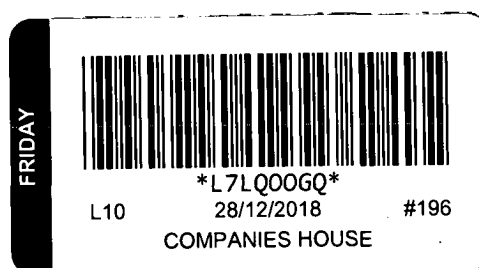

AGILISYS HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



AGILISYS HOLDINGS LIMITED

COMPANY INFORMATION

Directors	C S Mindenhall M K Badale A P Mindenhall (appointed 1 October 2017) A P Court (appointed 1 October 2017) E P Stradling
Registered number	3789926
Registered office	Third Floor One Hammersmith Broadway London W6 9DL
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP

AGILISYS HOLDINGS LIMITED

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AGILISYS HOLDINGS LIMITED

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

The chairman presents his statement for the period.

We are pleased with the performance of the business overall in what have been subdued market conditions, principally reflecting changes in the shift in the way local government is procuring IT driven services.

Responding to these changes and the opportunities in the market we have revised aspects of our strategy with a growing focus and investment on cloud migration and transformation services, to deliver improved outcomes for our customers which we expect will position us very strongly to generate growth for Agilisys in the medium term.

Our performance in year continued to be underpinned by our deep domain experience, combined with industry leading expertise across our propositions and services. Evidence of Agilisys' success can be seen by our position in a number of industry rankings including TechMarketView's Top 5 Local Government and Top 20 Public Sector SITS providers for a consecutive number of years.

Agilisys remains one of the UK's most innovative digital transformation and technology providers, enabling organisations to adopt new technologies and operate with increased efficiency and effectiveness.

Financial highlights and review

Our financial performance reflects the changes taking place in the market, underpinned by our leading service delivery capability and innovative technology developments, allowing us to maintain our relationships with our long-term customers and win new contracts.

The table below sets our key financial performance metrics for the year:

	2018	2017	% Change
Revenue - Outsourcing and related services	£109.4m	£123.6m	-11.50%
Revenue – Consulting, transformation and digital platforms	£17.6m	£20.7m	-15.00%
Total Revenue	£127.0m	£144.3m	-12.00%
Adjusted EBITDA*	£10.3m	£13.0m	-20.80%
Profit before tax	£2.7m	£10.0m	-73.00%
Profit before tax and exceptional items	£8.5m	£11.7m	-27.40%
Cash in bank	£16.3m	£11.1m	

** Adjusted EBITDA is defined as profit before interest, taxation, depreciation, amortization and exceptional items (including restructuring costs and share-based payments) and a contract provision (through non-exceptional cost).*

Revenue for the financial year of £127.0m and adjusted EBITDA of £10.3m, represents a decrease on prior year of 11.5% and 20% respectively, principally due to the completion of a contract with one of our long-term customers, partially offset by organic growth in existing accounts as well as new business wins. It also reflects significant investment in our cloud strategy.

The Group incurred exceptional costs of £5.8m (2017: £1.6m) during the year relating principally to the impairment of certain intangible assets and planned restructuring costs.

The Group's tax charge of £0.6m (2017: £1.0m) represents an effective tax rate of 23.3% (2017: 10.3%). The Group continues to benefit from R&D tax deductions arising from the investments made in our digital products. We have continued to make significant investments in our digital and technology platforms with capital expenditure for tangible and intangible assets totalling £1.7m (2017: £3.0m) for the year.

AGILISYS HOLDINGS LIMITED

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Cash flow from operating activities before taxation for the year totalled £11m (2017: £8m). Cash and cash equivalents increased by £5.2m to £16.3m against the prior year.

Outlook

Agilisys continues to build on our strong and trusted position as a transformation and technology provider to the UK public sector.

We believe we are well placed to win new business and market share and expect our revised strategy to deliver growth over the medium term through the provision of our technology enabled transformation services, our growing focus on cloud migration and the continued development of our propositions and service delivery models to our core local government customers and adjacent sectors.

Agilisys is a people business and the Board recognises the contribution made by our talented employees. We enjoy a rich and diverse workforce, which reaches into every corner of the UK. In turn it offers a wealth of skills and experience that we can draw on to deliver the best solutions for our customers. We would like to thank our employees for their hard work and dedication and the key role they have played this year.

Name T Drury
Chairman

Date 7 December 2018

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2018**

Introduction

The Group's Strategic Report for the year ended 31 March 2018 is set out below.

Business review

The consolidated Income statement and Statement of comprehensive income is shown on page 11. The consolidated statement of financial position is shown on page 12. A review of the Group's business performance for the year and future developments of the business is included within the Chairman's Statement.

Principal risks and uncertainties

The Group operates a number of business process outsource and IT managed service contracts where service level agreements are committed to and where there is a financial risk if these service levels are not met. The Group has a robust review and escalation process to ensure that it continually operates within these agreed levels and should there be a breach, remedial action is taken before any business risk occurs to either the Group or its customer. In the current economic climate and reform environment many public sector customers are facing challenges that both create an opportunity for growth and risk over future spending levels.

Financial and other key performance indicators

The Directors track various financial key performance indicators (KPIs). The financial KPIs that are monitored on a monthly basis comprise of revenue, gross margin accross the Group's divisions, overhead expenditure, EBITDA, profit before taxation, net cash and operating cash flow conversion. Comparison is also made of month on month trends against budget. Our key financial KPIs for the year ended 31 March 2018 are set out in the Chairman's Statement.

The Directors track various operational key performance indicators (KPIs). The operational KPIs that are monitored on a monthly basis comprise key service levels for systems and application availability time and service desk response times. Within our Contact division we track services levels against productive agent hours.

AGILISYS HOLDINGS LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018

Financial risk management policy

The Group finances its operations by a combination of shareholders' funds and bank facilities and has a limited number of overseas operations. Therefore the Group's main financial risks are primarily:

- Credit risk – primarily attributable to trade debtors and accrued income;
- Market risk and interest rate risk - primarily attributable to the Group's cash balances; and
- Liquidity risk – this is the risk that suitable funding for the Group's activities may not be available.

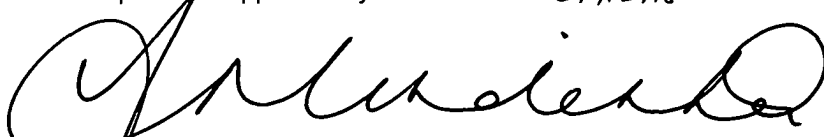
The Board approves the Group's treasury policy and senior management control day-to-day operations. The objectives are to manage financial risk, to ensure sufficient liquidity is maintained to meet foreseeable needs, and to invest cash assets safely and profitably. Relationships with banks, lenders and cash management are coordinated centrally.

Minimal cash balances are maintained in overseas operations and their cash requirement is monitored weekly. The Group's trade debtors and accrued income relate to long term contracts with long established customers in the public sector. The credit risk associated with the trade debtor and accrued income balances is minimised by the credit worthiness of our customers and the credit management procedures in operation.

The Group has exposure to the translation of trading results from overseas operations from their local currency back to Sterling. This exposure relates to Indian rupees with the India entity. As this is purely an accounting issue the Group does not hedge it. Exposure to foreign currency net assets is not hedged as there is no intention to realise such assets. The Group faces a small exposure to foreign currency risk as it has limited overseas operations. Consequently it currently does not hedge this exposure either.

This report was approved by the board on 27/12/18

and signed on its behalf.



A.P. Mindenhall
Director

AGILISYS HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

The Directors present their report and the audited consolidated financial statements for the year ended 31 March 2018.

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group and parent company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and to enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £2,023,000 (2017 - £8,982,000).

No dividends were proposed or paid during the financial year (2017: £nil).

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

C S Mindenhall
M K Badale
A P Mindenhall (appointed 1 October 2017)
A P Court (appointed 1 October 2017)
E P Stradling

Future developments

The future developments of the Group are set out in the Outlook section of the Chairman's Statement.

AGILISYS HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

Employee involvement

The directors would like to take this opportunity to thank the employees for their hard work, commitment and innovation over the last twelve months.

Consultation with employees has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Group as a whole. Communication with all employees continues through the Group intranet, newsletters, monthly company meetings and webcasts. Employees are encouraged directly through a detailed performance review and objective setting process, and through training and development opportunities.

The Group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Group is important.

Disabled employees

It is the Group's policy that there should be no unfair discrimination in recruiting and promoting staff, including applicants who are disabled. In the event that any members of staff become disabled, every practical effort is made to provide continued employment and appropriate training is arranged. The directors are committed to maintaining and developing communication and consultation processes with employees, who in turn are encouraged to become aware of and involve themselves in the performance of the Group as a whole.

The Group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group. If members of staff become disabled the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Directors' Indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

AGILISYS HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 27/12/18

and signed on its behalf.

A handwritten signature in black ink, appearing to read 'A P Mindenhall', written in a cursive style.

A P Mindenhall
Director

Independent auditors' report to the members of Agilisys Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Agilisys Holdings Limited's group financial statements and parent company financial statements (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 31 March 2018 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company statement of financial position as at 31 March 2018; the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year ended 31 March 2018; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Agilisys Holdings Limited

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for 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.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.


Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Darryl Phillips (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

AGILISYS HOLDINGS LIMITED

**CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 £000	2017 £000
Turnover	4	126,998	144,323
Cost of sales		(113,302)	(123,282)
Gross profit		13,696	21,041
Administrative expenses		(7,549)	(11,338)
Exceptional administrative expenses		(5,836)	(1,611)
Operating profit	5	311	8,092
Interest receivable and similar income	9	5,079	5,387
Interest payable and expenses	10	(2,738)	(3,458)
Profit before taxation		2,652	10,021
Tax on profit	11	(629)	(1,039)
Profit for the financial year		2,023	8,982
Currency translation differences		(179)	80
Other comprehensive (expense) / income for the year		(179)	80
Total comprehensive income for the year		1,844	9,062
Profit for the year attributable to:			
Non-controlling interests		65	260
Owners of the parent Company		1,958	8,722
		2,023	8,982
Total comprehensive income for the year attributable to:			
Non-controlling interest		65	260
Owners of the parent Company		1,779	8,802
		1,844	9,062

The notes on pages 21 to 49 form part of these financial statements.

AGILISYS HOLDINGS LIMITED
REGISTERED NUMBER: 3789926

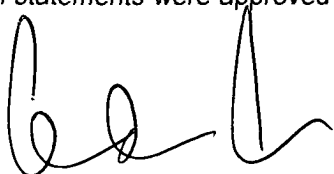
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	14	1,204	6,413
Tangible assets	15	2,016	3,335
		<u>3,220</u>	<u>9,748</u>
Current assets			
Stocks	17	45	58
Debtors: amounts falling due within one year	18	128,359	128,369
Cash at bank and in hand	19	16,320	11,132
		<u>144,724</u>	<u>139,559</u>
Creditors: amounts falling due within one year	20	(51,570)	(55,065)
Net current assets		<u>93,154</u>	<u>84,494</u>
Total assets less current liabilities		<u>96,374</u>	<u>94,242</u>
Creditors: amounts falling due after more than one year	21	(29,182)	(28,895)
Net assets		<u><u>67,192</u></u>	<u><u>65,347</u></u>
Capital and reserves			
Called up share capital	25	240	240
Share premium account	26	35,129	35,129
Other reserves	26	49	49
Profit and loss account	26	31,356	29,577
Total equity attributable to owners of the parent		<u>66,774</u>	<u>64,995</u>
Non-controlling interests		418	352
		<u><u>67,192</u></u>	<u><u>65,347</u></u>

AGILISYS HOLDINGS LIMITED
REGISTERED NUMBER: 3789926

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2018

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
27/12/18



A P Court
Director

The notes on pages 21 to 49 form part of these financial statements.

AGILISYS HOLDINGS LIMITED
REGISTERED NUMBER: 3789926

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

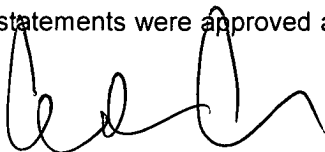
	Note	2018 £000	2017 £000
Fixed assets			
Investments	16	56,439	56,751
		<u>56,439</u>	<u>56,751</u>
Current assets			
Debtors: amounts falling due within one year	18	41,491	39,618
Cash at bank and in hand	19	-	2
		<u>41,491</u>	<u>39,620</u>
Creditors: amounts falling due within one year	20	(1,396)	(2,129)
Net current assets		<u>40,095</u>	<u>37,491</u>
Total assets less current liabilities		<u>96,534</u>	<u>94,242</u>
Creditors: amounts falling due after more than one year	21	(29,182)	(28,895)
Net assets		<u><u>67,352</u></u>	<u><u>65,347</u></u>
Capital and reserves			
Called up share capital	25	240	240
Share premium account	26	35,129	35,129
Revaluation reserve	26	28,659	28,966
Other reserves	26	49	49
Profit and loss account	26	3,275	963
		<u><u>67,352</u></u>	<u><u>65,347</u></u>

AGILISYS HOLDINGS LIMITED
REGISTERED NUMBER: 3789926

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2018

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
27/12/18

A P Court
Director



The notes on pages 21 to 49 form part of these financial statements.

The company has taken advantage of the exemption conferred by Section 408 of Companies Act 2006 from presenting its own income statement. The profit after tax for the year was nil (2017: £nil).

AGILISYS HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Called up share capital	Share premium account	Other reserves	Retained earnings	Equity attributable to owners of parent	Non- controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 April 2017	240	35,129	49	29,577	64,995	352	65,347
Comprehensive income for the year							
Profit for the financial year	-	-	-	1,958	1,958	65	2,023
Currency translation differences	-	-	-	(179)	(179)	-	(179)
Other comprehensive expense for the year	-	-	-	(179)	(179)	-	(179)
Total comprehensive income for the year	-	-	-	1,779	1,779	65	1,844
Total transactions with owners	-	-	-	-	-	-	-
At 31 March 2018	240	35,129	49	31,356	66,774	417	67,191

The notes on pages 21 to 49 form part of these financial statements.

AGILISYS HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

	Called up share capital	Share premium account	Other reserves	Retained earnings	Equity attributable to owners of parent	Non- controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 April 2016	240	35,129	49	20,762	56,180	92	56,272
Comprehensive income for the year							
Profit for the financial year	-	-	-	8,722	8,722	260	8,982
Currency translation differences	-	-	-	80	80	-	80
Other comprehensive income for the year	-	-	-	80	80	-	80
Total comprehensive income for the year	-	-	-	8,802	8,802	260	9,062
Share based payments	-	-	-	13	13	-	13
Total transactions with owners	-	-	-	13	13	-	13
At 31 March 2017	240	35,129	49	29,577	64,995	352	65,347

The notes on pages 21 to 49 form part of these financial statements.

AGILISYS HOLDINGS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Called up share capital	Share premium account	Revaluation reserve	Other reserves	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
At 1 April 2017	240	35,129	28,966	49	963	65,347
Comprehensive income for the year						
Profit for the financial year	-	-	-	-	2,317	2,317
Currency translation differences	-	-	-	-	(5)	(5)
Deficit on revaluation of investments in subsidiary undertakings	-	-	(307)	-	-	(307)
Other comprehensive expense for the year	-	-	(307)	-	(5)	(312)
Total comprehensive income for the year	-	-	(307)	-	2,312	2,005
At 31 March 2018	240	35,129	28,659	49	3,275	67,352

The notes on pages 21 to 49 form part of these financial statements.

AGILISYS HOLDINGS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

	Called up share capital	Share premium account	Revaluation reserve	Other reserves	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
At 1 April 2016	240	35,129	21,585	49	(731)	56,272
Comprehensive income for the year						
Loss for financial year	-	-	-	-	1,737	1,737
Currency translation differences	-	-	-	-	(43)	(43)
Surplus on revaluation of investments in subsidiary undertakings	-	-	7,381	-	-	7,381
Other comprehensive income for the year	-	-	7,381	-	(43)	7,338
Total comprehensive income for the year	-	-	7,381	-	1,694	9,075
At 31 March 2017	240	35,129	28,966	49	963	65,347

The notes on pages 21 to 49 form part of these financial statements.

AGILISYS HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018 £000	2017 £000
Cash flows from operating activities		
Profit for the financial year	2,023	8,982
Adjustments for:		
Amortisation of intangible assets	1,395	1,567
Depreciation of tangible assets	1,392	1,734
Impairments of intangible assets	5,466	-
Share based payments	-	13
Interest paid	2,738	3,430
Interest received	(5,079)	(5,387)
Taxation charge	629	1,039
Decrease/(increase) in stocks	13	(51)
Decrease in debtors	7,541	4,905
(Increase)/decrease in amounts owed by groups	(886)	-
(Decrease) in creditors	(4,275)	(7,462)
Increase/(decrease) in amounts owed to groups	-	(1,058)
Corporation tax (paid)	(725)	(702)
Net cash generated from operating activities	10,232	7,010
Cash flows from investing activities		
Purchase of intangible fixed assets	(1,624)	(2,343)
Purchase of tangible fixed assets	(74)	(697)
Sale of tangible fixed assets	-	61
Purchase of unlisted and other investments	-	(785)
Purchase of fixed asset investments	(28)	-
Interest received	16	50
Net cash from investing activities	(1,710)	(3,714)
Cash flows from financing activities		
Repayment of/new finance leases	-	(113)
Interest paid	(3,155)	(3,178)
Net cash used in financing activities	(3,155)	(3,291)
Net increase in cash and cash equivalents	5,367	5
Cash and cash equivalents at beginning of year	11,132	11,047
Foreign exchange gains and losses	(179)	80
Cash and cash equivalents at the end of year	16,320	11,132

AGILISYS HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018

	2018 £000	2017 £000
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	16,320	11,132
	<u>16,320</u>	<u>11,132</u>

The notes on pages 21 to 49 form part of these financial statements.

AGILISYS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. General information

Agilisys Holdings Limited (the Company) and its subsidiaries (together "the Group") provides business process outsourcing, IT services, digital transformation and a suite of complementary digital products throughout the UK.

The Company is a private company limited by shares and is incorporated in United Kingdom. The address of its registered office is Third Floor, One Hammersmith Broadway, London, W6 9DL.

2. Accounting policies

2.1 Basis of preparation of financial statements

The Group and individual financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 ("FRS 102"), "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" and the Companies Act 2006.

The preparation of Group and individual financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Company's accounting policies (see note 3).

The Company has taken advantage of the exemption in Section 408 of the Companies Act from disclosing its individual profit and loss account and the exemption to prepare a statement of cash flows.

The following principal accounting policies have been applied consistently:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 April 2014.

Therefore, the Group continues to recognise a merger reserve which arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.

Where the Group has established employee benefit trusts ("EBT") or employee share ownership plans ("ESOP") and is the sponsorship entity, notwithstanding the legal duties of the trustees, the Group considers that it has 'defacto' control of such entities. Such arrangements are accounted for as assets and liabilities of the sponsorship company and included in the consolidated financial statements as appropriate. The Company's equity instruments held by the EBT or ESOP are accounted for as if they were the Company's own equity and are treated as treasury shares. No gain or loss is recognised in profit or loss or other comprehensive income on the purchase, sale or cancellation of the Company's own equity held by either the EBT or ESOP.

2.3 Going concern

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value. The Board of Directors have reviewed the working capital requirements of the Group for a period of at least 12 months following the signing date of these financial statements and consider that the Group has adequate reserves to fulfil all of the Group's obligations as they fall due and therefore consider it appropriate to prepare the financial statements on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Revenue from long term repetitive service contracts is recognised evenly over the life of the contract where the services delivered do not change year on year; where the value of services alters in the contract, revenue recognised is adjusted accordingly. The related costs of providing the service are recognised in the period in which they are incurred. Amounts invoiced in advance of services being performed are recognised in deferred income.

The Group licences software under non-cancellable licence agreements. The licence agreements are either perpetual or cover a specific term. For perpetual licences, once the performance obligations associated with the licence have been satisfied, licence fee revenues are recognised. Where a licence agreement covers a specific term, licence fee revenues are recognised on a straight line basis over the term of the agreement.

Revenue contingent on conditions outside of the control of Agilisys are only recognised when these conditions are met.

Provisions are made for any anticipated contract losses as soon as those losses are identified.

Where the Group enters into contracts with multiple elements, where those elements are separable,

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.4 Revenue recognition (continued)

revenue is allocated to each element based on the relative fair values of those elements. Where the amounts are not separable or the fair values cannot be identified, revenue is recognised evenly over the period that the services are provided.

2.5 Business combinations

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measureable or (ii) contingent consideration previously measured is adjusted, the amounts recognised as an adjustment to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

AGILISYS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.6 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Pre contract costs

A key part of the Group's activities is the process of bidding for and securing long term contracts. All bid costs incurred prior to achieving preferred bidder status are treated as an expense irrespective of the ultimate outcome of the bid. Directly attributable costs incurred after achieving preferred bidder status are held on the balance sheet as an intangible asset.

These costs are subsequently amortised on a straight line basis over the period of the contract. The carrying value of such assets are reviewed for impairment at the end of the first full financial year following the award of the contract and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Software development costs

Software development costs are capitalised and amortised over the period over which benefit will be derived from those assets. Software development costs are amortised over a 5 year period.

These assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired. Amortisation is charged to Administrative expenses in the Statement of Comprehensive Income.

Licence costs

Licence costs are capitalised and amortised over the period over which benefit will be derived from those assets. Licence costs are amortised between a 2 to 3 year period.

AGILISYS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.7 Tangible assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold property improvements	- 10% - 25%
Office equipment and fixtures and fittings	- 20% - 33.3%
Computer equipment	- 33.3% - 50%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.8 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.9 Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated Income Statement for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.13 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.15 Foreign currency translation

Functional and presentation currency

The Group and Company's functional and presentational currency is Sterling.

Transactions and balance

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'interest receivable and similar income or interest payable and expenses'. All other foreign exchange gains and losses are presented in the Income Statement within 'other operating income'.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.16 Interest payable and expenses

Finance costs are charged to the Consolidated income statement and Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.17 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Consolidated income statement and Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Consolidated income statement and Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Consolidated income statement and Statement of Comprehensive Income is charged with fair value of goods and services received.

2.18 Operating leases: the Group as lessee

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Rentals paid under operating leases are charged to the Consolidated income statement and Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 April 2016 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.19 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated income statement and Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.20 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

2.21 Share capital

Ordinary shares are classified as equity.

2.22 Interest receivable and similar income

Interest income is recognised in the Consolidated income statement and Statement of Comprehensive Income using the effective interest method.

2.23 Borrowing costs

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the period in which they are incurred.

2.24 Provisions for liabilities

Provisions are recognised where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income Statement in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.25 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Current or deferred taxation assets and liabilities are not discounted.

2.26 Exceptional administrative expenses

Exceptional administrative expenses are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence. These are disclosed separately to provide further understanding of the financial performance of the Group.

2.27 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

AGILISYS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

3. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical judgements and estimates that have been applied to these consolidated financial statements are set out below:

Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

(i) Useful economic life of tangible fixed assets (note 15)

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 15 for the carrying amount of tangible fixed assets and note 2.6 for the useful economic lives for each class of asset.

(ii) Impairment of intangible assets (note 14)

The Group considers whether intangibles assets are impaired at each reporting date. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

4. Turnover

An analysis of turnover by class of business is as follows:

	2018 £000	2017 £000
Outsourcing and related services	109,443	123,622
Consulting, transformation and platforms	17,555	20,701
	<u>126,998</u>	<u>144,323</u>
	2018 £000	2017 £000
United Kingdom	126,998	144,323
	<u>126,998</u>	<u>144,323</u>

AGILISYS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

5. Operating profit

The operating profit is stated after charging:

	2018	2017
	£000	£000
Depreciation of tangible fixed assets	1,392	1,734
Amortisation of intangible assets, including goodwill	1,395	1,567
Impairment of intangible assets	5,466	-
Other operating lease rentals	400	808
Defined contribution pension cost	4,165	4,530
	<u> </u>	<u> </u>

6. Auditors' remuneration

	2018	2017
	£000	£000
Fees payable to the Group's auditor's and their associates for the audit of the Group's annual financial statements	50	50
	<u> </u>	<u> </u>
	50	50
Fees payable to the Group's auditor's and their associates in respect of:		
The auditing of accounts of associates of the Group pursuant to legislation	90	90
	<u> </u>	<u> </u>
	140	140
	<u> </u>	<u> </u>

AGILISYS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. Employees

Staff costs, including Directors' remuneration, were as follows:

	Group 2018 £000	<i>Group 2017 £000</i>	Company 2018 £000	<i>Company 2017 £000</i>
Wages and salaries	42,833	49,343	-	-
Social security costs	4,321	4,581	-	-
Other pension costs	4,165	4,530	-	-
	51,319	58,454	-	-

The average monthly number of employees, including the Directors, during the year was as follows:

	2018 No.	<i>2017 No.</i>
Sales, marketing, research and development and fulfilment	1,276	1,578
Administration and support	65	70
	1,341	1,648

The Company has no employees other than the Directors, who did not receive any remuneration (2017 - £NIL)

8. Directors' remuneration

	2018 £000	<i>2017 £000</i>
Directors' emoluments	589	502
Company contributions to defined contribution pension schemes	30	14
	619	516

The highest paid director received aggregate emoluments of £231,000 (2017 - £440,000). This amount includes pension contributions of £20,000 (2017 - £14,000).

AGILISYS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

9. Interest receivable and similar income

	2018	2017
	£000	£000
Interest receivable from group companies	5,063	5,337
Bank interest receivable	16	50
	<u>5,079</u>	<u>5,387</u>

10. Interest payable and similar expenses

	2018	2017
	£000	£000
Bank interest payable	3,442	3,494
Gain on derivative financial instrument	(704)	(36)
	<u>2,738</u>	<u>3,458</u>

11. Taxation

	2018	2017
	£000	£000
Corporation tax		
Current tax on profits for the year	1,116	1,390
Adjustments in respect of previous periods	34	(501)
Total current tax	<u>1,150</u>	<u>889</u>
Deferred tax		
Origination and reversal of timing differences	(832)	468
Adjustment in respect of the prior period	311	(318)
Total deferred tax	<u>(521)</u>	<u>150</u>
Taxation on profit on ordinary activities	<u>629</u>	<u>1,039</u>

AGILISYS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - *lower than*) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	2,652	10,021
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 20%)	504	2,004
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	130	5
Higher rate taxes on overseas earnings	(22)	41
Adjustments to tax charge in respect of prior periods	311	(819)
Tax deduction arising from relief on software development costs	(135)	(444)
Tax deduction arising from share options exercised during the year	(159)	(195)
Other differences leading to an increase in the tax charge	-	447
Total tax charge for the year	629	1,039

Factors that may affect future tax charges

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

AGILISYS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

12. Exceptional administrative expenses

	2018 £000	2017 £000
Restructuring costs incurred	336	1,200
Advisory, professional services and other costs	208	411
Impairment of assets	5,292	-
	<u>5,836</u>	<u>1,611</u>

During the year, exceptional costs relating to the restructure of certain business activities of £336,000, exceptional costs relating to advisory and professional fees of £208,000 and impairment of certain intangible assets as a result of the Company's decision not to sell those assets anymore of £5,292,000 were incurred.

13. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the year was £2,317,000 (2017 - £1,737,000).

AGILISYS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

14. Intangible assets

Group

	Licences £000	Software develop- ment £000	Prepaid contract costs £000	Goodwill £000	Total £000
Cost					
At 1 April 2017	2,149	7,678	222	185	10,234
Additions - internal	-	1,624	-	-	1,624
On acquisition of subsidiaries	-	-	-	28	28
At 31 March 2018	2,149	9,302	222	213	11,886
Amortisation					
At 1 April 2017	1,384	2,178	222	37	3,821
Charge for the year	104	1,247	-	44	1,395
Impairment charge	-	5,334	-	132	5,466
At 31 March 2018	1,488	8,759	222	213	10,682
Net book value					
At 31 March 2018	661	543	-	-	1,204
At 31 March 2017	765	5,499	-	148	6,412

AGILISYS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

15. Tangible assets

Group

	Office equipment £000	Computer equipment £000	Leasehold improve- ments £000	Total £000
Cost or valuation				
At 1 April 2017	1,581	11,811	1,990	15,382
Additions	-	74	-	74
At 31 March 2018	<u>1,581</u>	<u>11,885</u>	<u>1,990</u>	<u>15,456</u>
Depreciation				
At 1 April 2017	1,353	8,739	1,956	12,048
Charge for the year on owned assets	101	1,257	34	1,392
At 31 March 2018	<u>1,454</u>	<u>9,996</u>	<u>1,990</u>	<u>13,440</u>
Net book value				
At 31 March 2018	<u>127</u>	<u>1,889</u>	<u>-</u>	<u>2,016</u>
At 31 March 2017	<u>228</u>	<u>3,072</u>	<u>34</u>	<u>3,334</u>

AGILISYS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

16. Fixed asset investments

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 April 2017	56,746
Revaluations	(307)
At 31 March 2018	<u>56,439</u>
Net book value	
At 31 March 2018	<u>56,439</u>
At 31 March 2017	<u>56,746</u>

17. Stocks

	Group 2018 £000	<i>Group 2017 £000</i>	Company 2018 £000	<i>Company 2017 £000</i>
Goods for resale	45	58	-	-
	<u>45</u>	<u>58</u>	<u>-</u>	<u>-</u>

AGILISYS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

18. Debtors amounts falling due within one year

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Trade debtors	7,362	10,009	-	-
Amounts owed by group undertakings	101,646	95,697	41,491	39,609
Other debtors	631	530	-	-
Prepayments and accrued income	17,967	21,901	-	9
Deferred taxation	753	232	-	-
	128,359	128,369	41,491	39,618

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

19. Cash at bank and in hand

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Cash at bank and in hand	16,320	11,132	-	2
	16,320	11,132	-	2

20. Creditors: Amounts falling due within one year

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Trade creditors	3,019	2,710	-	-
Amounts owed to other participating interests	-	166	-	-
Corporation tax	365	-	-	-
Other taxation and social security	5,473	5,294	-	-
Other creditors	869	818	-	-
Accruals and deferred income	41,342	44,871	894	923
Financial instruments	502	1,206	502	1,206
	51,570	55,065	1,396	2,129

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

AGILISYS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

21. Creditors: Amounts falling due after more than one year

	Group 2018 £000	<i>Group 2017 £000</i>	Company 2018 £000	<i>Company 2017 £000</i>
Bank loans	29,182	<i>28,895</i>	29,182	<i>28,895</i>
	29,182	<i>28,895</i>	29,182	<i>28,895</i>

22. Loans

The loans outstanding at 31 March 2018 are set out below:

	Group 2018 £000	<i>Group 2017 £000</i>	Company 2018 £000	<i>Company 2017 £000</i>
Amounts falling due 2-5 years				
Bank loans	29,182	<i>28,895</i>	29,182	<i>28,895</i>
	29,182	<i>28,895</i>	29,182	<i>28,895</i>

On 1 April 2016 the Group entered into new financing arrangements as follows:

Unitrache loan

The Group's financing facilities includes a Unitranche loan of £30,000,000. The loan is for a 6 year term and is repayable in full on the termination date. Interest accrues on the loan on a monthly basis at LIBOR plus 7.5%. The loan is secured by a charge over the Group's trading subsidiaries.

Transaction costs associated with the loan have been deducted from the original loan amount recognised and are being amortised over the life of the instrument.

Revolver loan

The Group's financial facilities also includes a revolving credit facility of £11,500,000 to cover working capital and liquidity commitments. Interest is charged at LIBOR plus 3.5%.

AGILISYS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

23. Financial instruments

	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Financial liabilities measured at amortised cost				
Bank loan and overdrafts	(29,182)	(29,182)	(28,895)	(28,895)
Finance leases	-	-	-	-
Trade creditors	(3,019)	-	(2,710)	-
Accruals	(41,888)	-	(19,554)	-
Other creditors	(869)	-	(818)	-
	<u>(74,958)</u>	<u>(29,182)</u>	<u>(51,977)</u>	<u>(28,895)</u>

	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Financial liabilities measured at fair value through profit or loss				
Derivative financial instruments	(502)	(502)	(1,206)	(1,206)
	<u>(502)</u>	<u>(502)</u>	<u>(1,206)</u>	<u>(1,206)</u>

24. Deferred taxation

Group

	2018 £000
At beginning of year	232
Charged to profit or loss	521
At end of year	<u>753</u>

AGILISYS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

24. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	Group 2018 £000	<i>Group 2017 £000</i>
Accelerated capital allowances	978	<i>(557)</i>
Tax losses carried forward	(4)	<i>405</i>
Other timing differences	(221)	<i>384</i>
	753	<i>232</i>

Company

The Company has not recognised a deferred tax asset in the current or prior year and has an unrecognised deferred tax asset of £232,000 (2017: £382,000). The unrecognised deferred tax asset is based on historical carried forward losses and will only be recoverable if sufficient future profits arise in the entity.

25. Called up share capital

	2018 £000	<i>2017 £000</i>
Allotted, called up and fully paid		
96,019,423 (2017 - 96,019,423) Ordinary 'A' shares of £0.0025 each	240	<i>240</i>

26. Reserves

Share premium account

The balance on the share premium account represents the amounts received in excess of the nominal value of ordinary shares issued by the Company.

Revaluation reserve

The reserve represents the cumulative gains on the revaluation of investments held in subsidiary undertakings.

Profit and loss account

The balance held on this reserve is the accumulated retained profits of the Group or Company.

Called up share capital

The balance of share capital represents the aggregate nominal value of all ordinary shares in issue.

AGILISYS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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27. Share based payments

Share based payment charge

The charge to profit and loss for the year was £nil (2017: £13,000).

Share option scheme

The parent of the Company currently operates two share option schemes under which grants of options may be made - the Agilisys Group Unapproved Share Option Scheme and the Agilisys Enterprise Management Incentive Scheme.

The Board of Directors of the parent company approve all grants under the share option schemes. As at 31 March 2018, there were 5,695,046 (2017: 6,570,046) options over ordinary share of £0.0025 each outstanding. These options were exercisable between October 2002 and September 2022 at exercise prices ranging from 20p to 120p per share.

During the prior year, the Board of Directors approved the grant of options to purchase shares in Agilisys Group Limited outside the share options schemes. As at 31 March 2018 there were nil (2017: nil) options over ordinary shares of £0.0025 each outstanding. These options were exercisable between June 2003 and October 2015 at exercise prices ranging from 5p to 50p per share.

Details of the share options outstanding during the year are as follows:

	Weighted average exercise price (pence) 2018	Number 2018	Weighted average exercise price (pence) 2017	Number 2017
Outstanding at the beginning of the year	80	6,570,046	80	11,445,712
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	64	(825,000)	70	(1,287,500)
Expired during the year	100	(50,000)	93	(3,588,167)
Outstanding at the end of the year	80	5,695,046	80	6,570,045

	2018	2017
Option pricing model used	N/a	N/a
Weighted average share price (pence)	N/a	N/a
Exercise price (pence)	N/a	N/a
Weighted average contractual life (years)	N/a	N/a
Expected volatility	N/a	N/a
Risk-free interest rate	N/a	N/a

AGILISYS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

28. Contingent liabilities

Group

The Group has provided through the normal course of business performance bonds and guarantees of £1,741,000 (2017 - £1,741,000). The Group does not expect any material financial loss to arise from the performance bonds and guarantees.

As expected of a Group of the size and complexity of Agilisys periodically claims from other parties are received. We do not believe it is probable that any existing claims against the Group are likely to succeed and consequently no amounts are provided.

Company

The Company has provided through the normal course of business performance bonds and guarantees of £1,000,000 (2017 - £1,000,000). The Company does not expect any material financial loss to arise from the performance bonds and guarantees.

29. Pension commitments

Defined contribution schemes

The Group classifies all of its pension scheme arrangements as defined contribution schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The cost to the Group of the defined contribution schemes for the year was £4,165,000 (2017: £4,530,000). The amount outstanding at year end was £376,000 (2017: £412,000).

30. Commitments under operating leases

At 31 March 2018 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £000	<i>Group 2017 £000</i>
Not later than 1 year	713	<i>753</i>
Later than 1 year and not later than 5 years	1,002	<i>2,082</i>
Later than 5 years	-	<i>141</i>
	1,715	<i>2,976</i>

AGILISYS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

31. Related party transactions

During the year transactions occurred between the Group and related parties. The table below sets out a description of the relationship with each related party, the transactions which occurred during the year and amounts due to or from those related parties at the year end.

Related Party note	Note	Nature of Transactions	Year ended 31 March 2018	Amounts due from/(to)	Year ended 31 March 2017	Amounts due from/(to)
			Turnover/(Costs) £'000	as at 31 March 2018 £'000	Turnover/(Costs) £'000	as at 31 March 2017 £'000
Accelerate Business Networking Limited	3	IT and Consulting Services	(3)	0	(3)	0
Accelerate Digital Limited	3	IT Services	(1)	0	(220)	(19)
Accelerate People Limited	3	Consulting Services	0	0	(1)	0
Accelerate Places Limited (Formerly BC Hammersmith Property Management Limited)	3	Property Services	748	4	1,070	1
Accelerate Technology Limited	3	IT Services	4	0	(4)	3
Avado Learning Limited (formerly Floream Ltd)	3	Education provider	12	52	(9)	0
BC Arch Ltd	3	Apprentices provider	(3)	13	(125)	(3)
BC Foxtrot Limited	5	IT Equipment provider	(221)	0	(246)	(128)
BC Hammersmith Property Ltd	3	Property Services	(137)	0	(1,428)	0
BC Nottingham Property Ltd	3	Property Services	3	0	0	0
BCI Management Services Ltd	6	Consulting Services	(6)	0	0	0
Blenheim Chalcot LTF Ltd (formerly Blenheim Chalcot Management Ltd)	3	IT and Consulting Services	(67)	139	90	20
Blenheim Chalcot Management Ltd	3	Consulting Services	(51)	(5)	0	0
BMS Finance AB Ltd	3	IT and Consulting Services	(718)	0	(1,073)	(179)
Contentive Digital Engagement	3	IT and Consulting Services	(45)	0	(75)	0
Foshpa Limited	1	IT Services	(240)	0	(125)	0
HCR Services Limited	1	Debt Collection Services	107	149	21	26
iJento Ltd	6	IT Services	0	0	28	2
Liberis Ltd	3	IT Services	14	2	1	0
OakBrook Finance Ltd	2	IT Services	5	0	38	0
Salary Finance Limited	2	Financial Services	12	0	14	4
Total Revenue/Amounts due from Related Party			1,004	359	1,262	56
Total (Cost)/Amounts due to Related Party			(2,670)	(5)	(3,309)	(329)

32. Events after the reporting period

There were no events after the reporting period.

33. Controlling party

The immediate parent of the Company is Agilisys Group Limited and on 1 April 2015 the Agilisys Employee Ownership Trust acquired a controlling stake in Agilisys Group Limited and is considered to be the ultimate controlling party.

The financial statements of Agilisys Group can be found at:

Third Floor
One Hammersmith Broadway
London
W6 9DL

AGILISYS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

34. Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Agilisys Services Holdings Limited	Ordinary	100 %	Intermediate holding company
Agilisys B2C Limited	Ordinary	100 %	Intermediate holding company
Agilisys B2B Limited	Ordinary	100 %	Intermediate holding company
Agilisys Limited	Ordinary	100 %	Provision of IT services
Agilisys Professional Services Limited	Ordinary	100 %	Provision of IT services
Agilisys Managed Services Limited	Ordinary	100 %	Provision of IT services
Agilisys Contact Services Limited	Ordinary	100 %	Provision of contact centre services
Agilisys Arch Limited	Ordinary	100 %	Provision of apprenticeships
Agilisys IT Services India PVT Limited	Ordinary	100 %	Provision of services to the Group
H&F Bridge Partnership Limited	Ordinary	80.1 %	Provision of IT services
Elevate East London LLP	Ordinary	80 %	Provision of IT services
Quickheart Limited	Ordinary	100 %	Provision of Digital solutions

All of the above subsidiaries are included in the consolidation and the registered office of these subsidiaries are located at:

Third Floor
One Hammersmith Broadway
London
W6 9DL