

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to what action you should take you should immediately consult your accountant, solicitor, bank manager, stockbroker or an appropriate independent financial adviser authorised under the Financial Services Markets Act 2000 or, if you are not in the United Kingdom, another appropriately authorised independent adviser.

If you have sold or transferred all of your shares in ILX Group plc, you should contact the bank, stockbroker or other agent through whom the sale or transfer was effected.

To holders of ordinary shares

Dear Shareholder,

SCRIP DIVIDEND SCHEME

The Company is offering ordinary Shareholders the opportunity to elect to participate in a Scrip Dividend Scheme to receive any future interim or final dividends, in the form of fully paid New Shares instead of the cash they would otherwise receive.

Scrip dividends are attractive to many Shareholders because they enable Shareholders to increase their holding in the Company in a simple manner without incurring any dealing costs or stamp duty. At the same time, the Company will retain more cash in its business, which would otherwise be paid as a dividend.

Further details of the Scheme and the procedure to be followed are set out below. Whether or not you should elect to receive New Shares instead of cash dividends may depend on your own personal tax circumstances.

If you are in any doubt about what course of action to take, you should consult an independent financial adviser. You should bear in mind that the price of the Company's shares can go down as well as up.

The attention of Shareholders not resident in the United Kingdom is drawn to question 14 of the Circular.

Shareholders who wish to receive the scrip dividend alternative should contact Capita Registrars for a Scrip Mandate Form by writing to Capita Registrars, Corporate Actions, The Registry, 34, Beckenham Road, Beckenham, Kent BR3 4TU. Telephone: 0871 664 0300 (Calls cost 10 pence per minute plus network extras) Lines are open Monday - Friday, 9:00am - 5.30pm (from outside the UK: +44 (0) 20 8639 3399) E-mail: ssd@capitaregistrars.com Scrip Mandate Forms must be received by Capita Registrars at least 20 business days before the dividend payment date to be eligible for that dividend. Scrip Mandate Forms received after that will be applied in time for the next dividend. Alternatively, you can apply on-line at www.capitaregistrars.com .

You may cancel the mandate at any time by writing to Capita Registrars at the above address. For a cancellation to be effective for a dividend, it must be received at least 20 business days before the payment date for that dividend. If it is received within 20 business days of a payment date, it will not apply to that dividend but it will apply to all subsequent dividends.

If you wish to receive dividends in cash in the usual way you need take no action and should disregard this document.

Completion of allotments under the Scrip Dividend Scheme is subject to several conditions, namely, admission of the New Shares to the Official List of the UKLA and to trading on the London Stock Exchange, the existence of authority under Section 570 of the Companies Act 2006 to allot securities in connection with a scrip dividend alternative as if Section 560(1) of the Companies Act 2006 did not apply and the existence of authority to allot securities in connection with a scrip dividend alternative pursuant to Section 551 of the Companies Act 2006. If any of these conditions are not met, the scrip dividend Scheme will be cancelled and dividends will be paid in cash to all Shareholders.

Applications will be made for the New Shares to be admitted and to trading on the AIM. On issue, New Shares, which may be held in uncertificated form, will rank pari passu with the then issued ordinary shares in the Company in respect of all rights arising on or after the date of issue.

Yours faithfully,

Paul Lever
Chairman

SCRIP DIVIDEND SCHEME

The following explains how the Scheme operates and sets out further details and terms of the Scheme.

1. What is the Scheme?

The Scheme enables you to receive New Shares in ILX Group plc instead of the cash dividends you normally receive. This enables you to build your shareholding in the Company without going to the market to buy New Shares. You will not incur any dealing costs, stamp duty or stamp duty reserve tax.

2. Who can join the Scheme?

All UK Shareholders can join the Scheme. For details regarding overseas Shareholders please see question 14.

3. How do I join the Scheme?

Please contact Capita Registrars for a Scrip Mandate Form. See questions 21 for contact details

You should sign the Scrip Mandate Form in accordance with the instructions thereon and return it to Capita Registrars, Corporate Actions, The Registry, 34, Beckenham Road, Beckenham, Kent BR3 4TU. No acknowledgement of receipt of Scrip Mandate Forms will be issued. You may also apply on-line at www.capitaregistrars.com. **Shareholders that hold their ordinary shares in CREST can only elect to receive dividends in the form of New Shares by use of the CREST Dividend Election Input Message (any Scrip Mandate Forms or other forms of instruction received from CREST holders will not be accepted and ignored).** For further details see question 4. Your mandate will remain in force in respect of your entire holding of ordinary shares for all future dividends until cancelled by you in writing. For further details see question 17. Scrip Mandate Forms must be received by Capita Registrars at least 20 business days before the dividend payment date to be eligible for that dividend. Forms received after that will be applied in time for the next dividend.

Upon execution of a Scrip Mandate Form, either personally or on behalf of the relevant Shareholder, that Shareholder is deemed (in respect of himself, his heirs, successors and assigns): (a) to agree to participate in the Scheme pursuant to its terms; and (b) to authorise the Company or its agent to send to the Shareholder, at the Shareholder's registered address, any definitive share certificate in respect of New Shares allotted..

4. What if my ordinary shares are held in CREST?

If your shareholding is in uncertificated form in CREST (and was in uncertificated form as at the relevant record date), you can only elect to receive your dividend in the form of New Shares by means of the CREST procedure to effect such an election. **No other method of election will be permitted under the Scheme and will be rejected.** By doing so, such CREST Shareholders confirm their election to participate in the Scheme and their acceptance of these terms and conditions, as amended from time to time.

If you are a CREST sponsored member, you should consult your CREST sponsor, who will be able to take appropriate action on your behalf. All elections made via the CREST system should be submitted using the Dividend Election Input Message in accordance with the procedures as stated in the CREST Reference Manual. The Dividend Election Input Message submitted must contain the number of Shares on which the election is being made. **If the relevant field is left blank or, completed with zero the election will be rejected.** If you enter a number of Shares greater than the holding in CREST on the relevant record date, the election will be applied to your total holding held as at the relevant record date for the dividend. Evergreen elections will not be permitted. If you wish to receive New Shares instead of cash in respect of future dividends for which a scrip dividend alternative is offered, you must complete a Dividend Election Input Message on each occasion otherwise you will receive your dividend in cash. Elections via CREST should be received by CREST no later than on such date that is at least 20 business days before the dividend payment date for the relevant dividend in respect of which you wish to make an election.

Once an election is made using the CREST Dividend Election Input Message it cannot be amended. Therefore, if a CREST Shareholder wished to change their election, the previous election would have to be cancelled.

5. How many New Shares will I receive?

Your entitlement to New Shares will be calculated by taking the amount of cash dividend to which you are entitled (plus any residual cash brought forward from a previous scrip dividend) and dividing it by the scrip reference share price (which will be the average of the middle market quotations for the Company's ordinary shares for the five dealing days commencing on the ex-dividend date). The scrip reference share price will be posted on the Company's website www.ilxgroup.com. The formula which will be used is set out below:

$$\frac{\text{(Number of ordinary shares held at the dividend record date x cash dividend rate)} + \text{Any fractional cash entitlement carried forward from last dividend*}}{\text{Scrip reference share price}}$$

* No fractional entitlements will be available for inclusion in respect of the first dividend for which you participate in the Scheme.

6. What will happen with any cash balance?

No fraction of a New Share will be allotted and any residual cash balance will be carried forward to be included in the calculation of the next dividend. Please note no interest will be paid on any residual cash balances.

If you withdraw from the Scheme or sell or transfer your entire holding of ordinary shares or if the Company terminates the Scheme any cash balance will be paid to a charity of the Company's choosing.

7. How will I know how many New Shares I have received?

You will receive a statement, along with your new share certificate, showing the number of New Shares allotted, reference share price and the total cash equivalent of the New Shares for tax purposes. CREST holders will have their member accounts credited directly with the New Shares on the dividend payment date or as soon as practicable thereafter and will separately receive a statement showing the number of New Shares allotted, reference share price and the total cash equivalent of the New Shares for tax purposes.

8. Will I have to apply again for scrip for the next dividend?

No. Your completed scrip mandate will apply for all future dividends in which a scrip dividend is offered. Shareholders holding via CREST will, however, need to elect for each dividend via the Dividend Election Input Message.

9. Are my new scrip dividend shares included in the next scrip dividend?

Yes, all New Shares issued as scrip dividends will automatically increase your shareholding on which the next entitlement to a scrip dividend will be calculated. Where your cash dividend is insufficient to acquire New Shares, funds representing your fractional cash entitlement will be accumulated for your benefit. These funds will be added to the cash amount of any subsequent dividends (in respect of which a scrip dividend alternative is offered) and applied in calculating your entitlement under that offer.

All accumulated fractional cash entitlements will if you cancel your mandate or dispose of your entire shareholding be paid to a charity of the Company's choosing.

10. Would my New Shares under the Scheme have the same voting rights as my existing ordinary shares?

Yes, the New Shares will carry the same voting rights as your existing ordinary shares.

11. When will I receive my share certificate?

Subject to the New Shares being admitted to the official list of the UKLA and to trading on the London Stock Exchange, your new share certificate will be posted to you, at your own risk, on or about the same date as dividend warrants are posted to Shareholders who are taking the dividends in cash (see our website for current dates). Dealings in the New Shares are expected to begin on the dividend payment date.

12. Does the Scheme apply to ordinary shares held in joint names?

Yes, but all joint Shareholders will need to sign the Scrip Mandate Form to exercise their right to receive New Shares instead of cash.

13. Can I complete a mandate for part of my holding?

No, Scrip Mandate Forms will only be accepted in relation to the whole shareholding.

14. Can overseas Shareholders join the Scheme?

Yes, if you are resident outside the UK, you may treat this as an invitation to receive New Shares unless such an invitation could not lawfully be made to you without any

further obligation on the part of the Company or in compliance with any registration or other legal requirements. It is the responsibility of any person resident outside the UK wishing to elect to receive New Shares to be satisfied as to full observance of the laws of the relevant territory, including obtaining any government or other consents which may be required and observing any other formalities in such territories.

15. What happens if I sell/buy shares after I complete a Scrip Mandate Form?

If you sell some of your ordinary shares before a record date for a dividend, the Scheme will apply for the remainder of your shares. If you buy any additional ordinary shares after a record date, the additional shares will not be eligible to receive the cash or scrip dividend, but will be eligible for future dividends without a new Scrip Mandate Form being completed.

16. What happens if I have more than one holding?

If your shares are registered in more than one holding and you want to receive new shares instead of cash dividends in respect of each holding, you will need to complete a separate Scrip Mandate Form for each holding.

17. What are the tax consequences?

The tax consequences of electing to receive New Shares in place of a cash dividend will depend on your individual circumstances. If you are not sure how you will be affected from a tax perspective, you should consult your solicitor, accountant or other professional adviser before taking any action. UK resident trustees, corporate, pension funds and other Shareholders, including overseas Shareholders, are advised to contact their professional advisors regarding their own tax circumstances in relation to the Scheme.

18. Can I cancel my instructions?

Yes, you may cancel your mandate at any time; however, notice of cancellation must be given in writing to Capita Registrars, at least 20 business days before the relevant dividend payment date for it to be effective for that dividend. Shareholders holding through the CREST system can only cancel their mandate via the CREST system. In such circumstances Shareholders would receive cash for that dividend and subsequent dividends. A notice of cancellation will take effect on its receipt and processed by Capita Registrars in respect of all dividends payable after the date of receipt of such notice. Your mandate will be deemed to be cancelled if you sell or otherwise transfer your ordinary shares to another person but only with effect from the registration of the relevant transfer, and will also terminate immediately on receipt of notice of your death. If a joint Shareholder dies, the mandate will continue in favour of the surviving joint Shareholders (unless and until cancelled by the surviving joint Shareholders). Funds representing fractional cash entitlements accumulated on your behalf will, on cancellation of your mandate, be paid to a charity of the Company's choosing.

19. Can the Company change or cancel the Scheme?

Yes, the Scheme may be modified, suspended, terminated or cancelled at any time at the discretion of the Directors without notice to Shareholders individually. In the case of any modification, existing mandates (unless otherwise specified by the Directors) will be deemed to remain valid under the modified arrangements unless and until

Capita Registrars receive a cancellation in writing from you. The operation of the Scheme is always subject to the Directors' decision to make an offer of new shares in respect of any particular dividend. The Directors also have the power, after such an offer is made, to revoke the offer generally at any time prior to the allotment of the New Shares under the Scheme. This may, in particular, be exercised if 20 business days prior to the dividend payment date, the price of an ordinary share of the Company has fallen 15% or more below the scrip reference share price used to calculate Shareholders' entitlements. If the Directors revoke an offer, Shareholders will receive their dividends in cash on or as soon as possible after the dividend payment date.

20. Governing law

The Scheme is subject to the Company's Articles of Association and is governed by and its terms are to be construed in accordance with English law. By electing to receive New Shares the Shareholder agrees to submit to the exclusive jurisdiction of the English courts in relation to the Scheme.

21. What do I do if I have any questions?

If you have any questions about the procedure for election or on how to complete the Scrip Mandate Form, please contact Capita Registrars between 9.00am and 5.00pm (London time) Monday to Friday (except UK public holidays) on 0871 664 0300 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0300 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Scrip Dividend Scheme nor give any personal financial, legal or tax advice. Alternatively you may email Capita Registrars at ssd@capitaregistrars.com or apply on-line at www.capitaregistrars.com

Glossary

AIM the AIM Market of the London Stock Exchange

Capita Registrars a trading name of Capita Registrars Limited

CREST the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI/3755)) in respect of which Euroclear UK & Ireland Limited is the operator

Directors the directors of ILX Group plc

London Stock Exchange the London Stock Exchange plc

New Shares the new ordinary shares issued under the Scheme

ordinary shares ordinary shares of 10 pence each in the capital of the Company

ILX Group plc or **Company**, ILX Group plc

Scrip Dividend Scheme or **Scheme** the ILX Group plc Scrip Dividend Scheme as

comprised under and subject to the terms and conditions contained in this document as amended from time to time

Scrip Mandate Form a mandate in a form provided by the Company from a Shareholder to the Directors to allot New Shares under the terms of the Scheme in lieu of a cash dividend to which they may become entitled from time to time

Shareholder a holder of ordinary shares in the Company

UK or **United Kingdom** means the United Kingdom of Great Britain and Northern Ireland and its dependent territories

If you wish to receive dividends in cash in the usual way you need take no further action and should not complete or return a Scrip Mandate Form and may disregard this document.