Progility Plc

ANNUAL REPORT 2017

Company No. 03525870

CONTENTS **PAGES**

Chairman's Statement

Dear Shareholder

I am pleased to present Progility's results for the twelve months to 30 June 2017. Our focus during the year has been to seek further improvement in the efficiency and effectiveness of our operations within our three business sectors; Professional Services, (comprising our training and recruitment businesses), Healthcare (comprising Starkstrom) and Communications (comprising our technology businesses in India and Australia).

Financial Performance

Overall revenue was £74.7 million, an increase of 21% from continuing operations, which is broadly in line with our revenue growth in the first half. Of this increase of £13.1 million, £10.5 million arises in our Communications segment where underlying revenue growth of 17% in India and 6% in Australia translated into sterling growth of 34% and 26% respectively.

Our reported operating profit on continuing activities was £3.4 million. This was after crediting £1.0 million arising from the release of provisions in our Indian business. Our operating profit before highlighted items was £2.45 million as compared to a loss of £0.1 million in the prior year. We achieved a reported profit before tax of £0.1 million (2016 a loss of £1.4 million). Our strategic report on page 4 contains more commentary on our three business areas.

Management and the Board

During the year we have changed the senior management in our Australian business and have continued to work on improving the operational management throughout the group.

I have remained both Chairman and interim Chief Executive throughout the period and I am now working with a senior experienced consultant to implement the next stage of operational effectiveness and to re-examine the potential for the group's constituent businesses and the strategic direction of the group.

During the year the company's Board of Directors has remained unchanged.

Prospects

Although the last year has shown substantial progress we have still not yet achieved acceptable financial performance, neither have we raised our operational efficiency and processes to an acceptable level.

The next year will be focussed on embedding greater operational controls and efficiencies and ensuring that this will be reflected in long term consistent financial performance. Progress in the current year may potentially be held back as we implement the necessary changes.

Wayne Bos

Executive 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 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 maximize 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.

Business Review

Professional Services

	As reported Year ended		**As reported Year ended**	
	30.6.17	**30.6.17**	**30.6.16**	**30.6.16**
	£000	**£000**	**£000**	**£000**
	Revenue	Segment Profit	Revenue	Segment Profit
Professional Services continuing operations	15,310	1,277	15,924	1,087
Professional Services discontinued operations	416	1	824	(268)
Professional Services total	15,726	1,278	16,748	819

Strategic Report *(continued)*

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. Obrar is a consulting-led project management services company, with over 30 years' experience of delivering technology and people solutions in the UK and internationally. Obrar focuses on multimedia-driven contact centres, corporate technology infrastructure and associated operational change management.

Woodspeen Training works with individuals and companies across a range of occupational areas, led by an experienced team of advisers and trainers, operating from four locations across the UK, enhancing young people's skills and helping them into work.

Overall revenue of this segment fell by 6%, while operating profits improved by 56%, a result of better margins in the ILX and Woodspeen training businesses and the elimination of losses from the southern operations of Woodspeen, treated as a discontinued activity as they are being progressively wound down.

During the year the ILX training business achieved revenue ahead of the prior year with improved operating margins. This year has seen a turnaround in the performance of the business with improvements in operational efficiency and marketing effectiveness being translated into an improved financial performance.

The recruitment business, which specialises in both temporary and permanent resources in information management, has had a challenging year with differing performance across the various industry categories of our clients. Net fee income fell across the business, largely due to difficult trading conditions within the financial services sector with uncertainty surrounding Brexit. The core markets of the recruitment business (Knowledge and Information Management) remain favourable and profitable and we are investing in new areas for the future. As part of this diversification of revenue streams, we are delighted to have been awarded a place on a key government contract which we see providing excellent growth opportunities over the next few years. The business remains focussed on building its proposition and developing new markets, especially the areas of Project Management and Data Protection/Privacy.

Woodspeen's vocational training operations have faced a tough year operating in a sector that has seen significant structural changes. This notwithstanding it has completed its restructure and grown its manufacturing business significantly, winning multi-year contracts with large automotive and aerospace manufacturing clients. The business is now profitable, contributing £3.3 million to sector revenue and £0.2 million to sector profit, a much improved performance over the prior year. The decision to cease providing training in the south of the UK, which was made in the previous financial year, has also seen the elimination of losses in that part of the business. Woodspeen is also now sized and staffed appropriately to harness the opportunities brought by the Government's newly introduced 'Apprenticeship Reforms'.

Strategic Report *(continued)*

Healthcare

	As reported Year ended		As reported Year ended	
	30.6.17	**30.6.17**	**30.6.16**	**30.6.16**
	£000	**£000**	**£000**	**£000**
	Revenue	Segment Profit	Revenue	Segment Profit
Healthcare	14,281	1,433	11,148	62

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.

The year saw a particularly strong performance by Starkstrom where the turnkey strategy gained significant momentum and helped to secure several large design and build projects in excess of £1m, along with a variety of state of the art hybrid operating theatres. The year also saw the addition of new product lines where large orders were secured. This was particularly satisfying as one of the new product lines gained traction in an established market with other suppliers who already have a strong reputation and large installed customer base. These sales were also secured at strategically important reference sites such as the University teaching hospitals, Addenbrookes and the John Radcliffe, which will provide a platform for continued growth.

Starkstrom achieved an operating profit of £1.7 million with an operating margin of 12% .The year on year improvement was significant, however in 2016 the division had to absorb approximately £0.7 million in respect of the closure of its activities in the middle east which needs to be taken into account when considering the underlying improvement.

Particular focus was also given to the regulatory side of the business, in consideration of transitioning quality standards and our need as a manufacturer and supplier to be aligned with these new standards, and also to be ahead of our competition. As such, and after many months work, Starkstrom secured certification against ISO9001 2015 and ISO13485, a major achievement. Investment in this area will continue.

The order book has been maintained at a high level and finished the year at £4.8m, leaving the business well placed to continue the strong performance into the next financial year.

Communications

	As reported Year ended		As reported Year ended	
	30.6.17	**30.6.17**	**30.6.16**	**30.6.16**
	£000	**£000**	**£000**	**£000**
	Revenue	Segment Profit	Revenue	Segment Profit
Communications	45,091	689	34,559	515

Communications comprises the technology businesses in Australia and India. The Communications segment overall has shown strong revenue growth of 30% significantly impacted by the beneficial movement in exchange rates over the period. Underlying local revenue growth of 17% in India and 6% in Australia translated into sterling growth of 34% and 26% respectively. Although operating profit in this segment grew by 34% year on year this is made up of an improvement in the performance in Australia with a return to an albeit small profit but a decline in Indian profitability.

Strategic Report *(continued)*

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

The client facing brands include:

- *Communications Australia*, focused on communication systems integration;
- *CA Bearcom*, Australia's largest distributor of two-way radio communications products;
- *Minerals & Energy Technologies*, which designs, implements and manages an array of integrated communications solutions for specific mining, energy and transport projects.

In Australia the year under review saw a continuation of the recovery started in the previous year. Revenue rose by 26% to £19.6 million, 6% growth in local currency, and the business returned to operating profitability. The market remains challenging, but the recovery is expected to gain momentum in the upcoming year. During the year the top management in Australia was changed which we believe will help achieve this. The costs of this change have been absorbed in the operating result.

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 contribution from our business in India grew by 34% to £25.5 million, 17% growth in local currency. During the year, the business has been stabilised across all our target business segments (voice, video, data, surveillance and services) and we have strengthened the Progility brand across the enterprise market

The key growth areas in India have been video conferencing and audio visual integration. The voice business has seen a steady growth mainly due to better price negotiation with the product suppliers and increased sales of Progility branded voice products to address the fast growing SME market. The services business achieved marginal growth over the prior year. There has been strong customer retention year on year and a large majority of customers entered into a comprehensive maintenance contract after warranty.

Progility Technologies Pvt. Ltd was awarded “Partner of the year Enterprise Segment” and Partner of the year Government segment” by Polycom, it’s original equipment supplier.

Strategic Report *(continued)*

Developing our businesses' talent

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

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

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

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

Our ability to exploit these opportunities will be determined by our success in continuing to improve the operational efficiencies across the group.

Performance Management

Highlights

- **Overall revenue grew from £61.6 million to £74.7 million an increase of 21%.**
- **£10.5 million of the revenue growth was attributable to our Communications segment making up almost 80% of the growth.**
- **Operating profit of £2.45 million before highlighted items compared to a loss of £0.1million in 2016.**
- **Operating profit performance in the Professional services and healthcare segments together contributed £1.8 million of the improved operating profit from £2.1 million of increased revenue.**

Strategic Report *(continued)*

Highlighted items

	As reported Year ended 30.6.17 £000	As reported Year ended 30.6.16 £000
Highlighted items	1,000	1,412

In the period under review, the Group was able to release a further £1.0 million of its provision made for potential tax liabilities, when Progility Technologies Pvt Limited was acquired at the end of 2014. The provision has been reduced to nil, as there are now no remaining years outstanding for which pre-acquisition related potential tax liabilities may arise.

Central corporate costs

	As reported Year ended 30.6.17 £000	As reported Year ended 30.6.16 £000
Central corporate costs	(952)	(1,770)

Central costs comprise back office operations including property, legal, finance, IT, communications, HR and board costs in London. Central costs have declined following the rationalisation exercise in the prior year, and a number of non-recurring items incurred in the prior year were not repeated. 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.

Strategic Report *(continued)*

Principal risks and uncertainties (continued)

- Additional funding – the existing resources of the Group may prove insufficient to allow it to expand or exploit new business development opportunities. This risk is mitigated by the continued expression of financial support which the Group has from its largest shareholder.

- Foreign exchange – the risk of adverse currency movements against the Group. This risk is mitigated by the Group's wide range of operations globally and the holding of appropriate funds in local currencies where the Group's operations are based.

- Reliance on Government contracts – the risk that changes in the political environment in any of the geographies in which we operate, when such changes are clearly beyond our control, could lead, for instance, to loss of business or reduction of the associated margin. We seek to mitigate this risk through ensuring our product offerings are compelling and competitive.

- Brexit and FX risk – on 23 June 2016, the UK electorate voted to discontinue its membership of the EU. 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.

Strategic Report *(continued)*

Financial Review

Operating performance

The Group delivered revenues of £74.7 million (2016: £61.6 million), growth of 21.3%. Gross margins decreased slightly to 32.9% (2016: 36.7%). Operating profit before highlighted items (see note 10) rose to £2.4 million (2016: £0.1 million loss).

Highlighted items include the release of £1.0 million from a provision which arose from the acquisition of Progility Technologies Pvt in India. No impairment charge was made relating to goodwill in the Australian operations (2016: £0.6 million).

	Result for the period ended 30.6.2017	Highlighted items 30.6.2017	Underlying result for the period ended 30.6.2017
	£'000	£'000	£'000
Revenue – continuing operations	74,682	-	74,682
Revenue – discontinued operations	416	-	416
Revenue – total	75,098	-	75,098
Operating profit/(loss) – continuing operations	2,446	1,000	3,446
Operating profit/(loss) – discontinued operations	1	-	1
Operating profit/(loss) - total	2,447	1,000	3,447

Finance costs

The Group incurred net finance costs of £3.3 million (2016: £2.7 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 £0.6 million (2016: £1.0 million), lower than the prior year as a result of lower tax in India, Australia and New Zealand.

Profit for the period and earnings per share

The loss attributable to equity shareholders was £0.5 million (2016: £2.7 million loss) from continuing and discontinued operations. Losses per share were 0.22 pence basic and diluted (2016: 1.22 pence loss per share basic and diluted) from continuing and discontinued operations.

Hive Down

Progility Plc is the AIM listed holding company of the Progility Group. Until 30 June 2015, the United Kingdom operations of the ILX Group training division of the business traded as part of the Progility plc legal entity. A decision was made to hive down the assets, liabilities and trade of the ILX training division to a 100% owned subsidiary company, ILX Group Plc, with effect from 1 July 2015. Details of the assets and liabilities transferred to ILX Group Plc are included in the note 2 to the accounts. It should be noted that this transaction has no impact on the consolidated financial statements as it is intra-group.

Strategic Report *(continued)*

Financial Review ***(continued)***

Going Concern

The Group has prepared its accounts on a going concern basis based on current forecasts for the period through to December 2018. 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 operating activities was £1.4 million (2016: £1.8 million). The Group generates operating cash flow from its product sales, maintenance contracts and from advance payments from customers.

The Group paid £0.4 million in income tax during the reporting period (2016: £0.6 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 £1.3 million (2016: £1.2 million) and £19.3 million (2016: £18.5 million) falling due in over one year. Of these amounts a total of £19.7 million represents shareholder loans made up of £0.4 million of convertible loan notes and £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 £2.4 million (2016: asset of £2.8 million). This comprised: £3.3 million in cash balances, 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 2017. 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 24 November 2017

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 capitalization of more than $2 billion during the late 1990s and early 2000s. In 2000 Wayne worked closely with the management team of Uniqema, a division of Imperial Chemical Industries, to complete the acquisition of one of its business units which was subsequently successfully listed on the Australian Stock Exchange. In early 2006 Wayne became President and CEO of Natrol, a Nasdaq listed Nutraceutical company, (then traded at around US$2.28 per share) which was sold in late 2007 to Plethico, an Indian public company, for US$4.40 per share. In the private company market, Wayne was appointed Chairman of Ansett Aviation Training in 2004 as part of its rescue from the bankrupt Ansett Australia. After growing the business into the largest independent aviation training facility in the southern hemisphere, Ansett Aviation Training was successfully sold to a consortium led by an Australian private equity house in June 2012.

2. John Caterer

Independent Non-executive

John was Managing Director, UK & Ireland, with Qualcomm, the Fortune 500 and Nasdaq listed wireless/mobile technology product developer, from 2005 until the summer of 2014. John joined Motorola's infrastructure division in 1990 when GSM was first being introduced in Europe. During 11 years at Motorola, John spent five years heading operations and new business activities in France/Benelux and then across Northern Europe latterly becoming business development director for Europe, Middle East and Africa. After leaving Motorola he held senior management roles with Juniper Networks and Kodiak Networks. Earlier in his career, John spent 15 years working in industrial plant engineering and contracting in Russia, Africa and the Far East. John is also a member, and immediate past Chairman, of the Prince's Trust Technology Leadership Group. John is a member of the Audit Committee and Chairman of the Remuneration Committee.

3. Michael Higgins

Independent Non-executive

Michael Higgins has over 25 years' experience of advising and working with public companies. Currently Michael is non-executive Chairman of Ebiquity plc, independent marketing performance specialists, senior independent director of Plant Health Care plc, a patented biological products provider and a non-executive 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. Michael is Chairman of the Audit Committee and a member of the Remuneration Committee.

The following Directors held office during the year:

W M Bos

J Caterer

M Higgins

Directors' Report

The Directors present their report and the financial statements for the year ended 30 June 2017.

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 12.

Results and dividends

The results of the Group for the year are set out on page 29. As the group continues to invest in its growth, the existing negative reserves mean that no dividend can be declared.

Principal shareholders

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

	Ordinary Shares of 10 pence each	Percentage
Praxis Trustees Limited*	129,294,195	64.75%
Mmilt Pty Limited	32,915,295	16.49%
Cameron Investment Trust	6,516,130	3.26%

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review within the Strategic Report on pages 4 to 10. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 11 to 12. 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 38.

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

	Ordinary shares of 10 pence each		
	At 30.6.2017	At 25.9.2016	At 30.6.2016
W M Bos*	129,294,195	129,294,195	129,294,195
J Caterer	12,500	12,500	12,500
M Higgins	-	-	-

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

In accordance with the articles of association John Caterer, 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 Annual Report, 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. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

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

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

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

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

Directors' Report (continued)

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

KPMG LLP have been appointed as auditor of the Company. In accordance with S489 of the Companies Act 2006 a resolution proposing that KPMG LLP 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 24 November 2017 .

On behalf of the board

Wayne Bos

Executive Chairman

Address of Registered Office:

7th Floor, 95 Aldwych,

London

England

WC2B 4JF

Remuneration Report

Remuneration policy

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

Directors' remuneration

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

	Salary & fees	Compensation for loss of office	Other benefits	Bonus	Pension contributions	TOTAL for year ended 30.6.2017	TOTAL for year ended 30.6.2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Executive directors							
W M Bos	160	-	-	-	-	160	168
D J Stewart+	-	-	-	-	-	-	150
H C L Cawley+	-	-	-	-	-	-	277
J McIntosh+	-	-	-	-	-	-	31
Non-executive directors							
J Caterer	10	-	-	-	-	10	13
M Higgins	25	-	-	-	-	25	30
P R S Lever							-
	195	-	-	-	-	195	669

+ Until date of resignation – J McIntosh 1 April 2015, D J Stewart 31 July 2015, H C L Cawley 15 April 2016

There were no changes to any director's remuneration during the year and no bonuses were paid.

Bonus scheme for executive Directors

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

This report was approved by the board on 24 November 2017 .

On behalf of the board

J Caterer

Director

Corporate Governance

Statement of compliance

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

The Directors are committed to ensuring appropriate standards of Corporate Governance are maintained by the Group and this statement sets out how the Board has applied the QCA Code in its management of the business during the year ended 30 June 2017.

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

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

The Board

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

Executive Director

Wayne Bos, Executive Chairman

Non-executive Directors

John Caterer

Michael Higgins

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

During the year to 30 June 2017 the Board has been fortunate to benefit fully from the expertise of two independent non-executive directors who broaden the experience available to the Company and who aid strong governance within the management of the Group.

Corporate Governance *(continued)*

The Board (continued)

The Chairman, who is responsible for running the Board, continues to assume the role of interim Chief Executive. The Board continues to believe that this is appropriate, given the circumstances in which this situation arose, the current structure of the business, and the Board's need to strengthen the drivers of the core business and successfully integrate the additional businesses that have been acquired. The Chairman has continued to display a clear vision and focus for the Company's strategy and has drawn together the disparate characteristics, skills, qualities and experience of the other members of the Board and senior management. In his role, he continues to foster a positive corporate governance culture. In his role as acting Chief Executive he has been instrumental in facilitating the senior management team in running the Group's expanded business and implementing the Group's growth strategy.

The Board considers its current structure is appropriate for the scale of the business and enables the Group to be managed effectively. It is keeping the need to appoint a CFO to the Board under review.

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

Committees

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

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

Audit committee

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

Remuneration committee

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

Corporate Governance *(continued)*

Internal control

The QCA Code provides that the Board is responsible for putting in place and communicating a sound system to manage risk and implement internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide the Directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The key procedures that have been established and which are designed to provide effective internal control are as follows:

- A formal management structure with a schedule of matters specifically reserved for the Board's approval. The Executive Directors and other members of senior management meet regularly to control and monitor the Group's activities.

- A strategic planning and budget setting process with both annual and longer-term forecasts reviewed and approved by the Board.

- A comprehensive monthly financial reporting system which compares results with budgets, together with a written report detailing current trading conditions, variations from budget and periodically updated forecasts.

- A report to the audit committee from the auditors stating any material findings arising from the audit. This report is also considered by the Board and action taken where appropriate.

- A framework for capital expenditure and controls including authorisation procedures and rules relating to the delegation of authority.

- Risk management policies to manage issues relating to health and safety, disaster recovery, legal compliance, insurance and security.

Relations with shareholders

The Group places a high level of importance on communicating with its shareholders and welcomes and encourages such dialogue within the constraints of the AIM Rules and other regulations applicable to publicly quoted companies recognising however the concentrated nature of its shareholder base.

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

Annual General Meeting

The date of the Company's AGM will be 22 December 2017.

Supplier payment policy

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

Corporate Governance *(continued)*

Share capital

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

Website publication

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

Charitable and political donations

Group donations to charities worldwide during the period under review were £nil (2016: £nil). No donations were made to any political party.

This report was approved by the board on 24 November 2017.

On behalf of the board

Wayne Bos

Executive Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROGILITY PLC

1 Our opinion is unmodified

We have audited the financial statements of Progility PLC ("the Company") for the year ended 30 June 2017 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated cash flow statement, the consolidated statement of changes in equity, the company statement of financial position, the company cash flow statement, the company statement of changes in equity and the related notes, including the accounting policies in note 1.

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 2017 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Risks of material misstatement		**vs 2016**
Recurring risks	Going concern	▼
	Valuation of Goodwill and Intangible Assets	◄►
	Revenue Recognition	◄►
	Provision for trade receivables	◄►

	The risk	*Our response*
Going Concern *Refer to page 14 (Directors' report) and note 1.1 (Critical accounting estimates).*	**Potential disclosure omission** The company has been making losses for a number of years and it has been reliant on its main shareholder, Praxis Trustees Limited for financial support. In the year ended 30 June 2017, the company has made profits and cash flow forecasts indicate there is significant headroom. However, the company is still be reliant on its shareholder not to call in its loan facility. The risk is if there were a material uncertainty over that financial support, then that fact would require specific prominent disclosure. The risk, therefore, is over the quantum of the forecast support and when it is forthcoming.	Our procedures included: - **Our sector experience**: Critically assessed the going concern assessment, challenging the forecast and key assumptions based on our knowledge of the business and of the market; - **Historical comparison**: Evaluating the track record of assumptions used versus actual results in order to assess the historical accuracy of the group's forecasting process; - **Sensitivity analysis**: Performing sensitivity analysis on the key inputs and assumptions in the forecasts such as available financing facilities and revenue growth and the extent to which a change in assumptions would reduce head room available; and - **Evaluating shareholder's intent and ability**: Assessing the shareholder's intent and ability not to require repayment of existing loans and related interest, by inspecting the latest third party financial statements, fund statements, bank statements as well as correspondence from the shareholder stating its intent not to request loan repayments.
Recoverability of group goodwill and parent's investment in subsidiaries (Group and Parent) *Goodwill CY £16.5m (PY £16.4m) Refer to note 1.1 (Critical accounting estimates).* *Investments in subsidiaries CY £8.2m (PY £8.9m) (risk in line with prior year) Refer to note 1.1 (Critical accounting estimates).*	**Forecast based valuation** Goodwill in the group and the parent company's investments in subsidiaries are significant and at risk of irrecoverability. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows and the sensitivity of the cash flows to small changes. This is particularly due to future revenues being dependent on a small number of significant customers. We focused our assessment on ILX training which has a goodwill carrying value of £7.1m (2016: £7.1m), as there is a risk that small and reasonably possible changes in key assumptions could result in an impairment.	Our procedures included: - **Control design:** Evaluating the keys controls over the process upon which the cash flow forecasts are based; - **Our sector experience:** Evaluating and challenging the assumptions such as the forecast revenue growth rate and profit margins used in the cash flow forecasts based on our knowledge of the group and the market; - **Benchmarking assumptions**: Comparing the key assumptions used in the forecasts such as the long term growth rates, discount rates including the risk premium applied to ILX Training, to externally derived data by using our own internal specialists; and - **Sensitivity analysis**: Performing sensitivity analysis on the key assumptions within the cash flow forecasts. This included sensitising the discount rate applied to the future cash flows and the short and longer term growth rates and profit margins forecast. Critically assessing the extent to which a change in these assumptions, both individually or in aggregate, would result

		in a goodwill impairment, and considered the likelihood of such events occurring; - **Assessing transparency**: Assessing the adequacy of the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected in the risks inherent in the valuation of the goodwill.
Revenue recognition *CY £74.7m (PY £61.6m)* *Refer to note 1.1 (Critical accounting estimates).*	**2017/ 2018 sales** For the Communication and Healthcare segments certain contracts span the year end. There is a risk of error over accrued and deferred revenue being accounted for in the wrong period particularly in respect of the stage of completion of multi-deliverables projects (Healthcare and Communications) and the point of transfer of risks and rewards of ownership to customer (Communications).	Our procedures included: - **Controls design**: Assessing the design and implementation of key controls over the revenue process in the Communication and Healthcare components; and - **Tests of detail**: Selecting a sample of journal entries in respect of revenue to assess whether revenue has been recognised in the correct financial period by agreeing to relevant documentation such as certifications from engineers, delivery statements or other third party acknowledgment of receipt. For a sample of significant contracts we inspected the terms of the contracts/ agreements to assess whether revenue accrued or deferred was in accordance with the terms of the contract.
Recoverability of receivables *CY £16.6m (PY £13.6m)* *Refer to note 19*	**Subjective estimate** There are significant trade receivables with customers in Progility India which have exceeded standard credit terms.	Our procedures included: - **Our sector experience**: Assessing the recoverability assumptions against our own knowledge of the aging profile of debts in this territory; - **Historical comparison**: Assessing the reliability of the provisioning by considering actual bad debt recognised against prior period provisions; and - **Assessing transparency**: Assessing the adequacy of the group's disclosures about the degree of estimation involved in arriving at the provision.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £934k (2016: £784k), determined with reference to a benchmark of group revenue of £74.6m, of which it represents 1.25% (2016: 1.25%).

Materiality for the parent company financial statements as a whole was set at £278k (2016: £459k) determined with reference to a benchmark of Company total assets, of which it represents 3% (2016: 3%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £37k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 20 (2016: 20) reporting components, we subjected 7 (2016: 8) to full scope audits for group purposes. The components within the scope of our work accounted for 96% (2016:90%) of total revenue and 80% of Total Assets (2016:82%).

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

The Group team approved the component materialities, which ranged from £25k to £700k (2016: £41k to £587k). The work on these components were performed by component auditors and the rest, including the audit of the parent company, were performed by the Group team.

Telephone conference meetings were held with these component auditors. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.
Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 28, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 they 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

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8 The purpose of our audit work and to whom we owe our responsibilities

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.

Mark Prince (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL

24 November 2017

Financial Statements

Consolidated Statement of Comprehensive Income for the Year ended 30 June 2017

Continuing operations	Notes	Before Highlighted items 30.6.2017 £'000	Highlighted items Note 10 £'000	Year ended 30.6.2017 £'000	Before Highlighted items 30.6.2016 £'000	Highlighted items Note 10 £'000	Year ended 30.6.2016 £'000
Revenue	3,4	74,682	-	74,682	61,631	-	61,631
Cost of sales		(50,141)	-	(50,141)	(39,015)	-	(39,015)
Gross profit		24,541	-	24,541	22,616	-	22,616
Administrative and distribution expenses		(22,095)	-	(22,095)	(22,722)	(588)	(23,310)
Other operating income	10	-	1,000	1,000	-	2,000	2,000
Operating profit	5	2,446	1,000	3,446	(106)	1,412	1,306
Financial income	6	132	-	132	263	-	263
Financial expenses	7	(3,458)	-	(3,458)	(2,962)	-	(2,962)
Profit/(Loss) before tax		(880)	1,000	120	(2,805)	1,412	(1,393)
Taxation	12	(568)	-	(568)	(1,038)	-	(1,038)
Profit/(Loss) from continuing operations		(1,448)	1,000	(448)	(3,843)	1,412	(2,431)
Discontinued operation							
Profit/(loss) from discontinued operations, net of tax	11	1	-	1	(268)	-	(268)
Profit/(Loss) for the year attributable to equity shareholders		(1,447)	1,000	(447)	(4,111)	1,412	(2,699)
Items that are or may be reclassified subsequently to profit or loss							
Foreign currency translation differences – foreign operations				600			662
Other comprehensive income for the year, net of tax				600			662
Total comprehensive Income/(loss) for the year				153			(2,037)
Earnings/(loss) per share from continuing operations	13						
Basic				(0.22)p			(1.22)p
Diluted				(0.22)p			(1.22)p

The notes on pages 36 to 75 form part of the financial statements.

Financial Statements *(continued)*

Consolidated statement of Financial Position as at 30 June 2017

Assets	Notes	As at 30.6.2017 £'000	As at 30.6.2016 £'000
Non-current assets			
Plant and equipment	14	937	1,029
Intangible assets	15	19,535	19,501
Deferred tax asset	17	825	709
Total non-current assets		21,297	21,239
Current assets			
Inventories	18	3,927	3,260
Trade and other receivables	19	17,837	14,931
Other current assets		3,088	2,827
Cash and cash equivalents		3,305	3,564
Total current assets		28,157	24,582
Total assets		49,454	45,821
Current liabilities			
Trade and other payables	20	(23,797)	(20,309)
Deferred/contingent consideration	2	-	(681)
Provisions	21	(2,144)	(2,650)
Tax liabilities		(443)	(174)
Bank and shareholder loans	20	(1,261)	(1,174)
Total current liabilities		(27,645)	(24,988)
Non-current liabilities			
Shareholder loans	22	(19,302)	(18,463)
Deferred tax liability	17	(186)	(186)
Provisions	21	(100)	(131)
Total non-current liabilities		(19,588)	(18,780)
Total liabilities		(47,233)	(43,768)
Net assets		2,221	2,053
Equity			
Issued share capital	23	19,967	19,967
Share premium		114	114
Other reserve		75	75
Merger reserve		(14,854)	(14,854)
Own shares in trust	24	(2)	(2)
Share option reserve		57	42
Retained earnings		(4,067)	(3,620)
Foreign currency translation reserve		931	331
Total equity		2,221	2,053

The notes on pages 36 to 75 form part of the financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 24 November 2017 . They were signed on its behalf by:

Wayne Bos ***Michael Higgins***
Director Director

Financial Statements *(continued)*

Company Statement of Financial Position as at 30 June 2017

		As at 30.6.2017	As at 30.6.2016
Assets	**Notes**	**£'000**	**£'000**
Non-current assets			
Plant and equipment	14	-	-
Intangible assets	15	-	-
Investments	16	8,163	8,893
Deferred tax asset	17	-	-
Total non-current assets		8,163	8,893
Current assets			
Trade and other receivables	19	45	23
Cash and cash equivalents		379	286
Total current assets		424	309
Total assets		8,587	9,202
Current liabilities			
Trade and other payables	20	(12,864)	(10,741)
Bank and shareholder loans	20	(388)	(371)
Total current liabilities		(13,252)	(11,112)
Total liabilities		(13,252)	(11,112)
Net liabilities		**(4,665)**	**(1,910)**
Equity			
Issued share capital	23	19,967	19,967
Share premium		114	114
Other reserve		75	75
Own shares in trust	24	(2)	(2)
Share option reserve		57	42
Retained earnings		(24,876)	(22,106)
Total equity		**(4,665)**	**(1,910)**

The notes on pages 36 to 75 form part of the financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 24 November 2017 . 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 2017

	Notes	Year ended 30.6.2017 £'000	Year ended 30.6.2016 £'000
Operating profit		3,446	1,038
Adjustments for:			
Depreciation and amortisation	14,15	743	1,135
Loss on fixed asset disposal	14	-	96
Impairment of intangibles	15	-	588
Share option charge	24	22	31
(Increase)/decrease in inventories		(499)	1,113
(Increase)/decrease in trade and other receivables		(2,077)	2,400
Increase/(decrease) trade and other payables		(276)	(4,446)
Exchange difference on consolidation		31	(170)
Cash generated from operations		1,390	1,785
Income taxes (paid)/recovered		(357)	(590)
Net cash generated from operating activities		1,033	1,195
Investing activities			
Interest received	6	132	263
Purchases of property and equipment	14	(465)	(388)
Capitalised expenditure on product development	15	(80)	(64)
Acquisition of subsidiaries, net of cash acquired	2	(681)	(1,361)
Net cash used by investing activities		(1,094)	(1,550)
Financing activities			
Proceeds from borrowings		-	2,775
Repayment of borrowings		(347)	(2,402)
Interest costs paid		(28)	(75)
Net cash from financing activities		(375)	298
Net change in cash and cash equivalents		(436)	(57)
Cash and cash equivalents at start of year		3,564	3,350
Effect of foreign exchange rate differences		177	271
Cash and cash equivalents at end of year		3,305	3,564
Cash and cash equivalents comprise			
Cash in hand and at bank		3,305	3,564
Bank overdraft	20	-	-
		3,305	3,564

The notes on pages 36 to 75 form part of the financial statements.

Financial Statements *(continued)*

Company Cash Flow Statement for the Year ended 30 June 2017

	Notes	Year ended 30.6.2017 £'000	Year ended 30.6.2016 £'000
Operating (loss)		(2,777)	(6,928)
Adjustments for:			
Depreciation and amortisation	14,15	-	-
Investment impairment	16	730	5,600
Share option charge	24	22	31
(increase)/decrease in trade and other receivables		(22)	2,549
Increase/(decrease) in trade and other payables		2,140	(291)
Cash generated from operations		93	961
Income taxes recovered		-	-
Net cash generated from operating activities		93	961
Investing activities			
Purchases of property and equipment	14	-	-
Expenditure on product development	15	-	-
Acquisition of subsidiaries		-	-
Net cash used in investing activities		-	-
Financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	(579)
Interest costs paid		-	(19)
Net cash used in financing activities		-	(598)
Net change in cash and cash equivalents		93	363
Cash and cash equivalents at start of year		286	(77)
Cash and cash equivalents at end of year		379	286
Cash and cash equivalents comprise			
Cash in hand and at bank		379	286
Bank overdraft	20	-	-
		379	286

The notes on pages 36 to 75 form part of the financial statements.

Financial Statements *(continued)*

Consolidated Statement of Changes in Equity for the year ended 30 June 2017

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 30.6.2015	**19,967**	**114**	**75**	**(14,854)**	**(2)**	**43**	**(331)**	**(953)**	**4,059**
Options granted	-	-	-	-	-	31	-	-	31
Revaluation of own shares	-	-	-	-	-	-	-	-	-
Options lapsed and waived	-	-	-	-	-	(32)	-	32	-
Transactions with owners	-	-	-	-	-	(1)	-	32	31
Loss for the year	-	-	-	-	-	-	-	(2,699)	(2,699)
Other comprehensive income:									
Foreign currency translation adjustment	-	-	-	-	-	-	662	-	662
Total comprehensive income for the year	-	-	-	-	-	-	662	(2,699)	(2,037)
Balance at 30.6.2016	**19,967**	**114**	**75**	**(14,854)**	**(2)**	**42**	**331**	**(3,620)**	**2,053**
Balance at 30.6.2016	**19,967**	**114**	**75**	**(14,854)**	**(2)**	**42**	**331**	**(3,620)**	**2,053**
Options granted	-	-	-	-	-	22	-	-	22
Revaluation of own shares	-	-	-	-	-	-	-	-	-
Options lapsed and waived	-	-	-	-	-	(7)	-	**-**	(7)
Transactions with owners	-	-	-	-	-	15	-	-	15
Profit 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**

The notes on pages 36 to 75 form part of the financial statements.

Financial Statements *(continued)*

Company Statement of Changes in Equity for the year ended 30 June 2017

Company	Called up share capital £'000	Share premium account £'000	Other reserve £'000	Own shares in trust £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Balance at 30.6.2015	**19,967**	**114**	**75**	**(2)**	**43**	**(13,863)**	**6,334**
Options granted	-	-	-	-	31	-	31
Revaluation of own shares	-	-	-	-	-	-	-
Options lapsed and waived	-	-	-	-	(32)	32	-
Transactions with owners	-	**-**	**-**	**-**	**(1)**	**32**	**31**
Loss for the year	-	-	-	-	-	(8,275)	(8,275)
Total comprehensive income for the year	-	-	-	-	-	**(8,275)**	**(8,275)**
Balance at 30.6.2016	**19,967**	**114**	**75**	**(2)**	**42**	**(22,106)**	**(1,910)**
Balance at 30.6.2016	**19,967**	**114**	**75**	**(2)**	**42**	**(22,106)**	**(1,910)**
Options granted	-	-	-	-	22	-	22
Revaluation of own shares	-	-	-	-	-	-	-
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)**

The notes on pages 36 to 75 form part of the financial statements.

Notes to the Financial Statements

Progility Plc (the "Company") is a public limited company incorporated in England and Wales and, together with its subsidiaries listed in note 16, forms the Progility group (the "Group"). These financial statements are presented in pounds sterling which is the Company's functional currency. All amounts have been rounded to the nearest thousand unless otherwise indicated. The Group financial statements were authorised for issue by the Directors on .

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 26 on Financial Instruments – credit risk)
The provision for impairment of receivables assessment requires a degree of estimation and management judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors' financial position.

Provisions for impairment of inventories (see note 1 on Inventories)
The provision for impairment of inventories assessment requires a degree of estimation and management judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Impairment of tangible/intangible and financial assets (see note 1 on Depreciation and Impairment)
The entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Notes to the Financial Statements *(continued)*
1 Basis of preparation and significant accounting policies *(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 26 on Financial Instruments)
The entity is required to classify financial instruments, measured at fair value, using a three level hierarchy, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). An instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value. Considerable judgement is required to determine what is significant to fair value and therefore which category the financial instrument is placed in can be subjective.

Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management’s best judgment of conditions at the date of the financial statements.

In the future, actual experience may deviate from these estimates and assumptions, which could affect the financial statements, as the original estimates and assumptions are modified, as appropriate, in the year in which the circumstances change.

Going concern

The Group meets its day-to-day working capital requirements from its operating cash flows. 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.

1.2 Critical accounting estimates and Judgements (continued)

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 2016.

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of Progility Plc and its subsidiaries. There are no associates or joint ventures to be considered.
Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The Group uses the acquisition method of accounting to account for the acquisition of subsidiaries. The acquisition of Progility Pty Limited was accounted for as a merger in 2013.

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.

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.

Notes to the Financial Statements *(continued)*

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

1.8 Non-derivative financial instruments (continued)

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.

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.

Notes to the Financial Statements *(continued)*

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

1.10 Business combinations (continued)

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.

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 Basis of preparation and significant accounting policies *(continued*

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.

Notes to the Financial Statements *(continued)*

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)

- Annual Improvements to IFRSs – 2014-2016 Cycle (effective 1 January 2017 and 1 January 2018).

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

2 Acquisitions and Disposals

Hive Down

On 1 July 2015 the Company transferred the assets and liabilities of the ILX training business from Progility plc to ILX Group plc, a wholly owned subsidiary of Progility plc. Details of the net identifiable assets and liabilities transferred are set out below. The consideration for the transfer was satisfied by the setting up of an intercompany receivable.

	£000's
Property, plant and equipment	(179)
Intangible assets	(1,276)
Trade receivables	(574)
Other receivables	(311)
Cash and cash equivalents	(2)
Deferred income	2,669
Trade payables	731
Consideration paid , satisfied through intercompany payable	(1,058)
Net cash flow	-

Deferred Consideration

Deferred consideration of £0.7m was paid during the period under review towards the acquisition of Starkstrom Group Ltd, completed in July 2014. Deferred consideration of £1.3m was also paid in the prior year 2016.

	Year ended 30.6.2017	**Year ended 30.6.2016**
Deferred consideration from acquisition of Starkstrom	-	681

3 Segment reporting

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

Professional Services - The Group's Professional operations comprise the training, recruitment and consultancy activities operating in the UK, Dubai, Australia and New Zealand. Woodspeen Ltd, part of the Professional Services segment, discontinued operations in the southern part of the UK during the year. Details of the revenue, costs and cash flows of the discontinued operations are included in note 11 to the accounts.

Healthcare – The Group's Health operations comprise the activities of Starkstrom Limited and Progility DMCC, operating in the UK and Dubai.

Communications – The Group's Technology operations comprise the technology solutions goods and services businesses which operate in Australia and India.

The Group measures the operating performance of the business through monthly financial reports on the Professional Services, Healthcare and Communications segments. These segments are reported because they reflect the management accounting key indicators which is used to manage the performance of the business. The Group's chief operating decision maker is the chief executive officer.

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

Notes to the Financial statements *(continued)*

3 Segment reporting (*continued*)

Revenue by segment	Year ended 30.6.2017 Revenue	Year ended 30.6.2017 Segment Profit / (Loss)	Year ended 30.6.2016 Revenue	Year ended 30.6.2016 Segment Profit / (Loss)
	£'000	£'000	£'000	£'000
Professional Services	15,726	1,278	16,748	819
Healthcare	14,281	1,433	11,148	62
Communications	45,091	688	34,559	515
Elimination of Professional Services discontinued operations	(416)	(1)	(824)	268
Central corporate costs		(952)		(1,770)
Total segment result from continuing operations	74,682	2,446	61,631	(106)
Highlighted items (note 10)		1,000		1,412
Operating profit from continuing operations		3,446		1,306
Net finance costs		(3,326)		(2,699)
Profit before tax from continuing operations		120		(1,393)

Adjusting for highlighted items (note 10)	£’000	£’000
Reversal of provisions - non-recurring	(1,000)	(2,000)
Impairment charges - non-recurring	-	588
	(1,000)	(1,412)

	Year ended 30.6.2017 Segment assets	Year ended 30.6.2017 Segment liabilities	Year ended 30.6.2016 Segment assets	Year ended 30.6.2016 Segment liabilities
	£'000	£'000	£'000	£'000
Professional Services	23,021	26,486	21,384	24,123
Healthcare	3,746	3,791	3,543	3,601
Communications	22,687	16,722	20,894	16,044
Total	49,454	46,999	45,821	43,768

Notes to the Financial Statements *(continued)*

3 Segment reporting *(continued)*

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

	Year ended 30.6.2017		Year ended 30.6.2016	
	£'000	%	£'000	%
UK, Ireland & Europe	27,450	36.8%	25,659	41.6%
Australasia	21,596	28.9%	17,316	28.1%
Middle East and Africa	521	0.7%	454	0.7%
Asia	25,531	34.2%	19,026	30.9%
UK discontinued operations	(416)	-0.6%	(824)	(1.3%)
	74,682	100.0%	61,631	100.0%

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

4 Revenue

Revenue comprises:

	Year ended 30.6.2017 £'000 Continuing	Year ended 30.6.2017 £'000 Discontinued	Year ended 30.6.2017 £'000 Total	Year ended 30.6.2016 £'000 Continuing	Year ended 30.6.2016 £'000 Discontinued	Year ended 30.6.2016 £'000 Total
Rendered Services	26,436	416	26,852	23,946	824	24,770
Goods Sold	48,246	-	48,246	37,685	-	37,685
	74,682	416	75,098	61,631	824	62,455

5 Operating profit

Operating profit is stated after charging/(crediting):

	Year ended 30.6.2017	Year ended 30.6.2016
	£'000	£'000
Raw materials and consumables	32,926	24,141
Depreciation	596	776
Amortisation	147	359
Impairment	-	588
Loss on disposal	-	96
Release of provision/provision for tax liabilities in India	(1,000)	(2,000)
Exchange losses / (gains)	222	(93)
Operating lease rentals - land and buildings	1,476	1,064
Operating lease rentals – other	261	758
Research and development	35	110

Notes to the Financial Statements *(continued)*

5 Operating profit *(continued)*

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

	Year ended 30.6.2017 £'000	Year ended 30.6.2016 £'000
Audit of financial statements	224	196
Other services relating to taxation	38	41
Corporate finance and other advisory services	-	48
	262	285

6 Financial income

	Year ended 30.6.2017 £'000	Year ended 30.6.2016 £'000
Interest received	132	263

7 Financial expenses

	Year ended 30.6.2017 £'000	Year ended 30.6.2016 £'000
On bank loans and overdrafts	154	322
On shareholder loans	3,277	2,616
Other interest	10	4
Amortisation of fair value of convertible loan	17	16
Arrangement fees	-	4
	3,458	2,962

8 Employees' and Directors' remuneration

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

Employed by the Group	Year ended 30.6.2017 Number	Year ended 30.6.2016 Number
Development and delivery	295	363
Administration and management	180	151
Sales and marketing	199	222
	674	736

Their total remuneration was as follows:

Group	Year ended 30.6.2017 £'000	Year ended 30.6.2016 £'000
Wages and salaries	21,191	19,663
Social security costs	1,127	853
Pension costs	902	886
Share based payments	22	31
	23,243	21,433

Notes to the Financial Statements *(continued)*

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

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

Group	Year ended 30.6.2017 £'000	Year ended 30.6.2016 £'000
Cost of sales	10,764	7,344
Administrative expenses	12,479	14,062
	23,243	21,406

Directors' Remuneration

Company	Year ended 30.6.2017 £'000	Year ended 30.6.2016 £'000
Remuneration and other emoluments	195	378
Severance pay	-	258
Pension contributions	-	33
	195	669

	£'000	£'000
Highest paid Director	160	277

No director was (in 2016, one director was) accruing benefits under the group pension scheme. A detailed analysis of Directors' remuneration is provided on page 18.

Key management personnel emoluments	Year ended 30.6.2017 £'000	Year ended 30.6.2016 £'000
Short term employment benefits	1,127	1,085
Other compensation including pension contributions	241	151
Post-employment benefits	180	9
	1,548	1,245

9 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 £902,000 (2016: £886,000) plus contributions payable directly to Directors' and employees' personal pension schemes which amounted to £Nil (2016: £33,000).

Notes to the Financial Statements *(continued)*

10 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 30.6.2017 £'000	Year ended 30.6.2016 £'000
Non-recurring		
Impairment of goodwill *	-	588
Release of transfer pricing provision**	(1,000)	(2,000)
Total highlighted items	(1,000)	(1,412)

* Relates to the impairment of Goodwill in Progility Pty Ltd – see note 15.

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

11 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 figure are from the date of acquisition, 5 January 2016, to 30 June 2016.

	Year ended 30.6.2017 £'000	Year ended 30.6.2016 £'000
Revenue	416	824
Expenses	(415)	(1,092)
Pre-tax profit/(loss)	1	(268)
Taxation	-	-
Post-tax profit/(loss)	1	(268)
Basic and diluted (loss per share) from discontinued operations	-	(0.13p)

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.

11 Discontinued Operations *(continued)*

	Year ended 30.6.2017 £'000	Year ended 30.6.2016 £'000
Operating activities	1	(268)
Net cash flow	1	(268)

12 Taxation

Reductions in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. In addition to the substantively enacted corporation tax rates noted above, the 2016 Budget in March 2016 announced a further reduction to the UK Corporation Tax for the year starting 1 April 2020 at 17%. It has not yet been possible to quantify the full anticipated effect of the announced further rate reductions, although this will further reduce the Company’s future current tax charge and reduce the Company’s unrecognised deferred tax asset accordingly. Deferred tax liability at 30 June 2017 has been calculated based on these rates.

	Year ended 30.6.2017 £'000	Year ended 30.6.2016 £'000
Current tax expense	598	798
Adjustment in respect of prior years	-	-
Tax expense for the year	598	798
Deferred (credit)/expense	(30)	240
Tax expense	568	1,038

Factors affecting the tax expense for the year

Profit/(loss) before tax from continuing and discontinued operations	121	(1,661)
Tax using the UK Corporation tax rate of 19.75% (2016: 20.00%)	24	(332)
Effects of:		
Non-deductible expenses	-	67
Non-deductible interest expenses	500	-
Tax exempt revenue	(125)	(400)
Overseas tax on dividends	-	164
Recognition of previously unrecognised tax losses	-	197
Current year losses for which no deferred tax asset was recognised	172	1,106
Under/(over) provided in prior years	-	6
Effect of tax rates in foreign jurisdictions	(3)	230
Total tax expense (including tax on discontinued operations)	568	1,038

Notes to the Financial Statements *(continued)*

13 Earnings per share from continuing operations

Earnings per share is calculated by dividing profits/(loss) from continuing operations attributable to shareholders by the weighted average number of shares in issue during the year.

Potential ordinary shares arising under potential conversion of the convertible loan and share options outstanding are considered anti-dilutive for the year ended 30 June 2017 and the period ended 30 June 2016. At 30 June 2017, the 3.95 million outstanding share options were excluded from the dilution calculation as the exercise price of 10 pence was greater than the average price for the period in issue.

	Year ended 30.6.2017	Year ended 30.6.2016
	£'000	£'000
Profit/(Loss) for the year from continuing operations attributable to equity shareholders	(448)	(2,431)
Weighted average shares	199,666,880	199,666,880
Weighted average shares for diluted earnings per share	199,666,880	199,666,880
Basic earnings/(loss) per share from continuing operations	(0.22)p	(1.22)p
Diluted earnings/(loss) per share from continuing operations	(0.22)p	(1.22)p

Notes to the Financial Statements *(continued)*

14 Plant and equipment

Group	Fixtures, fittings and equipment	Computer equipment and software	Motor Vehicles	Leasehold improvements	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 30.6.2015	1,436	1,074	274	40	2,824
Reclassifications	(183)	29	-	154	-
Additions	79	258	51	-	388
Disposals	(50)	(27)	(72)	-	(149)
Foreign exchange	131	145	13	5	294
At 30.6.2016	1,413	1,479	266	199	3,357
Reclassifications	-	-	-	-	-
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
Depreciation					
At 30.6.2015	598	626	125	26	1,375
Reclassification	(113)	17	-	96	-
Charge for the year	385	296	65	30	776
Disposals	(34)	(9)	(10)	-	(53)
Foreign exchange	114	100	12	4	230
At 30.6.2016	950	1,030	192	156	2,328
Reclassification	-	-	-	-	-
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
Net Book Value					
At 30.6.2017	484	329	56	68	937
At 30.6.2016	463	449	74	43	1,029
At 30.6.2015	838	448	149	14	1,449

Notes to the Financial Statements *(continued)*

14 Plant and equipment *(continued)*

Company	Fixtures, fittings and equipment	Computer equipment and software	Total
Cost	**£'000**	**£'000**	**£'000**
At 30.6.2015	25	326	351
Additions	-	-	-
Disposals	(25)	(326)	(351)
At 30.6.2016	-	-	-
Additions	-	-	-
Disposals	-	-	-
At 30.6.2017	-	-	-
Depreciation			
At 30.6.2015	12	160	172
Charge for the year	-	-	-
Disposals	(12)	(160)	(172)
At 30.6.2016	-	-	-
Charge for the year	-	-	-
Disposals	-	-	-
At 30.6.2017	-	-	-
Net Book Value			
At 30.6.2017	-	-	-
At 30.6.2016	-	-	-
At 30.6.2015	13	166	179

Plant and equipment with a net book value of £nil (2016: £0.2 million) was transferred to ILX Group plc during the year as part of the Hive Down exercise disclosed in note 2.

Notes to the Financial Statements *(continued)*

15 Intangible assets ***Group***	**Goodwill**	**Brand**	**Acquired customer relationships**	**Capitalised development costs**	**Total**
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 30.6.2015	20,609	1,934	518	4,548	27,609
Additions	-	-	-	64	64
Disposals	-	-	-	(1,602)	(1,602)
Foreign exchange	226	21	-	35	282
At 30.6.2016	20,835	1,955	518	3,045	26,353
Adjustment to correct bfwd	-	-	-	(354)	(354)
Additions	-	-	-	79	79
Disposals	-	-	-	-	-
Foreign exchange	102	-	-	-	102
At 30.6.2017	20,937	1,955	518	2,770	26,180
Impairment and Amortisation					
At 30.6.2015	3,847	-	451	3,176	7,474
Disposals		-	-	(1,602)	(1,602)
Impairment charge for the year	588	-	-	-	588
Amortisation charge for the year	-	-	67	292	359
Foreign exchange	-	-	-	33	33
At 30.6.2016	4,435	-	518	1,899	6,852
Adjustment to correct bfwd	-	-	-	(354)	(354)
Disposals	-	-	-	-	-
Impairment charge for the year	-	-	-	-	-
Amortisation charge for the year	-	-	-	147	147
Foreign exchange	-	-	-	-	-
At 30.6.2017	4,435	-	518	1,692	6,645
Net Book Value					
At 30.6.2017	16,502	1,955	-	1,078	19,535
At 30.6.2016	16,400	1,955	-	1,146	19,501
At 30.6.2015	16,762	1,934	67	1,372	20,135

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 30.6.2017	**Year ended 30.6.2016**
CGU	**£'000**	**£'000**
ILX Training	7,097	7,097
Woodspeen Training	507	507
Technology	599	497
Recruitment	163	163
Medical	8,136	8,136
	16,502	16,400

Notes to the Financial Statements *(continued)*

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

Terminal value growth rate
Each division 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 2017/18 (2016: Budget 2016/17) 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	**2017**	**2016**	**2017**	**2016**
ILX Training	3.1%	9.6%	3.0%	11.0%
Woodspeen Training	17.0%	64.0%	2.7%	45.5%
Technology	4.20%	5.5%	1.3%	0.6%
Recruitment	-33.8%	12.1%	-47.9%	1.6%
Medical	-7.3%	21.0%	-10.6%	13.6%

	Discount Rate		Terminal value growth rate		Revenue growth		Cost Inflation	
CGU	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
ILX Training	15.5%	15.1%	1.0%	1.0%	3.0%	2.5%	2.0%	2.5%
Woodspeen Training	15.5%	15.1%	1.0%	1.0%	2.0%	2.5%	2.0%	2.5%
Technology	15.7%	15.3%	1.0%	1.0%	3.0%	2.5%	2.0%	2.5%
Recruitment	13.2%	12.8%	1.0%	1.0%	2.0%	1.5%	2.0%	2.5%
Medical	14.7%	14.3%	1.0%	1.0%	2.0%	2.5%	2.0%	2.5%

In the ILX Training CGU the value in use exceeded the carrying amount by £0.03 million in the above scenario, and in the Woodspeen Training CGU the value in use exceeded the carrying amount by £6.8 million. In the Recruitment CGU the value in use exceeded the carrying value by £0.1 million, and in the Medical CGU the value in use exceeded the carrying value by £6.5 m. In the Technology CGU the value in use exceeded the carrying amount by £4.8 million.

Notes to the Financial Statements *(continued)*

15 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.

	2017	2017	2017	2016	2016	2016
	Revenue Growth	**Cost Inflation**	**Discount rate**	**Revenue Growth**	**Cost Inflation**	**Discount rate**
ILX Training	-0.7%	0.9%	1.24%	-0.77%	1.01%	1.47%
Woodspeen Training	-13.7%	14.8%	125.0%	-9.46%	10.25%	135.11%
Recruitment	-3.7%	3.9%	33.0%	-2.00%	3.09%	43.88%
Medical	-6.9%	9.8%	9.7%	-3.49%	5.20%	4.87%
Technology	-4.9%	5.1%	127.0%	-7.66%	8.21%	120.65%

Company	**Goodwill**	**Capitalised development costs**	**Total**
Cost	**£'000**	**£'000**	**£'000**
At 30.6.2015	11	3,573	3,584
Disposals	-	(3,573)	(3,573)
At 30.6.2016	11	-	11
Additions	-	-	-
Disposals	-	-	-
At 30.6.2017	-	-	-
Impairment			
At 30.6.2015	11	2,297	2,308
Amortisation charge for year	-	-	-
Disposals	-	(2,297)	(2,297)
At 30.6.2016	11	-	11
Amortisation charge for year	-	-	-
Disposals	-	-	-
At 30.6.2017	-	-	-
Net Book Value			
At 30.6.2017	-	-	-
At 30.6.2016	-	-	-
At 30.6.2015	-	1,276	1,276

Capitalised development costs with a net book value of £ nil (2016: £1.3 million) were transferred to ILX Group plc during the prior year as part of the Hive Down exercise disclosed in note 2.

Notes to the Financial Statements *(continued)*

16 Investments

	Shares in group undertakings (at cost)
Cost	**£'000**
At 30.6.2015	14,493
Additions	-
Impairment	(5,600)
At 30.6.2016	8,893
Additions	-
Impairment	(730)
At 30.6.2017	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. As a result of the valuation investment in Obrar Ltd has been impaired by £0.53 million and TFPL by £0.2 million in the year. (2016: Progility Pty Ltd £5.6 million).

The Company has the following subsidiary undertakings:

Name	Principal Activity	Holding	Registered (registered office note – see next page)
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)

Notes to the Financial Statements *(continued)*

16 Investments (continued)

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.

17 Deferred Taxation

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

Group	Assets		Liabilities	
	2017	**2016**	**2017**	**2016**
	£'000	**£'000**	**£'000**	**£'000**
Intangible assets	-	-	186	186
Provisions	738	622	-	-
Tax value of loss carry-forwards	87	87	-	-
Tax assets/liabilities	825	709	186	186

Movement in deferred tax

	As at 30.6.2016	**Recognised in income**	**Exchange difference**	**Acquired in business combination**	**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

	As at 30.6.2015	**Recognised in income**	**Exchange difference**	**Acquired in business combination**	**As at 30.6.2016**
Intangible assets	(199)	13	-	-	(186)
Provisions	614	(51)	59	-	622
Tax value of loss carry-forwards	274	(202)	15	-	87
	689	(240)	74	-	523

Notes to the Financial Statements *(continued)*

17 Deferred Taxation *(continued)*

Deferred tax assets at 30 June 2017 of £1 million (2016: £1.5 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.

As a result of the Hive Down of the Professional Services UK business to ILX Group plc, on 1 July 2015, the tax value of loss carry forwards has been derecognised in the Company as it no longer carries on a trade against which the tax value of loss carry forwards can be recovered.

Movement in deferred tax in year

	As at 30.6.2016	Recognised in income	Exchange difference	Acquired in business combination	As at 30.6.2017
Provisions	-	-	-	-	-
Tax value of loss carry-forwards	-	-	-	-	-
	-	-	-	-	-

	As at 30.6.2015	Recognised in income	Exchange difference	Acquired in business combination	As at 30.6.2016
Provisions	(5)	5	-	-	-
Tax value of loss carry-forwards	202	(202)	-	-	-
	197	(197)	-	-	-

18 Inventories

Group	At 30.6.2017	At 30.6.2016
	£'000	£'000
Raw materials	761	774
Work in progress	1,279	287
Finished goods	1,887	2,199
	3,927	3,260

A total of £34.1m of inventories was included as an expense (2016: £21.9 million).

19 Notes to the Financial Statements *(continued)*

Trade and other receivables

Group	At 30.6.2017	At 30.6.2016
	£'000	£'000
Trade receivables	16,105	13,578
Other receivables	110	182
Prepayments	1,343	888
Accrued revenue	279	283
	17,837	14,931
Trade receivables over 60 days past due, unimpaired at the balance sheet date was	6,303	3,350

Notes to the Financial Statements *(continued)*

19 Trade and other receivables *(continued)*

Company	**At 30.6.2017**	**At 30.6.2016**
	£'000	**£'000**
Other receivables	24	-
Prepayments	21	23
	45	23

20 Trade and other payables and Bank and shareholder loans

Group	**At 30.6.2017**	**At 30.6.2016**
	£'000	**£'000**
Trade payables	9,252	8,500
Other taxes and social security costs	1,542	1,184
Accruals	8,363	5,885
Deferred revenue	4,640	4,740
	23,797	20,309

Group	**At 30.6.2017**	**At 30.6.2016**
	£'000	**£'000**
Bank and shareholder loans		
5-year convertible shareholder loan (see note 22)	388	371
Moneytech invoice finance	873	803
	1,261	1,174
Company		
Trade payables	67	104
Amounts owed to group undertakings	12,323	10,227
Other taxes and social security costs	103	85
Accruals	371	325
	12,864	10,741
Bank and shareholder loans		
5-year convertible shareholder loan (see note 22)	388	371
	388	371

Loans repayable within one year or less include shareholder loans of £0.4 million (2016: £0.4million).

Notes to the Financial Statements *(continued)*

21. Provisions

	Property	Employee benefits & restructuring	Warranty and performance	Corporate social responsibility	Indian transfer pricing	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 30.6.2015	**20**	**972**	**360**	**20**	**3,000**	**4,372**
Non-current	44	87				131
Current	20	1,181	403	46	1,000	2,650
Total at 30.6.2016	**64**	**1,268**	**403**	**46**	**1,000**	**2,781**
Reclassification	-	-	-	-	-	-
Provisions made/(released)	-	469	481	47	(1,000)	(3)
Provisions used	(25)	(590)	-	(47)	-	(662)
Exchange movement	-	80	35	13	-	128
Balance at 30.6.2017	**39**	**1,227**	**919**	**59**	**-**	**2,244**
Non-current	39	61	-	-	-	100
Current	-	1,166	919	59	-	2,144
Total	**39**	**1,227**	**919**	**59**	**-**	**2,244**

Provisions for property relate to obligations incurred, or expected to be incurred, for dilapidations liabilities upon termination of leases in the United Kingdom. Within the provisions for employee benefits and restructuring, £15,000 relates to the cost of discontinuing business in the south of England by Woodspeen Ltd and is expected to be incurred within the next year. The 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. During the period under review a number of rulings have been made in favour of Progility Technologies Pvt relating to direct and indirect tax liabilities in previous years, and it has been possible to release the £1.0 million balance of the provision that was made when the business was acquired in December 2014.

22 Shareholder loans

	At 30.6.2017	At 30.6.2016
Non current liabilities – Group only	**£'000**	**£'000**
18% Redeemable loan note 2019	2,133	2,133
12% Redeemable loan notes repayable 2021	12,111	12,111
Shareholder loans	5,058	4,219
	19,302	18,463
Current liabilities – Group and Company		
5-year convertible shareholder loan	388	371

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.

22 Shareholder loans *(continued)*

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.

18% Redeemable loan note 2019

During the period under review the repayment date for the £2.1 million (2016 £2.1 million) redeemable loan remained unchanged at 1 April 2019.

12% Redeemable loan notes

The £12.1 million (2016: £12.1 million) of loan notes are issued, by Progility Finco Ltd, under a £50.0 million facility and become repayable in July 2021 or before.

23 Share capital and reserves

	As at 30.6.2017 £'000	As at 30.6.2016 £'000
Allotted, called up and fully paid equity:		
Ordinary shares of 10p each	19,967	19,967

Issued and fully paid ordinary shares of 10 pence each	Number of ordinary shares	£'000
At 30.6.2017 and 30.6.2016	199,666,880	19,967

Share premium account

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

Other reserve

This reserve records the difference between the proceeds of issue of the convertible loan note and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, as outlined 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 24.

Share option reserve

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

Foreign currency translation reserve

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

Notes to the Financial Statements *(continued)*

24 Share options and own shares in trust

Share options

Date of grant	Number of shares under option at 30.6.2016	Granted during the year	Exercised during the year	Forfeited during the year	Number of shares under option at 30.6.2017	Exercise Price	Expiry Date
06-Nov-13	1,500,000	-	-	(250,000)	1,250,000	10p	05-Nov-2018
23-Oct-14	950,000	-	-	-	950,000	10p	22-Oct-2019
31-Dec-14	500,000	-	-	-	500,000	10p	30-Dec-2019
09-Jun-15	750,000	-	-	(500,000)	250,000	10p	08-Jun-2020
1-Sep-15	750,000	-	-	-	750,000	10p	31-Aug-2020
30-Nov-16	-	250,000	-	-	250,000	10p	29-Nov-2021
	4,450,000	250,000	-	(750,000)	3,950,000		

As at 30 June 17, 14 employees held options over total of 3,950,000 share options (2016: 4,450,000) at an average exercise price of 10.0p (2016: 10.0p).

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

	Options outstanding at 30.6.2016	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options exercisable at 30.6.2017	Options outstanding (including those exercisable) at 30.6.2017
Number of shares under option	4,450,000	250,000	-	(750,000)	2,633,333	3,950,000
Weighted average exercise price	10.0p	10.0p	-	10.0p	10.0p	10.0p

	Options outstanding at 30.6.2015	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options exercisable at 30.6.2016	Options outstanding (including those exercisable) at 30.6.2016
Number of shares under option	7,900,000	750,000	-	(4,200,000)	1,733,333	4,450,000
Weighted average exercise price	10.0p	10.0p	-	10.0p	10.0p	10.0p

The weighted average time to expiry of the share options outstanding at 30 June 2017 was 2.4 years (2016: 3.3 years). Details of individual expiry dates are shown above.

Options granted since 2014 are exercisable in tranches beginning between 1 and 3 years from the date of grant and expire after 5 years. The Company’s share price on 30 June 2017 was 0.98p (on 30 June 2016: 0.63p).

Notes to the Financial Statements *(continued)*

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

The fair value cost of providing options granted is recognised equally over the lifetime of the option. The charge for the year was £21,900 (2016: £31,000). The material inputs into the Black-Scholes model used to calculate the fair value cost of options were:

	Granted in year ended 31.3.2013	Granted in year ended 31.3.2014	Granted in year ended 30.6.2015	Granted in year ended 30.6.2016	Granted in year ended 30.6.2017
Average share price at grant	25.5p	8.4p	6.5p	3.1p	1.3p
Average exercise price	10.2p	10.0p	10.0p	10.0p	10.0p
Expected volatility	55%	47%	54%	56%	50%
Expected life	3.5 years	6 years	4 years	4 years	4 years
Expected dividend yield	6.0%	0.0%	0.0%	0.0%	0.0%
Risk-free rate of return	1.0%	1.2%	1.7%	0.4%	0.8%

Own shares in trust

At 30 June 2017 the Company held 49,231 of its own shares in a trust, administered by Investec Trust Guernsey Ltd. The shares are held in trust and represented 0.001% of the total called up share capital. These shares will be utilised as required to satisfy share options granted to Directors and other senior management on vesting and exercise. Share price at 30 June 2017 0.98p (30 June 2016 0.63p)

25 Related party transactions

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

The parent company charged for management services to its subsidiaries in the amounts of £188,606 (2016: £659,220) respectively. The company was charged interest from its subsidiaries in the amount of £1,002,872 (2016: £778,187). 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 £nil (2016: £nil) and issued new loans of £nil (2016: £2,871,033). The Group made repayments in the year to MMILT of £nil (2016: £nil).

26 Financial instruments – risk management

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

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

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

Notes to the Financial Statements *(continued)*

26 Financial instruments – risk management *(continued)*

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

Financial Assets	**At 30.6.2017**	**At 30.6.2016**	**At 30.6.2017**	**At 30.6.2016**
	£'000	**£'000**	**£'000**	**£'000**
	Group		Company	
Trade and other receivables	17,837	14,931	45	23
Cash on hand	3,305	3,564	379	286

	At 30.6.2017	**At 30.6.2016**	**At 30.6.2017**	**At 30.6.2016**
	£'000	**£'000**	**£'000**	**£'000**
	Group		Company	
Fair value through profit or loss:				
Deferred consideration	-	681	-	-
Bank loans and overdrafts	873	803	-	-
Shareholder loans	19,302	18,463	-	-
Convertible loan	388	371	388	371
Trade payables	9,252	8,500	67	104
Accruals	8,363	5,885	371	325

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;

26 Financial instruments – risk management *(continued)*

- 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.

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

At 30 June 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Group	**£'000**	**£'000**	**£'000**	**£'000**
Deferred consideration	-	-	-	-
Net fair value	-	-	-	-

At 30 June 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Group	**£'000**	**£'000**	**£'000**	**£'000**
Deferred consideration	-	-	681	681
Net fair value	-	-	681	681

At 30 June 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Company	**£'000**	**£'000**	**£'000**	**£'000**
Deferred consideration	-	-	-	-
Net fair value	-	-	-	-

At 30 June 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Company	**£'000**	**£'000**	**£'000**	**£'000**
Deferred consideration	-	-	-	-
Net fair value	-	-	-	-

Fair value measurements in Level 3

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

The following table presents the changes in Level 3 instruments.	**Group**	**Company**
	£'000	**£'000**
At 30 June 2015	2,041	-
Payment made	(1,360)	-
At 30 June 2016	681	-
Payment made	(681)	-
At 30 June 2017	-	-

Notes to the Financial Statements *(continued)*

26 Financial instruments – risk management *(continued)*

Credit risk

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

The amount of receivables over 60 days past due but not impaired at the balance sheet date was £6,303,000 (2016: £3,350,000). The receivables are aged as follows: Debt Aged 60 days and over 38%, up to 59 days 14%, and current up to 29 days, 48%.

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.

	At 30.6.2017	**At 30.6.2016**	**At 30.6.2017**	**At 30.6.2016**
	£'000	**£'000**	**£'000**	**£'000**
	Group		Company	
Cash on hand	3,305	3,564	379	286

Notes to the Financial Statements *(continued)*

26 Financial instruments – risk management *(continued)*

As at 30 June 2017, the Group's non-derivative financial liabilities have contractual maturities as summarized below:

	Group			Company		
	Repayable on demand <12 months	Repayable over 6 to 12 Months	Repayable over 1 to 5 years	Repayable on demand < 12 month	Repayable over 6 to 12 Months	Repayable over 1 to 5 years
As of 30 June 2017	**£' 000**	**£' 000**	**£' 000**	**£' 000**	**£' 000**	**£' 000**
Trade Payables	9,252	-	-	67	-	-
Borrowings	873	388	19,302	-	388	-
Deferred consideration	-	-	-	-	-	-
As of 30 June 2016	**£' 000**	**£' 000**	**£' 000**	**£' 000**	**£' 000**	**£' 000**
Trade Payables	8,500	-	-	104	-	-
Borrowings	803	371	18,463	-	371	-
Deferred consideration	681	-	-	-	-	-

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.

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 (2016: £ 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

Notes to the Financial Statements *(continued)*

26 Financial instruments – risk management *(continued)*

£1,036,000 (2016: £798,000) reduction on the annual sales recorded in pound sterling in the Group's accounts, an decrease of £8,000 (2016: increase of £72,000) in profit after tax and an increase of £91,000 (2016: increase of £76,000) in total comprehensive income. Similarly, a five percentage point adverse movement in the Indian rupee exchange rate could potentially be reflected as a £1,195,000 (2016: £906,000) reduction on the annual sales recorded in pound sterling in the Group's accounts, a reduction of £32,000 in profit after tax (2016: £38,000) and a reduction of £425,000 (2016: £118,000) 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 (2016: £2,053,000).

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

27 Ultimate parent undertaking and controlling interest

Praxis Trustees Limited, as trustee of the DNY Trust, which holds the majority of shares of the company, is considered to be the ultimate controlling party of the company. The registered address of Praxis Trustees Limited is Sarnia House, Le Truchot, St Peter Port Guernsey GY1 4NA.

Notes to the Financial Statements *(continued)*

28 Operating leases

At 30 June 2017 the Group had minimum commitments under non-cancellable operating leases as set out below:

	Land and buildings 30.6.2017	Land and buildings 30.6.2016
Group	**£'000**	**£'000**
Due within one year	1,006	956
Due in second to fifth year	1,329	1,946
Due over five years	-	34
Total minimum lease payments	2,335	2,936

	Land and buildings 30.6.2017	Land and buildings 30.6.2016
Company	**£'000**	**£'000**
Due within one year	-	75
Due in second to fifth year	-	-
Total minimum lease payments	-	75

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 30.6.2017	Other 30.6.2016
Group	**£'000**	**£'000**
Due within one year	210	210
Due in second to fifth year	133	188
Due over five years	6	-
Total minimum lease payments	349	398

29 Capital commitments

There were no material capital commitments at the end of the year (2016: £Nil).

30 Subsequent event review

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 your stockbroker or other independent 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 Friday 22 December 2017 at 10.00 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 PXS1, 34 Beckenham Road, Beckenham BR3 4TU, as soon as possible but in any event to be received not later than 10.00 am on 20 December 2017. Completion of a Form of Proxy will not preclude a shareholder from attending and voting at the Annual General Meeting in person.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Forms of Proxy for the General Meeting	10:00 a.m. on 20 December 2017
General Meeting	10.00 a.m. on 22 December 2017
Latest time and date for transfers of Existing Ordinary Shares to be registered in order for the transferee to be registered at the Record Date	6.00 p.m. on 22 December 2017
Issue of New Ordinary Shares and Deferred Shares	27 December 2017
Admission of New Ordinary Shares to AIM and dealings in New Ordinary Shares expected to commence	27 December 2017

DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

Act	the Companies Act 2006
AIM	AIM, a market operated by the London Stock Exchange
Board of Directors or the **Board**	the board of directors of the Company as at the date of this document, comprising Wayne Bos, John Caterer and Michael Higgins
CREST	the relevant system (as defined in the CREST Regulations) in accordance with which securities may be held or transferred in uncertificated form, and in respect of which Euroclear is the Operator (as defined in the CREST Regulations)
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended from time to time, and any applicable rules made under those regulations
Deferred Shares	the non transferable deferred shares of £49.99 each in the capital of the Company following the Share Reorganisation
Existing Ordinary Shares	the existing issued ordinary shares of 10 pence each in the capital of the Company
New Ordinary Shares	the new ordinary shares of £0.0025 each in the capital of the Company following the Share Reorganisation
Record Date	the record date for those shareholders participating in the Share Reorganisation, being 6.00pm on 22 December 2017
Share Reorganisation	the proposed consolidation of every 500 Existing Ordinary Shares into one ordinary share of £50.00 and the subdivision of that ordinary share into one Deferred Share and four New Ordinary Shares

PROGILITY PLC

(incorporated in England and Wales with registered number 0352870)

Directors:
Wayne Bos (Executive Chairman)
John Caterer (Non-executive director)
Michael Higgins (Non- executive director)

Registered Office:
7th Floor
95 Aldwych
London
WC2B 4JF

28 November 2017

Dear Shareholder

Annual General Meeting

Please find set out at page 7 formal notice inviting you to our Annual General Meeting ("AGM") for 2017 to be held at the Company's registered office at 10am on 22 December 2017 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 2017 and to approve the director and auditor appointments and their remuneration. In addition, the meeting will consider the consolidation and sub-division of the Company's existing shares and also amendments to the Company's Articles of Association for the purposes of, and following, the consolidation. More background is provided below and also in the enclosed Notice of Annual General Meeting.

Share Reorganisation

Purpose of the Share Reorganisation

The Company's issued ordinary share capital currently consists of 199,666,880 ordinary shares having a nominal value of 10p each. Over 85% of the shareholdings in the Company are made up of a holding of less than 500 shares, and the Board believes that at our current market price the Company is incurring disproportionate costs in servicing these holdings relative to their value. Furthermore, the Board believes that the Company has little flexibility with regards to the issue of equity either for incentive schemes or for other purposes with an ordinary share having a nominal value of 10p which is a substantial premium to the current price.

Accordingly, the primary objective of the consolidation is to reduce the number of Existing Ordinary Shares to a level which would be more cost effective to service and also to provide greater flexibility over incentive schemes or for other purposes that will further the success of the Company.

Details of the proposed Share Reorganisation

The proposed Share Reorganisation will comprise two elements:

- Consolidation – every holding of 500 Existing Ordinary Shares will be consolidated into one new ordinary share of £50.00 ("New Ordinary Share"); and
- Sub-division – Immediately following the Consolidation, each New Ordinary Share will then be sub-divided into one new non-transferrable deferred share of £49.99 with limited rights (a summary of which is set out below), and four new ordinary shares of £0.0025, having the same rights as the Existing Ordinary Shares.

The Share Reorganisation requires the passing of the resolutions numbered 6.1 and 6.2 in the Notice of Annual General Meeting. The resolutions will be proposed as an ordinary resolution requiring the approval of the holders of more than 50% of the Existing Ordinary Shares. If the resolutions are passed, the Share Reorganisation will become effective by close of business on 22 December 2017 (being the date of the AGM) with admission of the New Ordinary Shares to trading on AIM expected on 27 December 2017.

Shareholders holding less than 500 Existing Ordinary Shares at the Record Date will have their holdings of Existing Ordinary Shares aggregated and, subject to the proposed amendment to the Company's Articles of Association proposed at resolution 7.5 of the Notice of Annual General Meeting, they will be sold by the Board in the marketplace, with the proceeds being donated to a charity of the Board's choice. These Shareholders will therefore cease to be shareholders in the Company.

Shareholders holding more than 500 Existing Ordinary Shares on the Record Date, but which are not exactly divisible by 500, will have their holdings rounded down to the nearest whole number of New Ordinary Shares. Fractional entitlements will then be aggregated and dealt with by the Board in the same manner set out above.

Deferred Shares

The Deferred Shares will have the following limited rights and be subject to the following restrictions:

- The Deferred Shares shall not entitle the holders to participate in the profits or assets of the Company other than on a winding up of the Company and only then to the amount paid up on each Deferred Share after the sum of £1,000,000 per each New Ordinary Share has been distributed among the holders of the New Ordinary Shares.
- The Deferred Shares shall not entitle their holders to receive notice of or to attend, speak or vote at any general meeting of the Company by virtue of or in respect of their holding of Deferred Shares.
- No share certificates will be issued in respect of the Deferred Shares.
- The Deferred Shares shall not be capable of transfer by the holder.
- The Deferred Share shall not be listed for trading on any recognised investment exchange.
- The Company may without obtaining the sanction of the holder or holders of the Deferred Shares, appoint any person to execute on behalf of any holder of Deferred Shares a transfer of all of the Deferred Shares or any part thereof (and/or an agreement to transfer the same) to the Company or to such person as the directors may determine (whether or not an officer of the Company), in any case for not more than 1 pence for all the Deferred Shares then being purchased from the holder, and cancel all or any of the Deferred Shares so purchased by the Company.
- Neither the passing by the Company of any special resolution for the cancellation of Deferred Shares for no consideration by means of a reduction of capital requiring the confirmation of the Court, nor the obtaining by the Company nor the making by the Court of any order confirming any such reduction of capital, nor the becoming effective of any such order shall constitute a variation, modification or abrogation of the rights attaching to the Deferred Shares. Accordingly, the Deferred Shares may at any time be cancelled for no consideration by means of a reduction of capital effected in accordance with the Act without sanction on the part of the holders of the Deferred Shares.
- The rights attaching to the Deferred Shares shall not be, or deemed to be, varied, modified or abrogated by the creation, allotment or issue of any shares in the capital of the Company of any class (whether ranking pari passu with or in priority to them) or anything done pursuant to or any other act, matter or thing whatsoever save for any proposal to vary (otherwise than to the advantage of the holders of the Deferred Shares) the rights of the holders of the Deferred Shares to participate in a return of capital.

Share Certificates for New Ordinary Shares

It is expected that, if the resolutions are passed by shareholders at the AGM, the New Ordinary Shares will be admitted to trading on AIM on 27 December 2017. Those Shareholders holding more than 500 Existing Ordinary Shares on the Record Date and who are non-CREST shareholders will be sent out certificates in respect of their New Ordinary Shares within 10 business days of 22 December 2017. These new share certificates will be sent by first-class post, at the risk of the holder of the relevant New Ordinary Shares, to the registered address of that holder or, in the case of joint holders, to the one whose name appears first in the register of members. Upon completion of the Share Reorganisation all certificates previously issued in relation to Existing Ordinary Shares will no longer be valid and should be destroyed. Until a holder of certificated New Ordinary Shares receives a new share certificate, transfers of certificated New Ordinary Shares will be certified against the register of members.

Shareholders whose holdings are held in uncertificated form through CREST will have their CREST accounts adjusted on 27 December 2017 under a new ISIN and SEDOL numbers to reflect their entitlement to New Ordinary Shares (to the extent they hold more than 500 Existing Ordinary Shares). The new ISIN and SEDOL will be applied for in due course.

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 Board is 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. Resolution 8 set out in the notice of Annual General Meeting proposes this. The Board proposes to address this by adding value to existing projects and taking them through to delivery and cash flow.

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. The Board of Directors unanimously recommend that you vote in favour of all the proposed resolutions as they intend to do in respect of their own beneficial holdings of 129,306,695 Existing Ordinary Shares.

Yours sincerely

Wayne Bos
Executive Chairman

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 22 December 2017 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions numbered 1 to 6 will be proposed as ordinary resolutions and resolutions 7 and 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 2017, together with the auditors' report thereon.

2. To receive and approve the Directors' Remuneration Report.

3. To re-elect Michael Higgins as a Director of the Company who retires by rotation and offers himself for re-appointment.

4. To re-appoint KPMG LLP as Auditor to the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid before the Company.

5. To authorize the Directors to determine the auditor's remuneration.

6.

6.1 That, with effect from the passing of this resolution 6, every 500 ordinary shares of a nominal value of £0.10p in the capital of the Company in issue at close of business on the date of the Annual General Meeting ("Existing Ordinary Shares") be consolidated into one ordinary share of £50.00 ("Consolidated Share"), provided that, where such consolidation results in any shareholder being entitled to a fraction of a Consolidated Share, such fraction shall be dealt with by the directors as they see fit pursuant to their powers available to them under article 10.2 of the Company's articles of association (as amended pursuant to resolution 7 below) (the "Articles"); and

6.2 each Consolidated Share then in issue be sub-divided into one non-transferrable deferred share of £49.99 in the capital of the Company ("Deferred Share") and four new ordinary shares of £0.0025 each in the capital of the Company ("New Ordinary Share") and that the New Ordinary Shares shall have the same rights and be subject to the same restrictions as the Existing Ordinary Shares as set out in the Articles and that the Deferred Shares shall have no rights to participate in the profits or capital of the Company other than a distribution on a winding up in accordance with the Articles, or have a right to vote.

Special Resolutions

7. That the Articles be amended as follows:

> 7.1 the insertion of a new definition "Deferred Shares" at article 2.1 (page 2 of the Articles) between the definition of "CREST" and "Directors", which will read as follows:
>
> > "the deferred shares of £49.99 each in the capital of the Company having the rights set out in these Articles";
>
> 7.2 by deleting the reference to "10 pence" on line 2 of Article 5.1 and replacing it with "0.25 pence";
>
> 7.3 by the deletion of the words "and subject thereto" on line 3 of Article 5.1.2 and the insertion of the following after the word "shares":
>
> "together with a further £1,000,000 (less the amount paid up on such share) per Ordinary Share and, subject thereto and any payment to the holders of the Deferred Shares in accordance with Article 5.2.2 below,…";

7.4 by the insertion of a new article 5.2 under article 5.1 of the Articles which will read as follows:

“**Deferred Shares**

The rights and restrictions attaching to the Deferred Shares as regards participation in the profits and assets of the Company shall be as follows:

5.2.1 the holders of the Deferred Shares shall have no rights to receive any dividends or otherwise participate in the profits of the Company in respect of those shares;

5.2.2 the holders of the Deferred Shares will, on a return of capital on a winding up (excluding any intra-group re-organisation on a solvent basis), be paid the nominal capital paid up or credited as paid up on such Deferred Shares after first paying the holders of the Ordinary Shares £1,000,000 per Ordinary Share in accordance with Article 5.1.2 above. The holders of the Deferred Shares shall not be entitled to any further right of participation in the assets of the Company;

5.2.3 the holders of any Deferred Shares shall not be entitled to receive notice of any general meeting of the Company, or to attend, speak or vote at any such meeting;

5.2.4 the Deferred Shares shall not be listed on any recognised investment exchange nor shall any share certificates be issued in respect of such shares.

5.2.5 the Company may, at any time (and from time to time) (subject to the provisions of the Statutes, these Articles and the Market Rules), without obtaining the sanction of the holder or holders of the Deferred Shares, appoint any person to execute on behalf of any holder of Deferred Shares a transfer of all of the Deferred Shares or any part thereof (and/or an agreement to transfer the same) to the Company or to such person as the directors may determine (whether or not an officer of the Company), in any case for not more than 1 pence for all the Deferred Shares then being purchased from the holder, and cancel all or any of the Deferred Shares so purchased by the Company in accordance with the Statutes;

5.2.6 The Deferred Shares shall not be capable of transfer save as set out in this Article 5;

5.2.7 Neither the passing by the Company of any special resolution for the cancellation of Deferred Shares for no consideration by means of a reduction of capital requiring the confirmation of the Court, nor the obtaining by the Company nor the making by the Court of any order confirming any such reduction of capital, nor the becoming effective of any such order shall constitute a variation, modification or abrogation of the rights attaching to the Deferred Shares. Accordingly, the Deferred Shares may at any time be cancelled for no consideration by means of a reduction of capital effected in accordance with the Statutes without sanction on the part of the holders of the Deferred Shares.

5.2.8 The rights attaching to the Deferred Shares shall not be, or deemed to be, varied, modified or abrogated by the creation, allotment or issue of any shares in the capital of the Company of any class (whether ranking pari passu with or in priority to them) or anything done pursuant to or any other act, matter or thing whatsoever save for any proposal to vary (otherwise than to the advantage of the holders of the Deferred Shares) the rights of the holders of the Deferred Shares to participate in a return of capital.

7.5 Article 10.2.1 of the Articles will be amended so that “£3.00” will be replaced with £5.00” and the words “ or donated to a charity of the Board’s choice” will be inserted after the words “benefit of the Company” and thereafter read as follows:

“10.2.1 sell fractions of a share to a person (including, subject to the Statutes, the Company) for the best price reasonably obtainable and distribute the net proceeds of sale after deduction of the expenses of sale in due proportion among the persons entitled (except that if the amount due to a person is less than £5.00, or such sum as the Directors may from time to time decide, the sum may be retained for the benefit of the Company or donated to a charity of the Board’s choice); or “

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

Wayne Bos
Executive Chairman
28 November 2017

Registered Office:
7th Floor
95 Aldwych,
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 20 December 2017; 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 PXS1, 34 Beckenham Road, Beckenham BR3 4TU; and

   received by Link Asset Services no later than 10.00 am on 20 December 2017.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

   Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxies through CREST

8. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from https://www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (**EUI**) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by Link Asset Services (ID RA 10) by no later than 10.00 am on 20 December 2017. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Link Asset Services is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

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, PXS1, 34 Beckenham Road, Beckenham BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

    The revocation notice must be received by Link Asset Services no later than 10.00 am on 20 December 2017.

    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 28 November 2017, the Company's issued share capital comprised 199,666,880 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 28 November 2017 was 199,666,880.

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.

    A Copy of the articles of association of the Company as proposed to be amended by resolutions 6 and 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.