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If you have sold or otherwise transferred all of your Ordinary Shares in the capital of the Company, please immediately forward this document together with the accompanying Form of Proxy as soon as possible to the relevant purchaser or transferee (or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee). However, such documents should not be forwarded to, or transmitted in or into, any jurisdiction where to do so might violate the relevant laws and regulations in that jurisdiction. If you have sold or transferred only part of your holding of Ordinary Shares you should retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

The London Stock Exchange has not itself examined or approved the contents of this document. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority and the AIM Rules are less demanding than those of the Official List of the UK Listing Authority. The Ordinary Shares are not dealt on any other recognised investment exchange.

ILX Group PLC

*(Incorporated in England and Wales under the Companies Act 1985
with registered number 03525870)*

Proposed cancellation of share capital and Notice of General Meeting

This document should be read in conjunction with the Notice of General Meeting and the Form of Proxy. Your attention is drawn to the letter from the Chairman of the Company which recommends that you vote in favour of the Resolutions to be proposed at the General Meeting referred to below.

FinnCap, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for the Company in connection with the Capital Cancellation and will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of this document or any matter, transaction or arrangement referred to herein. The responsibilities of FinnCap as the Company's nominated adviser and broker under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director, shareholder or any other person. FinnCap is not making any representation or warranty, express or implied, as to the contents of this document.

Notice of a General Meeting of the Company, convened for 10.00 a.m. on 14 February 2011 at the offices of Maclay Murray & Spens LLP, 12th Floor, One London Wall, London EC2Y 5AB, is set out on page 7 of this document. A Form of Proxy for use at the General Meeting is also enclosed. To be valid, the Form of Proxy must be completed and returned in accordance with the instructions printed thereon so as to be received by the Company's registrar, Capita Registrars at PXS, 34 Beckenham Road, Beckenham BR3 4TU, as soon as possible but in any event no later than 10.00 a.m. on 10 February 2011 (or 48 hours before any adjournment of the General Meeting).

Information regarding forward-looking statements

This document contains certain forward-looking statements relating to the Company with respect to, amongst others, the following: the financial condition, results of operations, economic conditions in which the Company operates, the business of the Company, management plans and objectives. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "will", "may", "should", "would", "could" or other words of similar meaning. These statements are based on assumptions and assessments made by the Directors in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe appropriate. By their nature, forward-looking statements involve risk and uncertainty, and any of the factors described in the context of such forward-looking statements in this document could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document. The Company assumes no obligation to update or correct the information contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required.

The statements contained in this document are made as at the date of this document, unless some other time is specified in relation to them, and service of this document shall not give rise to any implication that there has been no change in the facts set out in this document since such date. Nothing contained in this document shall be deemed to be a forecast, projection or estimate of the future financial performance of the Company except where expressly stated.

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EXPECTED TIMETABLE

Date of this document	25 January 2011
Latest time and date for receipt of Forms of Proxy for use at the General Meeting	10.00 a.m. on 10 February 2011
General Meeting	10.00 a.m. on 14 February 2011
Date for directions hearing and giving of orders	1 March 2011
Date for hearing of claim and confirmation of the Capital Cancellation by the Court	16 March 2011
Expected effective date of Capital Cancellation	25 March 2011

Note:

The expected dates for the hearing of the claim form and the effective date of the Capital Cancellation are dependent upon the dates reserved with the Court at the date hereof. Such dates may be subject to change if, for example, the Court cannot accommodate the Company's application for the Capital Cancellation on time. The timetable also assumes that the General Meeting is not adjourned. If there is an adjournment the date of the hearing of the claim form and all subsequent dates will (or are likely to) be later than those shown.

DIRECTORS, SECRETARY AND ADVISORS

Directors	Paul Lever (<i>Non-executive chairman</i>) Ken Scott (<i>Chief executive</i>) Jon Pickles (<i>Finance director</i>) Paul Virik (<i>Non-executive</i>) Chris Allner (<i>Non-executive</i>)
Company secretary	Maclay Murray & Spens LLP
Registered office	c/o Maclay Murray & Spens LLP One London Wall London EC2Y 5AB
Head office	115 Hammersmith Road London W14 0QH
Nominated adviser and broker	finnCap Limited 60 New Broad Street London EC2M 1JJ
Solicitors to the Company	Maclay Murray & Spens LLP One London Wall London EC2Y 5AB
Auditors	Saffery Champness Beaufort House 2 Beaufort Road Clifton Bristol BS8 2AE
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA

DEFINITIONS

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

“Act”	the Companies Act 2006;
“AIM”	the AIM market of the London Stock Exchange;
“AIM Rules”	the AIM Rules for Companies and the AIM Rules for Nomads;
“AIM Rules for Companies”	the rules for AIM Companies as issued by the London Stock Exchange, from time to time, in relation to AIM traded securities and governing admission and operation of AIM;
“AIM Rules for Nomads”	the rules of AIM governing nominated advisers as issued by the London Stock Exchange from time to time;
“Articles”	the current articles of association of the Company;
“Auditors”	the Company’s auditors from time to time presently being Saffery Champness;
“Board” or “Directors”	the board of directors of the Company as set out on page 3 of this document;
“Capita Registrars”	Capital Registrars Limited, the Company’s registrars;
“Capital Cancellation”	the cancellation of the share premium account of the Company as at 16 March 2011, further details of which are set out in paragraph 6 of the Letter from the Chairman on page 5 of this document;
“FinnCap”	finnCap Limited, the Company’s nominated adviser and broker
“Form of Proxy”	the form of proxy enclosed with this document for use by Shareholders in connection with the General Meeting;
“General Meeting”	the general meeting of the Company convened for 10.00 a.m. on 14 February 2011 at the offices of Maclay Murray & Spens LLP, 12th Floor, One London Wall, London EC2Y 5AB (or any adjournment or postponement thereof);
“Group”	the Company and its subsidiaries;
“ILX” or “Company”	ILX Group plc, incorporated in England and Wales under the Act with Company Number 03525870 and having its registered office at One London Wall, London EC2Y 5AB;
“London Stock Exchange”	London Stock Exchange plc;
“Notice of General Meeting”	the notice convening the General Meeting which is set out on page 7 of this document;
“Ordinary Shares”	the ordinary shares of 10p each in the capital of the Company;
“Resolution”	the resolution to cancel the share premium account set out in the Notice of General Meeting; and
“Shareholders”	holders of Ordinary Shares.

LETTER FROM THE CHAIRMAN

ILX GROUP PLC

*(Incorporated in England and Wales under the Companies Act 1985
with registered number 03525870)*

25 January 2011

To all Shareholders

Dear Shareholder

Proposed Capital Cancellation and Notice of General Meeting

Introduction

You will find set out at page 7 of this circular Notice of General Meeting of the Company to be held at 10.00 a.m. on 14 February 2011 at the offices of Maclay Murray & Spens LLP, 12th Floor, One London Wall, London EC2Y 5AB. It is the intention of the Directors to resume a progressive dividend policy in due course. Shareholders will be aware that in order for a company to pay dividends it must first have available sufficient distributable reserves. The purpose of the General Meeting is to ask Shareholders to approve the restructuring of the balance sheet of the Company by means of the Capital Cancellation for the purpose of eliminating the current deficit in the Company's profit and loss account and to facilitate the payment of dividends by the Company in due course.

You will find enclosed with this document a Form of Proxy for use by Shareholders at the General Meeting. Whether or not you intend to be present at the General Meeting you are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon to Capita Registrars at PXS, 34 Beckenham Road, Beckenham BR3 4TU by no later than 10.00 a.m. on 10 February 2011.

You should read this entire document which contains important information in relation to the Capital Cancellation, and explains why your Board is recommending that you vote in favour of the Resolution.

Background

During the period 1 April 2010 to 30 September 2010, the Group's Best Practice Division continued to grow steadily but this was offset by the underperforming financial services trading operation, the Corporate Training Group ("CTG"). In October 2010, the Company took the decision to undertake a controlled closure of CTG. This decline and closure of CTG gave rise to an exceptional write-down of goodwill and other intangible assets of £10.351 million and a loss shown in the Group's distributable reserves of £8.626 million, both reflected in the Group's Interim Accounts for the 6 months to 30 September 2010.

Until the deficit to the distributable reserves has been eliminated, the Company is precluded by the Companies Act 2006 from paying dividends to Shareholders. The Directors propose to eliminate the deficit by the Capital Cancellation.

Capital Cancellation

Under English law, a company may reduce or cancel its share capital (including its share premium account) and apply the reserve arising on the reduction in order to write off an accumulated deficit on its profit and loss account provided that it obtains the approval of shareholders in a general meeting and the confirmation of the High Court.

Accordingly, subject to the approval of Shareholders at the General Meeting and the confirmation of the High Court, it is intended that the Company cancel the amount standing to the credit of the share premium account, which as at the date of this document is £12.874 million, and apply the reserve arising

on the cancellation to eliminate the accumulated deficit on the Company's profit and loss account. The Capital Cancellation will enable the Company to pay future dividends when, and in such amounts, as the Directors determine, subject to the usual shareholder approvals and any conditions imposed by the Court.

As a condition to approving the Capital Cancellation, the High Court will need to be satisfied that the interests of the Company's creditors are not adversely affected, i.e. that there is no material likelihood of creditors not being paid. The Company is satisfied that it will be able to demonstrate this to the High Court but, if necessary, the Company will put into place such form of creditor protection as it may be advised is appropriate.

The Directors reserve the right to abandon or discontinue any application to the High Court if they believe that the terms required to obtain confirmation are unsatisfactory to the Company.

Once the Capital Cancellation has been completed and any creditor protection requirements imposed by the High Court have been satisfied, the Company, once it has an accumulated surplus on its profit and loss account, would then be in a position to pay dividends thereafter.

General Meeting

To effect the Capital Cancellation, Shareholders must approve the cancellation of the share premium account by way of a special resolution at the General Meeting. Notice convening the General Meeting is set out at the end of this document. Subject to Shareholders passing the Resolution, approval of the High Court will be sought as soon as reasonably practicable after the General Meeting and it is anticipated that the process shall be completed before the end of March 2011.

Action to be taken

Shareholders will find enclosed a Form of Proxy for use in connection with the General Meeting. Whether or not Shareholders intend to be present at the General Meeting, they are requested to complete the Form of Proxy in accordance with the instructions printed thereon and return it so as to be received by the Company's registrar Capita Registrars at PXS, 34 Beckenham Road, Beckenham BR3 4TU, as soon as possible but in any event, in order to be valid, no later than 10.00 a.m. on 10 February 2011. Completion and return of a form of proxy will not preclude a Shareholder from attending, speaking and voting in person at the meeting, should the Shareholder so wish.

Recommendation

Your Directors consider the passing of the Resolution and the proposed Capital Cancellation to be fair and reasonable and in the best interests of the Shareholders and the Company as a whole. Accordingly, your Directors recommend that all Shareholders vote in favour of the Resolution to be proposed at the General Meeting.

Yours faithfully

Paul Lever

Non-Executive Chairman

ILX GROUP PLC

(Incorporated in England and Wales under the Companies Act 1985
with registered number 03525870)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that the General Meeting of ILX Group plc (the “**Company**”) will be held at the offices of Maclay Murray & Spens LLP, 12th Floor, One London Wall, London EC2Y 5AB on 14 February 2011 at 10.00 a.m. (the “**Meeting**”) for the purpose of considering and, if thought fit, passing the following resolution:

Special Resolution

THAT the share premium account of the Company be and is hereby cancelled.

BY ORDER OF THE BOARD

Registered office: c/o Maclay Murray & Spens LLP
One London Wall
London
EC2Y 5AB

Jon Pickles

Director

25 January 2011

Notes:

1. (As a member, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the General Meeting. A proxy need not be a member of the Company. 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 the rights attached to any one share.
2. A form of proxy is enclosed. To be valid, your proxy form and any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority should be sent to Capita Registrars at PXS, 34 Beckenham Road, Beckenham BR3 4TU so as to arrive no later than 48 hours before the time of the General Meeting or any adjournment thereof.
3. If you appoint a proxy, this will not prevent you attending the General Meeting and voting in person if you wish to do so.
4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to have the right to attend and vote at the General Meeting a member must first have his or her name entered in the Company’s register of members by no later than 6.00 p.m. on 10 February 2011 or, if this General Meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned General Meeting. Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the General Meeting.
5. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. 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.
6. 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 (available via www.euroclear.com/CREST). The message must be transmitted so as to be received by the issuer’s agent (ID RA10) by 10.00 a.m. on 10 February 2011. 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 issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
7. 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.
8. 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.

9. Except as provided above, members who have general queries about the General Meeting should use the following means of communication (no other methods of communication will be accepted);
- **Telephone:** 0871 664 0300 (calls cost 10 pence per minute plus network extras) (from outside the UK: +44 (0) 02 8639 3399). Lines are open Monday – Friday, 8.30 a.m. – 5.30 p.m.; or
 - **In writing to:** Capita Registrars at The Registry, 34 Beckenham Road, Beckenham BR3 4TU.

You may not use any electronic address provided either in this Notice of General Meeting or any related documents (including the chairman's letter and proxy form) to communicate with the Company for any purpose other than those expressly stated.