and development	-	35

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

	Year ended 30.6.2018 £'000	Year ended 30.6.2017 £'000
Audit of financial statements (2017: Paid to previous auditors)	57	224
Other services relating to taxation (2017: Paid to previous auditors)	29	38
Audit fees to previous auditor re previous year	25	-
	111	262

4 Financial expenses

	Year ended 30.6.2018 £'000	Year ended 30.6.2017 £'000
On bank loans and overdrafts	72	154
On shareholder loans	3,669	3,277
Other interest	7	10
Amortisation of fair value of convertible loan	10	17
	3,758	3,458

Notes to the Financial Statements *(continued)*

5 Employees' and Directors' remuneration

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

Employed by the Group	**Year ended 30.6.2018 Number**	**Year ended 30.6.2017 Number**
Development and delivery	316	295
Administration and management	170	180
Sales and marketing	171	199
	657	674

Their total remuneration was as follows:

Group	**Year ended 30.6.2018 £'000**	**Year ended 30.6.2017 £'000**
Wages and salaries	19,502	21,191
Social security costs	1,201	1,127
Pension costs	805	902
Share based payments	-	22
	21,508	23,243

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

Group	**Year ended 30.6.2018 £'000**	**Year ended 30.6.2017 £'000**
Cost of sales	10,082	10,764
Administrative expenses	11,426	12,479
	21,508	23,243

Directors' Remuneration

Company	**Year ended 30.6.2018 £'000**	**Year ended 30.6.2017 £'000**
Remuneration and other emoluments	195	195
	195	195

	£'000	**£'000**
Highest paid Director	160	160

No director was (2017 none) accruing benefits under the group pension scheme.

Notes to the Financial Statements *(continued)*

5 Employees' and Directors' remuneration *(Continued)*

Key management personnel emoluments	Year ended 30.6.2018 £'000	Year ended 30.6.2017 £'000
Short term employment benefits	1,885	1,127
Other compensation including pension contributions	53	241
Post-employment benefits	17	180
	1,955	1,548

6 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 £806,000 (2017: £902,000) plus contributions payable directly to Directors' and employees' personal pension schemes which amounted to £Nil (2017: £Nil).

7 Highlighted items

The Group incurred costs during the year which we have highlighted. These costs, set out below, were the release of the transfer price provision.

	Year ended 30.6.2018 £'000	Year ended 30.6.2017 £'000
Non-recurring		
Release of transfer pricing provision*	-	(1,000)
Total highlighted items	-	(1,000)

* Relates to the transfer pricing provision made on the acquisition of Progility India in Dec 2014.

Notes to the Financial Statements *(continued)*

8 Discontinued Operations

In February 2016, Woodspeen Limited, part of the Group's Professional Services sector, decided to discontinue operations in the south of England and provide all training services in the north of the country. The revenues, expenses and pre-tax profit of the discontinued operations for the current period and the prior period are detailed below. Prior period figures are from the date of acquisition, 5 January 2016, to 30 June 2016.

	Year ended 30.6.2018 £'000	**Year ended 30.6.2017 £'000**
Revenue	43	416
Expenses	(91)	(415)
Pre-tax (loss)/profit	(48)	1
Taxation	-	-
Post-tax (loss)/profit	(48)	1

The net cash flows attributable to the operating, investing and financing activities of the discontinued operations are detailed below. There were no investing or financing cash flows associated with the discontinued operations in either the current or prior period.

	Year ended 30.6.2018 £'000	**Year ended 30.6.2017 £'000**
Operating activities	(48)	1
Net cash flow	(48)	1

Notes to the Financial Statements *(continued)*

9 Taxation

Reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016.

	Year ended 30.6.2018 £'000	**Year ended 30.6.2017 £'000**
Current tax expense	594	598
Adjustment in respect of prior years	-	-
Tax expense for the year	594	598
Deferred (credit)/expense	31	(30)
Tax expense	625	568

Factors affecting the tax expense for the year

Profit/(loss) before tax from continuing and discontinued operations	(3,133)	121
Tax using the UK Corporation tax rate of 19.00% (2017: 19.75%)	(595)	24
Effects of:		
Non-deductible expenses	37	-
Non-deductible interest expenses	618	500
Tax exempt revenue	(92)	(125)
Current year losses for which no deferred tax asset was recognised	600	172
Under/(over) provided in prior years	(58)	-
Effect of tax rates in foreign jurisdictions	115	(3)
Total tax expense (including tax on discontinued operations)	625	568

Notes to the Financial Statements *(continued)*

10 Plant and equipment

Group	Fixtures, fittings and equipment	Computer equipment and software	Motor Vehicles	Leasehold improvements	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 30.6.2016	1,413	1,479	266	199	3,357
Additions	279	93	27	66	465
Disposals	(14)	(9)	(36)	-	(59)
Foreign exchange	100	92	8	4	204
At 30.6.2017	1,778	1,655	265	269	3,967
Additions	108	107	25	-	240
Disposals	(25)	(158)	(5)	-	(188)
Foreign exchange	(95)	(80)	(6)	(7)	(188)
At 30.6.2018	1,766	1,524	279	262	3,831
Depreciation					
At 30.6.2016	950	1,030	192	156	2,328
Charge for the year	281	228	45	42	596
Disposals	(10)	(8)	(35)	-	(53)
Foreign exchange	73	76	7	3	159
At 30.6.2017	1,294	1,326	209	201	3,030
Charge for the year	243	159	37	27	466
Disposals	(24)	(158	(4)	-	(186)
Foreign exchange	(71)	(70)	(5)	(4)	(150)
At 30.6.2018	1,442	1,257	237	224	3,160
Net Book Value					
At 30.6.2018	324	267	42	38	671
At 30.6.2017	484	329	56	68	937
At 30.6.2016	463	449	74	43	1,029

Notes to the Financial Statements *(continued)*

11 Intangible assets *Group*	Goodwill	Brand	Acquired customer relationships	Capitalised development costs	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 30.6.2016	20,835	1,955	518	3,045	26,353
Adjustment to correct bfwd	-	-	-	(354)	(354)
Additions	-	-	-	79	79
Foreign exchange	102	-	-	-	102
At 30.6.2017	20,937	1,955	518	2,770	26,180
Additions	-	-	-	160	160
Disposals	-	-	-	-	-
Foreign exchange	(32)	(56)	-	-	(88)
At 30.6.2018	20,905	1,899	518	2,930	26,252
Impairment and Amortisation					
At 30.6.2016	4,435	-	518	1,899	6,852
Adjustment to correct bfwd	-	-	-	(354)	(354)
Amortisation charge for the year	-	-	-	147	147
At 30.6.2017	4,435	-	518	1,692	6,645
Amortisation charge for the year	-	-	-	202	202
At 30.6.2018	4,435	-	518	1,894	6,847
Net Book Value					
At 30.6.2018	16,470	1,899	-	1,036	19,405
At 30.6.2017	16,502	1,955	-	1,078	19,535
At 30.6.2016	16,400	1,955	-	1,146	19,501

Capitalised development costs are amortised over 10 years.

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:

	Year ended 30.6.2018	Year ended 30.6.2017
CGU	**£'000**	**£'000**
ILX Training	7,097	7,097
Woodspeen Training	507	507
Technology	567	599
Recruitment	163	163
Medical	8,136	8,136
	16,470	16,502

Notes to the Financial Statements *(continued)*

11 Intangible assets *(continued)*

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.

Discount Rate
Different discount rates 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 has 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 budgets for the ensuing year, shown as Budget 2018/19 (2017: Budget 2017/18) below, with four subsequent years including nominal rates of sales and cost growth. Management used modest nominal rates of sales growth (between 2.0%-3.0%, appropriate to the market of the cash generating unit) and cost inflation (2.0%) 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.

	Budget 2017/18 Revenue growth		Budget 2017/18 Cost Inflation	
CGU	**2018**	**2017**	**2018**	**2017**
ILX Training	9.1%	3.1%	5.73%	3.0%
Woodspeen Training	-13.3%	17.0%	-24.6%	2.7%
Technology	-1.7%	4.20%	-0.07%	1.3%
Recruitment	53.5%	-33.8%	30.9%	-47.9%
Medical	2.4%	-7.3%	-2.7%	-10.6%

	Discount Rate		Terminal value growth rate		Revenue growth		Cost Inflation	
CGU	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
ILX Training	15.5%	15.5%	1.0%	1.0%	9.17%	3.0%	5.73%	2.0%
Woodspeen Training	15.5%	15.5%	1.0%	1.0%	-13.3%	2.0%	-24.6%	2.0%
Technology	15.7%	15.7%	1.0%	1.0%	-1.7%	3.0%	-0.07%	2.0%
Recruitment	13.2%	13.2%	1.0%	1.0%	53.5%	2.0%	30.9%	2.0%
Medical	14.7%	14.7%	1.0%	1.0%	2.4%	2.0%	-2.7%	2.0%

In the ILX Training CGU the value in use exceeded the carrying amount by £0.933 million in the above scenario, and in the Woodspeen Training CGU the value in use exceeded the carrying amount by £0.87 million. In the Recruitment CGU the value in use exceeded the carrying value by £2.188 million, and in the Medical CGU the value in use exceeded the carrying value by £8.7m. In the Technology CGU the value in use exceeded the carrying amount by £5.2 million.

Notes to the Financial Statements *(continued)*

11 Intangible assets *(continued)*

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.

	2018	2018	2018	2017	2017	2017
	Revenue Growth	**Cost Inflation**	**Discount rate**	**Revenue Growth**	**Cost Inflation**	**Discount rate**
ILX Training	-8.9%	13.3%	4.7%	-0.7%	0.9%	1.24%
Woodspeen Training	-4.3%	16.7%	15.1%	-13.7%	14.8%	125.0%
Recruitment	-43.3%	52.9%	75.9%	-3.7%	3.9%	33.0%
Medical	-16.6%	47.5%	12.2%	-6.9%	9.8%	9.7%
Technology	-4.7%	6.7%	172.0%	-4.9%	5.1%	127.0%

12 Investments

	Shares in group undertakings (at cost)
Cost	**£'000**
At 30.6.2016	8,893
Additions	-
Impairment	(730)
At 30.6.2017	8,163
Additions	-
Impairment	-
At 30.6.2018	8,163

The value of investments in Group undertakings 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. There was no impairment this year; in prior year 2017 Obrar Ltd was impaired by £0.53 million and TFPL by £0.2 million.

Notes to the Financial Statements *(continued)*

12 Investments *(Continued)*

The Company has the following subsidiary undertakings:

Name	Principal Activity	Holding	Registered (registered office note – see below)
Progility Pty Ltd	Trading	100%	Australia (1)
Comms Aust Pty Ltd	Trading	100%	Australia (1)
Comms Aust No 1 Pty Ltd	Trading	100%	Australia (1)
ILX Group plc	Trading	100%	England & Wales (2)
ILX Group Pty Ltd*	Trading	100%	Australia (1)
ILX Consulting Pty Ltd*	Trading	100%	Australia (1)
ILX Group Ltd*	Trading	100%	New Zealand (3)
ILX Consulting JLT*	Trading	100%	UAE (Free Zone) (4)
Progility DMCC*	Trading	100%	UAE (Free Zone) (4)
Obrar Ltd	Trading	100%	England & Wales (2)
TFPL Ltd	Trading	100%	England & Wales (2)
Sue Hill Recruitment & Service Ltd	Trading	100%	England & Wales (2)
Progility Finco Ltd	Trading	100%	England & Wales (2)
Progility Health Ltd	Trading	100%	England & Wales (2)
Progility Overseas Ltd	Trading	100%	England & Wales (2)
Starkstrom Group Ltd	Trading	100%	England & Wales (2)
Starkstrom Ltd	Trading	100%	England & Wales (2)
Woodspeen Training Ltd	Trading	100%	England & Wales (2)
Progility Technology Pvt Ltd	Trading	100%	India (5)
Progility Mauritius Ltd	Trading	100%	Mauritius (6)
Progility Training Ltd*	Non-trading	100%	England & Wales (7)
Progility Consulting Ltd*	Non-trading	100%	England & Wales (7)

Note: entities marked with an asterix (*) are not required to be audited due to their size or being dormant with no activity in the period under review.

Registered offices of the above entities.

(1) 730 Springvale Rd, Mulgrave, Victoria, 3170 Australia

(2) 7th Floor, 95 Aldwych, London, WC2B 4JF, United Kingdom

(3) Simpson Grierson, 88 Shortland Street, Auckland, 1010, New Zealand

(4) Unit 58, AG Tower, Dubai UAE

(5) 601, 6th Floor, 247 Park, Tower 'B', L.B.S Marg, Vikhroli (West), Mumbai, India

(6) OCRA, Remy Ollier, Level 2, Maxcity Building, Port Louis, Mauritius

(7) George House, Princes Court, Beam Heath Way, Nantwich, CW5 6GD, United Kingdom

The Company holds ordinary shares in each of the above entities, which are all included in the consolidation.

Notes to the Financial Statements *(continued)*

13 Deferred Taxation

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

Group	Assets	
	2018	**2017**
	£'000	**£'000**
Intangible assets	-	-
Provisions	646	738
Tax value of loss carry-forwards	87	87
Tax assets/liabilities	733	825

Movement in deferred tax

	As at 30.6.2017	**Recognised in income**	**Exchange difference**	**As at 30.6.2018**
Intangible assets	(186)	-	-	(186)
Provisions	738	(31)	(61)	646
Tax value of loss carry-forwards	87	-	-	87
	639	(31)	(61)	547

	As at 30.6.2016	**Recognised in income**	**Exchange difference**	**As at 30.6.2017**
Intangible assets	(186)	-	-	(186)
Provisions	622	64	52	738
Tax value of loss carry-forwards	87	(34)	34	87
	523	30	86	639

Deferred tax assets at 30 June 2018 of £1 million (2017: £1 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.

14 Inventories

Group	**At 30.6.2018**	**At 30.6.2017**
	£'000	**£'000**
Raw materials	720	761
Work in progress	590	1,279
Finished goods	2,610	1,887
	3,920	3,927

A total of £29.6m of inventories was included as an expense (2017: £34.1 million).

Notes to the Financial Statements *(continued)*

15 Trade and other receivables

Group	At 30.6.2018	At 30.6.2017
	£'000	£'000
Trade receivables	16,809	16,105
Other receivables	42	110
Prepayments	1,473	1,343
Accrued revenue	255	279
	18,579	17,837
Trade receivables over 60 days past due, unimpaired at the balance sheet date was	5,864	6,303

Company	At 30.6.2018	At 30.6.2017
	£'000	£'000
Other receivables	17	24
Amounts owed by group undertakings	3,700	-
Prepayments	10	21
	3,727	45

Notes to the Financial Statements (continued)

16 Trade and other payables and Bank and shareholder loans

Group	At 30.6.2018	At 30.6.2017
Current liabilities	£'000	£'000
Trade payables	7,191	9,252
Other taxes and social security costs	2,231	1,542
Accruals	3,326	8,363
Deferred revenue	7,124	4,640
	19,872	23,797

Group	At 30.6.2018	At 30.6.2017
	£'000	£'000
Bank and shareholder loans		
5-year convertible shareholder loan (see note 18)	-	388
Moneytech invoice finance	-	873
	-	1,261
Company		
Current liabilities		
Trade payables	124	67
Amounts owed to group undertakings	17,371	12,323
Other taxes and social security costs	13	103
Accruals	439	371
	17,947	12,864
Bank and shareholder loans		
5-year convertible shareholder loan (see note 18)	-	388
	-	388

Loans repayable within one year or less include shareholder loans of £nil (2017: £0.4million).

Company		
Non-current liabilities		
Bank and shareholder loans		
5-year convertible shareholder loan (see note 18)	400	-
	400	-

Notes to the Financial Statements (continued)

17 Provisions

	Property	Employee benefits & restructuring	Warranty and performance	Corporate social responsibility	Total
	£'000	£'000	£'000	£'000	£'000
Non-current	39	61	-		100
Current	-	1,166	919	59	2,144
Total at 30.6.2017	**39**	**1,227**	**919**	**59**	**2,244**
Reclassification	-	-	-	-	-
Provisions made/(released)	-	175	237	19	431
Provisions used	-	(322)	-	(7)	(329)
Exchange movement	-	(57)	(67)	(5)	(129)
Balance at 30.6.2018	**39**	**1,023**	**1,089**	**66**	**2,217**
Non-current	39	47	-	-	86
Current	-	976	1,089	66	2,131
Total	**39**	**1,023**	**1,089**	**66**	**2,217**

Provisions for property relate to obligations incurred, or expected to be incurred, for dilapidations liabilities upon termination of leases in the United Kingdom. The provisions for employee benefits and restructuring, balance represents a provision for Annual Leave, Long Service Leave and Sick Leave in the Australian businesses which will result in an outflow of economic benefits from 2017 onwards. Warranty and corporate and social responsibility provisions are product warranty and environmental provisions, incurred in India, which are short term and relate to the volume of product sales in the year.

18 Shareholder loans

	At 30.6.2018	At 30.6.2017
Current liabilities – Group	**£'000**	**£'000**
5-year convertible shareholder loan	-	388
Non-Current liabilities – Group		
18% Redeemable loan note 2019	2,133	2,133
12% Redeemable loan notes repayable 2021	12,111	12,111
Shareholder loans	5,435	5,058
5-year convertible shareholder loan	400	-
Interest accruals	8,718	
	28,797	19,302
Current liabilities – Company		
5-year convertible shareholder loan	-	388
Non current liabilities – Company		
5-year convertible shareholder loan	400	-

Notes to the Financial Statements (continued)

18 Shareholder loans (continued)

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. The loan notes carry interest at 12% and the redemption date is 31 December 2017 if not converted to shares. The convertible loan redemption date was extended on the 10 January 2018 to be repayable on 31 December 2019.

18% Redeemable loan note 2019

During the period under review the repayment date for the £2.1 million (2017 £2.1 million) redeemable loan remained unchanged at 30 April 2019.

12% Redeemable loan notes

The £12.1 million (2017: £12.1 million) of loan notes are issued, by Progility Finco Ltd, under a £50.0 million facility and become repayable on 30 June 2019.

19 Share capital and reserves

	As at 30.6.2018 £'000	As at 30.6.2017 £'000
Allotted, called up and fully paid equity:		
Ordinary shares of 10p each	19,967	19,967

Issued and fully paid ordinary shares of 0.25 pence each	Number of ordinary shares	£'000
At 30.6.2018	1,597,332	19,967

Issued and fully paid ordinary shares of 10 pence each	Number of ordinary shares	£'000
At 30.6.2017	199,666,880	19,967

The ordinary shares were reorganised on 22 Dec 2017 with 199,666,880 shares of £0.10 being converted Into 399,333 of £50 each, which were then amended to become 1,597,332 ordinary shares of £0.0025 and 399,333 deferred shares of £49.99.

After the year end on 23 July 2018 the shares were cancelled and delisted from Aim and they are no longer traded.

Notes to the Financial Statements (continued)

20 Share capital and reserves

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 above.

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 21.

Share option reserve

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

Foreign currency translation reserve

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

Notes to the Financial Statements (continued)

21 Share options and own shares in trust

Following the conversion of shares on 22 Dec 2017 which changed the share capital from 199,666,880 ordinary shares of 10p each to 1,597,332 shares of 0.25p each the share option scheme post consolidation is as follows.

Shares

Share options

Date of grant	Number of shares under option at 30.6.2018	Exercise Price	Expiry Date
06-Nov-13	4,000	£12.52	05-Nov-2018
23-Oct-14	1,200	£12.52	22-Oct-2019
31-Dec-14	2,400	£12.52	30-Dec-2019
09-Jun-15	2,000	£12.52	08-Jun-2020
1-Sep-15	-	£12.52	31-Aug-2020
30-Nov-16	2,000	£12.52	29-Nov-2021
	11,600		

The Company's share price on 30 June 2018 was 47.5p (on 30 June 2017: 0.98p).

Own shares in trust
At 30 June 2017 the Company held 394 (2017: 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 2018 47.5p (30 June 2017 0.98p).

22 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 management services to its subsidiaries in the amounts of £310,491 (2017: £188,606) respectively. The company was charged interest from its subsidiaries in the amount of £1,118,250 (2017: £1,002,872). These amounts, along with any intercompany payable and receivable balances, are eliminated upon consolidation.

The issue of loans and warrants to Praxis Trustees (including subsidiaries) and MMILT (together the "Transactions") are classified as related party transactions. The Group made repayments in the year to Praxis of £300kl (2017: £nil) and issued new loans of £nil (2017: £nil). The Group made repayments in the year to MMILT of £nil (2017: £nil).

Notes to the Financial Statements (continued)

23 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:

Financial Assets	**At 30.6.2018**	**At 30.6.2017**	**At 30.6.2018**	**At 30.6.2017**
	£'000	**£'000**	**£'000**	**£'000**
	Group		Company	
Trade and other receivables	18,579	17,837	73	45
Cash on hand	2,340	3,305	1	379
Other current assets	277	-	-	-

	At 30.6.2018	**At 30.6.2017**	**At 30.6.2018**	**At 30.6.2017**
	£'000	**£'000**	**£'000**	**£'000**
	Group		Company	
Fair value through profit or loss:				
Bank loans and overdrafts	-	873	-	-
Shareholder loans	20,079	19,302	-	-
Convertible loan	400	388	400	388
Trade payables	7,191	9,252	124	67
Accruals	12,044	8,363	439	371

Notes to the Financial Statements (continued)

23 Financial instruments – risk management *(continued)*

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 (e.g. as prices) or indirectly (e.g. 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.

Notes to the Financial Statements (continued)

23 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 £5,864,000 (2017: £6,303,000). The receivables are aged as follows: Debt Aged 60 days and over 34.9%, 30 to 59 days 11.7%, and current up to 29 days, 60.3%.

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 3,775 customers with an average balance of just over £4,300. The largest balance at year end comprised 3.4% 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.

23 Financial instruments – risk management *(continued)*

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 30.6.2018	At 30.6.2017	At 30.6.2018	At 30.6.2017
	£'000	£'000	£'000	£'000
	Group		Company	
Cash on hand	2,340	3,305	1	379

As at 30 June 2018, the Group's non-derivative financial liabilities have contractual maturities as summarised 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
As of 30 June 2018	**£' 000**	**£' 000**	**£' 000**	**£' 000**	**£' 000**	**£' 000**
Trade Payables	7,191	-	-	124	-	-
Borrowings	-	-	28,797	-	400	-
As of 30 June 2017	**£' 000**	**£' 000**	**£' 000**	**£' 000**	**£' 000**	**£' 000**
Trade Payables	9,252	-	-	67	-	-
Borrowings	873	388	19,302	-	388	-

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.

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.

Notes to the Financial Statements (continued)

23 Financial instruments – risk management *(continued)*

The Group has no current exposure to changes in the Bank of England base rate, so a one percentage point movement in the Bank of England Base Rate would have no impact (2017: £ nil) 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 £845,000 (2017: £1,036,000) reduction on the annual sales recorded in pound sterling in the Group's accounts, a decrease of £26,000 (2017: decrease of £8,000) in profit after tax and an increase of £26,000 (2017: increase of £91,000) in total comprehensive income. Similarly, a five percentage point adverse movement in the Indian rupee exchange rate could potentially be reflected as a £1,157,000 (2017: 1,195,000) reduction on the annual sales recorded in pound sterling in the Group's accounts, a reduction of £16,000 in profit after tax (2017: £32,000) and a reduction of £16,000 (2017: £425,000) 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 £2,916,000 at the end of the year (2017: £2,916,000).

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.

Notes to the Financial Statements (continued)

24 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. The registered address of Praxis Trustees Limited is Sarnia House, Le Truchot, St Peter Port Guernsey GY1 4NA.

25 Operating leases

At 30 June 2018 the Group had minimum commitments under non-cancellable operating leases as set out below:

	Land and buildings 30.6.2018	Land and buildings 30.6.2017
Group	**£'000**	**£'000**
Due within one year	1,057	1,006
Due in second to fifth year	1,214	1,329
Total minimum lease payments	2,271	2,335

	Land and buildings 30.6.2018	Land and buildings 30.6.2017
Company	**£'000**	**£'000**
Due within one year	-	-
Due in second to fifth year	-	-
Total minimum lease payments	-	-

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.

	Other 30.6.2018	Other 30.6.2017
Group	**£'000**	**£'000**
Due within one year	89	210
Due in second to fifth year	100	133
Due over five years	-	6
Total minimum lease payments	189	349

Notes to the Financial Statements (continued)

26 Capital commitments

There were no material capital commitments at the end of the year (2017: £Nil).

27 Subsequent event review

Post year end the company delisted from AIM (See note 19). Other than the delisting there have been no significant events subsequent to the balance sheet date.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from an independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your shares in Progility plc, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

PROGILITY PLC

(Incorporated and registered in England and Wales with registered number 0352870)

Notice of Annual General Meeting

Notice of Annual General Meeting of the Company to be held at 7th Floor, 95 Aldwych, London, WC2B 4JF on 28 December 2018 at 09.30 am is set out at the end of this document.

A Form of Proxy for use at the Annual General Meeting accompanies this document and, to be valid, must be completed and returned to the Company's registrars, Link Asset Services at The Registry, PXS, 34 Beckenham Road, Beckenham BR3 4TU, as soon as possible but in any event to be received not later than 09.30 am on 24 December 2018. Completion of a Form of Proxy will not preclude a shareholder from attending and voting at the Annual General Meeting in person.

PROGILITY PLC

(incorporated in England and Wales with registered number 0352870)

Directors:	Registered Office:
Wayne Bos (Executive Chairman)	7th Floor
Michael Higgins (Non- executive director)	95 Aldwych
	London
	WC2B 4JF

3 December 2018

Dear Shareholder

Annual General Meeting 2018

Please find set out at page 7 formal notice inviting you to our Annual General Meeting ("AGM") for 2018 to be held at the Company's registered office at 09.30 am on 28 December 2018 at 7th Floor, 95 Aldwych, London, WC2B 4JF.

The normal business of the meeting will be to receive the accounts for the twelve-month period ended 30 June 2018 and to approve the re-appointment of Wayne Bos as a Director and re-appointment of the Auditors. In addition to the usual business of the AGM, the Board is proposing to re-register the Company as a private limited company to reduce the burden of the administrative costs on the Company in carrying on business as a Public Limited Company. More background is provided below and in the enclosed Notice of Annual General Meeting.

Re-Registration as a private limited company

Public companies are subject to more extensive administrative requirements than private companies, including the requirement to hold an annual general meeting and they are not permitted to use several of the more simplified procedures under the Companies Act that private companies benefit from.

The Board has concluded that re-registering as a private limited company would further the benefits of the de-listing of the Company from AIM as explained in the announcement dated 22 June 2018 and the Circular that was sent out in connection with the de-listing.

In order to re-register as a private limited company the Shareholders must pass a special resolution approving the re-registration.

If the resolution is passed, an application will be made by the Company to the Registrar of Companies for the Company to be re- registered as a private limited company. Re-registration will take effect when the Registrar of Companies issues a certificate of incorporation on Re-registration. The Registrar of Companies will not issue the certificate of incorporation on Re-registration until the Register of Companies is satisfied that no valid application can be made to cancel the resolution to re- register as a private limited company.

Revisions to the Company's Articles of Association

As part of the re-registration, the Board propose adopting revised Articles of Association with effect from re-registration as a private limited company. The main reason for revising the Articles of Association is to ensure that they are more appropriate for a private limited company and so that the Company can take advantage of some of the simplified procedures available to private companies.

The principal changes being proposed are summarised in Appendix of this document. Other changes, some which are of minor, technical, clarifying nature or relating to the deletion of some provisions which were only relevant to a Listed Company have not been noted in the Appendix.

You should refer to a copy of the revised Articles of Association so that you are aware of all the important proposed changes to the Articles. A copy of the revised Articles of Association (together with a copy marked up to show the changes from the existing Articles of Association) will be available for inspection at https://www.progility.com/investor-relations and the Company's registered office (also being the place of the Annual General Meeting) from the date of this notice until the conclusion of the Annual General Meeting. They will be available for inspection at the Company's registered office during normal business hours, Monday to Friday (public holidays excepted).

Serious Loss of Capital

The net assets of the Company as shown in the report and accounts to be adopted at the Annual General Meeting are half or less of the Company's called-up share capital. Accordingly, as required by section 656 of the Companies Act 2006, the directors are required to call a meeting of the Company to consider whether any, and if so, what steps, should be taken to deal with the situation. The Board proposes to address this by adding value to existing projects and taking them through to delivery and positive cash flow.

Take Over Code

The Takeover Code (the "Code") currently applies to the Company and would continue to apply to the Company after it re-registers as a private limited company. However, as a result of re-registering as a private company, the Code would cease to apply when the period of ten years has passed from 23 July 2018. Please see the explanatory memorandum on the Code included below for further information. By voting in favour of the resolution(s) to re-register the Company as a private company you may therefore be reducing your rights under the Code.

Recommendation

The Board consider that all the proposals to be considered at the Annual General Meeting are in the best interests of the Company and its members as a whole and are most likely to promote the success of the Company for the benefit of its members as a whole.

Yours sincerely

Wayne Bos
Executive Chairman

Explanatory Memorandum on the Code

The Code is issued and administered by the Takeover Panel. Progility PLC is a company to which the Code applies and its shareholders are accordingly entitled to the protections afforded by the Code.

The Code and the Panel operate principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment by an offeror. The Code also provides an orderly framework within which takeovers are conducted. In addition, it is designed to promote, in conjunction with other regulatory regimes, the integrity of the financial markets.

The General Principles and Rules of the Code

The Code is based upon a number of General Principles which are essentially statements of standards of commercial behaviour. For your information, these General Principles are set out in Part 1 of General Principles (see below). The General Principles apply to all transactions with which the Code is concerned. They are expressed in broad general terms and the Code does not define the precise extent of, or the limitations on, their application. They are applied by the Panel in accordance with their spirit to achieve their underlying purpose.

In addition to the General Principles, the Code contains a series of Rules, of which some are effectively expansions of the General Principles and examples of their application and others are provisions governing specific aspects of takeover procedure. Although most of the Rules are expressed in more detailed language than the General Principles, they are not framed in technical language and, like the General Principles, are to be interpreted to achieve their underlying purpose. Therefore, their spirit must be observed as well as their letter. The Panel may derogate or grant a waiver to a person from the application of a Rule in certain circumstances.

Giving up the protection of the Code

As explained above the Code will continue to apply until 23 July 2028.

A summary of key points regarding the application of the Code to takeovers generally is set out in Part 2 of the section headed "The General Principles of the Code" (see below).

You are encouraged to read this information carefully as it outlines certain important protections which you will be giving up if you agree to the re-registration of the Company as a private company.

You are encouraged to read this information carefully as it outlines certain important protections which you will be giving up if you agree to the re-registration of the Company as a private company and the Code ceases to apply as described above. Such cessation would however not occur for 10 years from the date that the trading of shares on AIM is no longer available to the Shareholders. The Board wishes to include this information for the sake of ensuring that you are fully informed in relation to present and possible future ramifications of Re-Registration.

The General Principles of the Code

Part 1

1. All holders of the securities of an offeree company of the same class must be afforded equivalent treatment; moreover, if a person acquires control of a company, the other holders of securities must be protected.

2. The holders of the securities of an offeree company must have sufficient time and information to enable them to reach a properly informed decision on the bid; where it advises the holders of securities,

the board of the offeree company must give its views on the effects of implementation of the bid on employment, conditions of employment and the locations of the company's places of business.

3. The board of an offeree company must act in the interests of the company as a whole and must not deny the holders of securities the opportunity to decide on the merits of the bid.

4. False markets must not be created in the securities of the offeree company, of the offeror company or of any other company concerned by the bid in such a way that the rise or fall of the prices of the securities becomes artificial and the normal functioning of the markets is distorted.

5. An offeror must announce a bid only after ensuring that he/she can fulfil in full any cash consideration, if such is offered, and after taking all reasonable measures to secure the implementation of any other type of consideration.

6. An offeree company must not be hindered in the conduct of its affairs for longer than is reasonable by a bid for its securities.

Part 2

Detailed application of the Code

The following is a summary of key provisions of the Code which apply to transactions to which the Code applies. You should note that, by agreeing to the re-registration of the Company as a private company, you will be giving up the protections afforded by the Code.

Equality of treatment

General Principle 1 of the Code states that all holders of securities of an offeree company of the same class must be afforded equivalent treatment. Furthermore, Rule 16.1 requires that, except with the consent of the Panel, special arrangements may not be made with certain shareholders in the Company if there are favourable conditions attached which are not being extended to all shareholders.

Information to shareholders

General Principle 2 requires that holders of securities of an offeree company must have sufficient time and information to enable them to reach a properly informed decision on a bid. Consequently, a document setting out full details of an offer must be sent to the offeree company's shareholders.

The opinion of the offeree board and independent advice

The board of the offeree company is required by Rule 3.1 of the Code to obtain competent independent advice on an offer and the substance of such advice must be made known to its shareholders. Rule 25.2 requires that the board of the offeree company must send to the offeree company's shareholders and persons with information rights its opinion on the offer and its reasons for forming that opinion. That opinion must include the board's views on: (i) the effects of implementation of the offer on all the company's interests, including, specifically, employment; and (ii) the offeror's strategic plans for the offeree company and their likely repercussions on employment and the locations of the offeree company's places of business. The circular from the offeree company must also deal with other matters such as interests and recent dealings in the securities of the offeror and the offeree company by relevant parties and whether the directors of the offeree company intend to accept or reject the offer in respect of their own beneficial shareholdings.

Rule 20.1 states that information about the companies involved in the offer must be made equally available to all offeree company shareholders as nearly as possible at the same time and in the same manner.

More than one class of equity share capital

Rule 14 provides that where a company has more than one class of equity share capital, a comparable offer must be made for each class whether such capital carries voting rights or not.

Option holders and holders of convertible securities or subscription rights

Rule 15 of the Code provides that when a Code offer is made for voting equity share capital or other transferable securities carrying voting rights and the offeree company has convertible securities outstanding, the offeror must make an appropriate offer or proposal to the stockholders to ensure their interests are safeguarded. Rule 15 also applies in relation to holders of options and other subscription rights. If the reregistration takes effect, these protections will be lost.

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, 7th Floor, 95 Aldwych, London, WC2B 4JF on 28 December 2018 at 09.30 am. for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions numbered 1 to 4 will be proposed as ordinary resolutions and resolutions 5 to 8 will be proposed as special resolutions:

Ordinary Resolutions

1. To receive and adopt the director's report and financial statements for the year ended 30 June 2018, together with the auditors' report thereon.

2. To re-elect Wayne Bos as a Director of the Company who retires by rotation and offers himself for re-appointment.

3. To re-appoint Crowe Clark Whitehill as Auditor to the Company and to authorize the Directors to determine their remuneration.

4. That pursuant to section 551 of the Companies Act 2006 (the "Act"), the Directors of the Company be generally and unconditionally authorized to exercise all and any powers of the Company and to grant rights to subscribe for, or to convert any security into, any shares in the Company ("Relevant Securities"), up to a maximum aggregate nominal amount of £1,800,000 for a period expiring (unless previously revoked, varied or renewed) on the date which is 12 months after the passing of this resolution 4. However, in each case the Company may, before such expiry, make an offer or agreement before this authority expires which would or might require Relevant Securities to be allotted after this authority expires and the directors may allot Relevant Securities in pursuance of such offer or agreement given to the directors pursuant to section 551 of the Act shall cease to have effect at the conclusion of the annual general meeting, save to the extent that those authorities are exercisable pursuant to section 551(7) of the Act by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted or rights to be granted on or after that date.

   This authority is in addition to all existing authorities under section 551 of the Act.

Special Resolutions

5. That, subject to the passing of resolution 4, and in accordance with section 570 of the Companies Act 2006, the Directors of the Company be and are given the general power to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash, either pursuant to the authority conferred by resolution 4 above or by way of a sale of treasury shares, as if section 561 of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to:

   a. the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities and any other persons entitled to participate in such issue or offering (other than the Company itself in respect of any shares held by it as treasury shares) where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the Directors of the Company may consider necessary or expedient; and

   b. the allotment (otherwise than pursuant to paragraph (a) of this resolution 5) of equity securities up to an aggregate nominal amount of £1,800,000.

   The power granted by this resolution 5 will expire when the authority conferred on the Directors by resolution 4 in the notice convening this meeting expires (unless renewed, varied or revoked by the Company in general meeting prior to or on such date) save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors of the Company may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution 5 has expired.

This power is in addition to all existing powers under section 570 of the Act.

6. That the Company be re-registered as a private limited company under the Companies Act 2006 by the name of Progility Limited.

7. Subject to the passing of Resolution 6 and with effect from the Company's re-registration as a private limited company, the revised articles of association produced to the meeting and for the purpose of identification, signed by the Chairman, be adopted as the Company's Articles of Association.

8. In accordance with Section 656 of Act, to consider whether any, and if so what, steps should be taken to deal with the Company's serious loss of capital.

By Order of the Board

Registered Office:	Wayne Bos
7th Floor	*Executive Chairman*
95 Aldwych,	3 December 2018
London	
WC2B 4JF	

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:

   Close of business on 24 December 2018; or

   if this Meeting is adjourned, at close of business 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 one or more proxies 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 Link Asset Services at The Registry, PXS, 34 Beckenham Road, Beckenham BR3 4TU;and

   received by Link Asset Services no later than 09.30 am on 24 December 2018.

   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 unavailable

8. As a result of the de-listing of the Company's shares from AIM, the Ordinary Shares of the Company ceased to be transferrable through CREST and therefore all other actions, including appointments of proxies through CREST ceased. Any appointment of a proxy will must be done by using a hard copy proxy form and in accordance with the notes.

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 Link Asset Services on 0871 664 0300.

If you submit more than one valid proxy appointment in respect of the same shares, 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 Link Asset Services by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Asset Services, PXS, 34 Beckenham Road, Beckenham BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

    The revocation notice must be received by Link Asset Services no later than 09.30 am on 24 December 2018.

    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.

    Members' rights

13. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to:

    (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or

    (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting.

    The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.

Issued shares and total voting rights

14. As at 3 December 2018, the Company's issued share capital comprised 1,597,332 ordinary shares. 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 3 December 2018 was 1,597,332.

Documents on display

15. The following documents will be available for inspection at the registered office of the Company, 7th Floor, 95 Aldwych, London, WC2B 4JF, during normal business hours and at the place of the meeting from 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.

    Copy of the draft articles of association of the Company as proposed to be amended by resolution 7 set out in the notice above.

Questions at the meeting

16. Any member attending the meeting has the right to ask questions. The Company must answer any question you ask relating to the business being dealt with at the meeting unless:

-Answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information.

-The answer has already been given on a website in the form of an answer to a question.

-It is undesirable in the interests of the Company or the good order of the meeting that the question be answered

Communication

17. Except as provided above, members who have general queries about the Meeting should contact Link 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.

Appendix

Principal proposed changes to the Company's Articles of Association

Under Resolution 7, the Company is proposing to revise the Company's existing Articles of Association. The following contains a summary of the principal changes. It does not contain all the changes which the shareholders may find important.

Further the revised articles also include changes which are minor, technical, clarifying in nature and the deletion of some provisions which have become redundant since the de-listing of the Company's shares from trading on AIM. These changes have resulted in changes to the numbering of the Articles. None of the changes described in this paragraph are noted below.

A full tracked copy of all the changes are available from the Company's website (https://www.progility.com/investor-relations) and can also be inspected at the Company's registered offices from the date of this notice until the conclusion of the Annual General Meeting.

1. **Preference Shares**

   The Revised Articles create a new class of Preference Shares details of which are summarized below:

   (i) The holders of any Preference Shares that are issued hereafter shall rank in priority to the holders of all of the Ordinary Shares, Deferred Shares and any other different Class of Shares created by the Board.

   (ii) Each issued Preference Shares shall have a value of £1.

   (iii) As to the participation in the profits and assets of the Company:

   Income: the right in priority to the payment of any dividend to the holders of Ordinary Shares to a cumulative preferential dividend payable at such rate, date and on such other terms as the Directors determine.

   If on any dividend payment, the date the profits of the Company available for distribution are insufficient to enable full payment of the dividend, then the Directors shall apply profits in paying dividends on a pro rata basis to the accrued amounts payable on the Preference Shares.

   Capital: the right before a holder of any other class of share to a distribution in sterling out of the assets of the Company on a winding up of the Company.

   Limitations: no preference share shall confer: (i) a right to participate in the profits other than set out in the Articles (ii) any right to participate in any offer or invitation by way of rights or otherwise to subscribe for additional shares or securities and (iii) any right of conversion unless any of the these are in the terms determined by the directors at the time of allotment.

2. **Power to issue different classes of shares**

   Subject to the Articles and Statute, in the Revised Articles the Company may issue shares of any other new class with such other rights and or restrictions as may be determined by the Directors from time to time.

3. **Annual General Meetings**

   Article 47 of the Existing Articles being a reference to the requirement to have an Annual General Meeting has been removed in the Revised Articles.

4. Notice of General Meetings

Some of the Articles in relation to the period of notice and contents of notice for general meetings as well as conduct of meetings in the Existing Articles have been removed in the Revised Articles. Requirements provided by Statute shall apply unless the Revised Articles provide differently.

5. Number of Directors

Article 79 in the Existing Articles refers to the requirement to have a minimum of two directors unless determined differently by way of an Ordinary Resolution is removed in the Revised Articles.

6. No Share Qualification

Articles 80 in the Existing Articles which state that a Director shall not be required to hold any shares of the Company has been removed in the Revised Articles.

7. Directors' Remunerations

Article 81 in the Existing Articles has been changed so that in the Revised Articles the Directors Remuneration shall be set however the Directors determine and that the Directors remuneration shall not be not limited to the form of cash only but can take any form and also include other benefits e.g. a pension.

8. Director's Retirement

The requirement to retire under Article 91 and Article 93 in the Existing Articles has been removed in the Revised Articles.

9. General

The Revised Articles also seek to remove some references and provisions in the Existing Articles which have become redundant following the Company's delisting from AIM (such as references to the London Stock Exchange, Recognised Investment Exchange, Market Rules