ILX Group plc

ANNUAL REPORT 2013

Company No. 3525870

Report for the 15 months ended 30 June 2013

Chairman's Statement

In my statement for the six months ended 31 March 2013 I said that there were steps in place to improve the efficiency of our product delivery. The launch of our own training rooms at our new offices in the Strand, London is a good example of providing closer direct contact with our customers and improved product margin.

I also said that I believed that there was an opportunity to increase the scope and scale of the Group through acquisition. Our recent acquisition of TFPL Limited, which brings recruitment sector skills and other expertise into the Group, is a good example of this.

The in-depth business review and restructure which we have carried out since I joined the board in August 2012 has delivered significant operating cost reductions during the period. The business processes and related staffing levels have been analysed and we have taken positive action to bring costs into line with the businesses objectives. We have achieved material cost reductions in each functional business area.

In addition the board has been restructured with Ken Scott, CEO, Jon Pickles, CFO, Eddie Kilkelly, COO, and Paul Virik and Damien Lane, both non executive Directors, having all stepped down. In their place I am pleased to have welcomed Donald Stewart and John McIntosh onto the board. Donald joined the business originally as a non-executive Director on 18 April 2013 and, on 3 June, joined the executive team, as General Counsel while, on 6 June 2013, John McIntosh was appointed Finance Director. Paul Lever remains an independent non-executive Director and it is the board's intention to seek to appoint a further suitable independent non-executive director in the near future.

Alongside these new Directors we have put an experienced team of highly capable change managers in place to identify and deliver further operational improvements and business development opportunities.

In order to make the most of the Group's extensive project management customer base we have expanded the Group's product offering by creating further complementary business divisions in consulting and recruitment. This will allow the Group to provide more comprehensive services for both corporate and individual project managers and provide a platform on which to connect with our customers at different stages in the project management life cycle. Not only are we able to train project managers, we can also provide consulting services across relevant sectors and now, additionally, a recruitment link to our growing list of trained project manager clients.

Restructuring costs during the period have been greater than was initially anticipated as a result of our thorough review of the business. The full benefit of the resulting reductions in operating costs are not expected to be reflected until the new financial year.

Continuing pressure remains on revenues from the training division due to external price competition and industry macro factors. The new consultancy division has made a positive contribution and kept overall Group revenues steady. We believe that the acquisition of TFPL gives sound foundations to the Group's new recruitment division and we will continue to aim to increase the scope and scale of the business through capitalising on the contacts and experience available to the Group.

Strategy and delivery

Our strategic focus during the period has remained exploring and developing of the group's capabilities in areas which the Board believes will afford good growth opportunities. Building on the Group's presence in the area of project management, we have added consulting and recruitment to our experience and skills in training. We will continue to evaluate further growth opportunities including acquisitions.

Our on-going marketing review is continuing to reveal valuable insights into our target markets and product offering, particularly in relation to our on-line positioning, which will enable us to prioritise and refocus our marketing activities and guide us in the future development of our on-line offering. We continue to work on operational improvements and the development of a broader digital and classroom product portfolio. This month saw the launch of our PMP product, which will serve as an alternative to PRINCE2 for our clients in the North American market.

Group re-organisation

The business processes and related staffing levels of the training division were analysed to align the strengths of the team with the ongoing challenges required to arrest the historic pattern of declining revenues. Significant actions were taken to bring costs into line with businesses objectives. The changes to the commercial culture of the training business were made rapidly to minimize disruption. However this resulted in a total charge to restructuring of £2.4 million including a non-cash charge against intangible assets of £1.1 million.

Restated Gross Profit

We have recalculated the gross profit as presented in the results for the 15 months to 30 June and the twelve months to 31 March 2012. The effect of this has been to move certain sales related costs, including administrative and technical staff costs and shipping costs, from administrative and distribution expenses to cost of sales. Refer to note 1 of the notes to the audited financial statements to 30 June 2013.

Business Review

Management

A new executive management team was introduced during the 15 month period made up of highly capable change managers within sales, finance, legal and operations. Their combined experience covers training, consulting, business development, sales, digital transformation, cost control and the public company environment. Each executive is experienced in mergers and acquisitions and business integration.

Review of Divisions

The group is now headquartered at Strand Bridge House, 138-142 The Strand, London. This central London location was chosen as it better suits the overall needs of the business and the new offices can accommodate training courses with marginal incremental costs to the business. The Group's former offices at Hammersmith were sublet for the remainder of the term at the prevailing market rate.

Performance Management

The Group measures the operating performance of the business through monthly financial reports on the Training and Consulting (and, going forward, Recruitment) divisions.

The Training division covers the following territories:

UK (including other international), Australia, New Zealand and UAE. The Consulting division is represented by Obrar Limited ("Obrar") and ILX Consulting Pty Ltd ("ILXC") both of which are able to service international business.

Training Division

The Training division was the Group's primary business until December 2012.

During the 15 month period to 30 June 2013 the Group's business in the UK has suffered a contraction of revenue to the level last achieved in 2011. Since the period end further steps have been taken to address marketing performance which, it is hoped, will improve leads generation and, in turn, the sales performance.

During the period the opportunities to improve the financial performance of the group's training business in the APAC region were reviewed and the office was restructured. The intention is that with a lower cost base that office will continue to develop its sales but at a better gross margin that was previously experienced.

The UAE training business based in Dubai completed its first full year of operation in June 2013. During this period the small team delivered strong revenues, despite the significant barriers to entry, through creating a start-up and accessing tenders within the territory.

Efforts to establish markets in Europe have been hampered by recruitment and language conversion costs. Consequently the Danish and Polish operations have been scaled back. Instead the Group is looking to the larger English speaking business markets as a source of future training business opportunities and has achieved some sales success there.

Consequently, future resources will be targeted towards territories where the training business can leverage most from its existing products and skills and, for example, where the language barriers are less of an issue, until such time as further market penetration can be achieved economically.

The Group will continue to review its product portfolio and development capability. During the period it was decided to review the accounting treatment of development costs. As a result there has been a non-cash charge against previously capitalised product development (refer to note 1 of the notes to the audited financial statements).

Consulting Division

This division comprises Obrar and ILXC which brought in a combined £1.6 million revenue (2012: £nil) between December 2012 and 30 June 2013. Obrar, which was acquired on 5 December 2012, is located in the UK, has managed and implemented several large contact centre technical and operational projects during the period. Since its formation in February 2013 ILXC has successfully progressed and the team, now three strong, has implemented several operational projects primarily for clients in the Australian public sector.

Corporate activity

We continue to review acquisition opportunities as they arise to capitalise on the Group's capabilities in areas which the Board believes will afford growth opportunities. Two consulting businesses were brought into the Group during the period and a recruitment business shortly after the period end. The Board will continue to consider and evaluate new opportunities to give the group increased scope and scale whilst continuing the theme of project management, training, consulting and recruitment services.

Wayne Bos, Executive Chairman

10 September 2013

Finance Review

Finance

Operating performance

For the 15 months to 30 June 2013 the Group delivered revenues of £17.0 million (2012: £13.5 million). Operating loss after accounting for restructuring costs was £1.5 million (2012 £1.0 million profit). Operating profit before restructuring costs of £2.4 million (2012: £nil) was £0.9 million (2012: £1.0 million). All the restructuring costs related to the training business.

Training Division performance

For the 15 months to 30 June 2013 the training division delivered revenues of £15.3 million (2012: £13.5 million). Gross margins across the training business were 40% (restated 2012: 45%). Operating loss was £1.5 million (2012: £1.0 million) after restructuring costs of £2.4 million (2012: £nil) and central costs of £1.7 million (2012 £2.4 million) Refer to note 4 to the Notes to the Accounts for the period to 30 June 2013.

Consulting Division performance

For the period from 5 December 2012, when the Group acquired Obrar Limited, to 30 June 2013 the division delivered revenues of £1.6 million (2012: £Nil). Gross margins across the business were 11% (2012: nil). Operating profit was £0.1 million (2012: nil) principally as a result of set up costs and transition within the Group.

Cost reductions

Steps have been taken to reduce operating costs across the core training business. In the 15 months to 30 June 2013, after removing restructuring charges of £2.4 million, following a root and branch review, operating costs were £0.7 million lower than in the previous twelve months reporting period (refer to note 4). Understanding what drives the e-learning revenue of the business is a significant part of the ongoing review to strengthen the performance of the core business, and further effort will be directed towards this objective.

To preserve cash the group will continue with its current dividend policy and, consequently, no dividend is anticipated for the forseeable future.

During the period the Group traded principally through its subsidiaries in the UK, Australia, New Zealand and in United Arab Emirates. The physical office operations begun in Denmark and Poland have been scaled back to focus on the larger markets where greater return will be achieved. This includes directing marketing effort more towards the USA and the larger emerging markets of the Far East/Australasia, where English speaking project management clients have a presence.

Profit before tax

Loss before tax for the period was £1.7 million (2012: £0.6 million profit). The adjusted Profit before tax, before taking account of restructuring, share option and impairment charges was £1.1 million (2012: £0.9 million). Refer to note 4.

Finance costs

The Group incurred finance costs of £0.1 million (2012: £0.4 million) during the period. As described in the interim results for the period to 31 March 2013 much of the finance cost improvement resulted from the investment provided during the period by Praxis Trustees providing aggregate cash inflow of £1.6 million to the Group during the period.

Taxation

The tax benefit for the period was £0.3 million (2012: expense £0.1 million), representing 20% of loss before tax (2012: 16% annualised).

The Group has previously benefited from tax credits available in the UK arising from qualifying research and development.

Profit for the period and earnings per share

Loss for the period attributable to equity shareholders was £1.3 million (2012: £0.6 million profit). Loss per share was 3.85p basic (2012: 2.07p earnings).

Going Concern

The Group has prepared the accounts on a going concern basis based on current forecasts for the period through to December 2014. While the Group has negative net current assets as at 30 June 2013 the Board believes that it can meet its day-to-day working capital requirements from operating cash flows and its existing banking facilities. The Group's banking facility is due for renewal at 30 November 2013, and the Group's bankers HSBC has indicated its willingness to continue its support of the Group's ongoing development.

Cash flow, net debt and facilities

Cash flow

Cash generated from operating activities was £2.0 million (2012: £1.1 million). The Group continues to generate operating cash flow from its e-commerce and cash sales and from advance payments from customers. During the period to 30 June 2013 the required restructuring costs have represented a significant proportion of the Group operating cash outflow. It is believed that the restructuring investment will have a positive effect on future cash flow. The effectiveness of this investment will be reflected in its impact on the Group 's Training business development and on the take up of a strengthened digital offering once this is fully communicated to our customers.

The Group paid out £0.2 million in corporation tax during the period (2012: £0.3 million).

The Group continues to invest in its product range and also incurred capital expenditure in the period relating to updates of its client portal and its internal systems and equipment to improve operating efficiency and remove labour intensive data processing.

Net debt and facilities

The Group reduced its net debt by £1.7 million compared with the period to 31 March 2012, from both positive cash flow from operations and the proceeds of Praxis Trustees' investment. At the balance sheet date the Group's debt comprised £0.5 million in by way of a fixed term facility, £0.7m by way of a revolving debt facility and £0.4m due to Praxis Trustees.

Of the facilities drawn at the balance sheet date, the term loan is expected to be repaid in full by the quarterly term loan repayments during the first quarter of 2014. At the balance sheet date £0.35 million of the revolving facility remained undrawn. Post year end the Group's revolving credit facility was raised to £2.0m

Net debt at the period end, defined as all bank debt plus convertible debt, less cash at bank, was £0.5 million (2012: £2.2 million). This comprised: £1.2 million in bank facilities drawn and £0.4m of convertible loans less £1.1 million in cash balances. The Group remains within the terms of all its banking covenants.

Dividend

As noted above, in order to preserve the Group's cash resources the Board does not recommend a dividend for the period ended 30 June 2013, which will remain the position for the foreseeable future.

Post balance sheet events

New acquisition – TFPL Limited

TFPL Limited ("TFPL") is arecruitment, training and consulting business which was purchased for a maximum potential consideration of £0.6 million.

The consideration for the Acquisition comprised an upfront payment of £0.3 million, deferred contingent consideration of £50,000 payable if TFPL's net fee income for the year to 31 October 2013 reaches £1.05 million, and a single earn-out payment of up to £0.25 million payable in full if TFPL's net fee income exceeds £1.3 million in the 12 months to 30 June 2014. All the consideration is payable in cash.

At the date these financial statements were completed the Directors has not finalised the valuation of the intangible assets acquired. A further valuation will take place. The Directors have identified three main types of intangible asset: Domain name and brand; IT systems ; and, customer relationships. The Directors consider that any residual goodwill that may arise will do so due to synergies and economies of scale from integrating TFPL within the Group.

Acquisition of Progility Pty Ltd

The proposed acquisition of Progility Pty Ltd ("Progility") for a consideration of 159,733,504 ordinary shares credited as fully paid, which values Progility at £15.97 million. The acquisition is conditional, inter alia, on shareholders' consent, and the re-admission of the the enlarged group's share capital to trading on the AIM market of the London Stock Exchange. A Circular and Admission Document will be issued and dated today, the same day as the statutory accounts.

Governance

Board of Directors

1. Wayne Bos

Executive Chairman and Interim Chief Executive Officer

Wayne joined the Board in August 2012. Mr Bos has over 20 years' experience managing and investing in businesses over a wide range of sectors, with particular expertise in the software and technology sector. His career includes three years as Chief Executive of Sausage Software, an Australian public company, which he grew to a market capitalisation of A$2.5bn in 2001, and President and CEO of Natrol, a Nasdaq listed Nutraceutical company, sold to Plethico, an Indian public company, in 2008. In the last five years, he has made several public and private company investments.

2. John McIntosh

Chief Financial Officer

John joined the Board as Finance Director in June 2013. John qualified as a Chartered Accountant with Deloitte & Touche in 1994. He held controller roles within corporations including Sony and D'Arcy, Masius Benton & Bowles and the BBC's corporate finance unit before joining an internet start-up team. He has since concentrated on the online/multi-media sector working with both private equity owned and publicly quoted businesses. He was instrumental in the development and growth of the multi-media group DCD Media plc holding the positions of Chief Financial and Chief Operating Officer. Mr McIntosh has held main board Director roles in AIM listed companies since 2003 and joined ILX Group in November 2012.

3. Donald Stewart

General Counsel

Donald joined the Board in April 2013 as a non-executive and subsequently, on appointment as General Counsel, became an executive Director in June 2013. Mr Stewart has practiced commercial law for 25 years and, prior to joining the Company, was a partner at Faegre Baker Daniels LLP. Experienced in corporate finance, takeovers, mergers and acquisitions and UK publicly listed companies, he has extensive experience of the technology and communications sectors. He is a Director of the Quoted Companies Alliance and sits on the Policy Committee of European Issuers and the Council of the City of London's International Regulatory Strategy Group.

4. Paul Lever

Independent Non-executive

Paul joined the Board as Chairman in January 2003. Mr Lever's executive career spans a number of executive positions at Crown Paints, Crown Berger Europe, and Tube Investments, as well as being Executive Chairman of Lionheart plc. He has considerable experience within the personal development and training sector and the public sector in addition to extensive corporate transaction experience. He stepped down as Chairman during 2012 and remains a non-executive Director.

Directors' Report for the period ended 30 June 2013

The Directors present their report and the financial statements for the 15 months period ended 30 June 2013. On 21 March 2013 the statutory year end was changed to 30 June to better reflect the cycle of revenue and reporting within the core Training business. As such the information in the financial statements is not entirely comparable with the prior year.

Principal activity and business review

The principal activity of the Group during the period was the development and marketing of e-learning software products and related learning and consultancy services. During the period two new consulting businesses were added to the Group. Obrar Limited, a UK based technology consulting company, was acquired on 5 December 2012 and, in February 2013, an Australian consulting business was created within the Group with the incorporation of ILX Consulting Pty Limited based in Melbourne.

A review of trading and future developments is presented in the Chairman's Statement and the Finance Review.

Post Balance Sheet Event

On the 1 July 2013 the Group acquired TFPL Limited, a UK recruitment and training consultancy, to complement the existing training business and offer further opportunities to connect with the Group's existing clients.

Results and dividends

The results of the Group for the period are set out on page 20. The Directors do not recommend payment of a dividend for the year.

Risks and uncertainties

General commercial risks

The Group's management aims to minimise the risks inherent in over-reliance on individual business segments, members of staff, products or customers by developing a broad, balanced portfolio of business opportunities touching on the different stages of the project management lifecycle from training through recruitment and consulting to project generation.

Macro risks

The Group's revenue streams are dependent on the disposable income of its customers and the overall macroeconomic environment. These factors are largely out of the control of management however it is the Group's intention to ensure that the diversity of its product and clientele aims to avoid a material impact on the Group where there is an adverse economic impact in one sector or in one region.

Operational risk

The Group's growth is dependent on expanding its products and services into new business and geographical areas. There are no assurances that these areas will deliver the anticipated result but management will perform appropriate commercial diligence before launching a product or moving into a new territory.

As the group continues to grow it will need to continue to support its systems and back office. Management is regularly reviewing the adequacy of the Group's support function to ensure appropriate resource and capability to support the Group's growth.

The Group's training portal is reliant on its technology platform. If these systems are damaged or interrupted there could be significant costs. The Group has put in place appropriate measures to address the security of its company-wide IT system. Management monitors the performance of the IT platform and addresses any issues immediately.

Other financial, operational and legal risk

Clear risk assessment and strong financial and operational management is essential to control and manage the Group's existing business, its intellectual property rights, retain key staff and balance current business development with future growth plans. As the Group accounts in sterling but operates in overseas markets it is also subject to exposure on transactions undertaken in foreign currencies. Depending on the extent to which the Group's international revenue grows an appropriate hedging strategy will be introduced.

Funding and liquidity

The Group continues to generate operating cash flow from its training and consulting activities and from advance payments from customers. During the period restructuring costs have represented a significant proportion of the Company's operating cash outflow. It is hoped that the restructuring investment will have a positive effect on future cash flow when cost savings are fully realised.

Costs incurred during consulting projects are not always funded by immediate cash flow from the client. The risk is that funds are not available to meet the future growth needs of the business at the time it is required. The Group policy is to maintain its cash balances to ensure there is no cash flow shortfall in its ability to manage a project. It is inherent in the consulting business that, on occasion, short-term cash flows on projects can be negative initially. This is due to costs being incurred before contracted payments have been received in order to meet agreed delivery expectations and delivery dates. The Group funds these initial outflows, when they occur, in two ways: internally, ensuring that overall exposure is minimized; or through its revolving facility. The Group regularly reviews the cost/benefit of such decisions in order to obtain the optimum use of its available working capital.

The Group's cash and cash equivalents, net of debt at the end of the period, was £0.5 million (31 March 2012: £2.2 million). The Group debt consists of conventional bank debt and convertible loan notes. Details of interest payable, funding and risk mitigation are disclosed in notes 2 to the audited financial statements. It is Group policy to continue to seek the optimum structure for its borrowing needs and this policy will be pursued over the coming year.

Change in accounting estimate

Capitalised product development expenditure is now considered to have an economic life of ten years and is written off during the economic life on a straight line basis. Previously, relevant product development costs were recorded with an indefinite life, which was subject to regular impairment reviews. To update the policy and reflect the interpretation of IAS 38 the Group has decided to adopt this new policy to more accurately reflect the economic life of the product development investment.

As a result of the change in the estimate there was a charge to the amortisation account of £224,000 and is recognised within Depreciation and Amortisation in the Consolidated Statement of Comprehensive Income.

Principal shareholders

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

	Ordinary Shares of 10 pence each	**Percentage**
Praxis Trustees Limited*	11,940,000	29.90
Octopus Capital for Enterprise Fund	5,682,247	14.23
Webb Capital Asset Management Ltd	3,485,121	8.73
Barnard Nominees Ltd	2,177,430	5.45

* Praxis Trustees Limited holds its shares as trustee of the DNY Trust, of which Wayne Bos is a discretionary beneficiary.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 4 to 5. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 6 to 7. In addition, the notes to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group's banking facilities are due for renewal by 30 November 2013. The Group's forecasts and projections, taking account of reasonably foreseeable changes in trading performance, show that the Group should be able to operate within the level of its current facilities. Through discussions with its loan note holders and principal bankers, the Directors, after making enquiries, have concluded that they have a reasonable expectation that the Company and the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. Further information on Going Concern is included in the Notes to the Financial Statements on page 27.

The financial statements do not include the adjustments that would result if the Group or Company was unable to continue as a going concern.

Employment policies

It is the policy of the Group to consider all applicants for employment on the basis of qualification for the specific job without regard to race, colour, religion, age, sex, sexual orientation, disability or national origin. This policy extends to all aspects of employment including recruitment, training, compensation, career development and promotion.

Corporate social responsibility

The Group is developing a corporate responsibility programme that focuses on adding value to the communities and countries in which we operate, looking after our environment, ensuring quality and excellence for our customers and investing in our people.

Policy on payments to creditors

The Group agrees payment terms with individual suppliers which vary according to the commercial relationship and the terms of agreement reached. Payments are made to suppliers in accordance with the terms agreed. The number of supplier days represented by trade creditors at 30 June 2013 was 61 (at 31 March 2012: 40).

Directors and their interests

The present Directors are listed on page 8. The interests of the Directors in the share capital of the Company are as follows.

	Ordinary shares of 10 pence each	
	At 30.6.2013	**At 31.3.2012**
W M Bos*	11,940,000	–
P R S Lever	148,021	148,021
D J Stewart	–	–
J McIntosh	–	–

*As of the date of this report, Praxis Trustees holds 11,940,000 ordinary shares on behalf of the DNY trust, of which Wayne Bos is a discretionary beneficiary. There were no other changes between 30 June 2013 and 10 September 2013.

John McIntosh and Donald Stewart, having been appointed by the Board since the last Annual General Meeting, offer themselves for election at the forthcoming Annual General Meeting. In accordance with the articles of association Paul Lever retires by rotation and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

Directors' and officers' liability insurance

The Company has purchased insurance to cover its Directors and Officers against the costs of their defending themselves in any legal proceedings taken against them in that capacity and in respect of charges resulting from the unsuccessful defence of any proceedings.

Auditors

Grant Thornton have expressed their willingness to remain in office as auditors of the Company. In accordance with S489 of the Companies Act 2006 a resolution proposing that Grant Thornton be reappointed as auditors to the Company will be put to the Annual General Meeting.

Disclosure of information to auditors

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Annual general meeting

The resolutions to be proposed at the Annual General Meeting to be held on xx September 2013 appear in the Notice of Annual General Meeting on page 58.

This report was approved by the board on 10 September 2013.

On behalf of the board

John McIntosh
Director
10 September 2013

Remuneration Report for the period ended 30 June 2013

Remuneration policy

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

Directors' remuneration

Details of the remuneration of the Directors for the 15 months are set out below.(The executive Directors are regarded as the Key Personnel for the purposes of the remuneration report):

	Salary and fees £'000	Car allowance £'000	Other benefits £'000	Bonus £'000	Pension contri-butions £'000	Total for period ended 30.6.2013 £'000	Total for year ended 31.3.2012 £'000
Executive Directors							
W M Bos*	120	–	2	–	–	122	–
D J Stewart*	18	–	–	–	–	18	–
J McIntosh*	10	–	–	–	1	11	–
K P Scott+	121	–	30	–	20	171	270
J A Pickles+	58	–	–	–	28	86	149
E J Kilkelly+	88	6	1	–	3	98	167
Non-executive Directors							
P R S Lever	39	–	–	–	–	39	38
P Virik+	15	–	–	–	–	15	26
D J P Lane+	–	–	–	–	–	–	–
	469	**6**	**33**	**–**	**52**	**560**	**650**

*From date of appointment - W M Bos 21 August 2012, J McIntosh 6 June 2013, D J Stewart 18 April 2013

+To date of resignation - J Pickles 24 October 2012, K Scott 27 November 2012 , E Kilkelly 24 October 2012, P Virik 24 October 2012, D Lane 24 October 2012

Share options

The Company grants options under an HM Revenue and Customs approved scheme and also under an unapproved options scheme. The options will be satisfied through shares held in trust. The share options granted to the Directors during the year and in previous years are as follows:

	Number of shares under option at 31.3.2012	Exercised during the year	Number of shares under option at 30.6.2013	Exercise price	Date of grant
K P Scott	875,000	(875,000)	–	0p	28-Nov-08
K P Scott	290,000	(290,000)	–	0p	02-Jul-10
K P Scott	340,936	–	340,936	0p	20-Apr-11
J A Pickles	350,000	(350,000)	–	0p	28-Nov-08
J A Pickles	210,000	(210,000)	–	0p	02-Jul-10
J A Pickles	91,574	(91,574)	–	0p	20-Apr-11
E J Kilkelly	240,000	–	240,000	0p	31-Oct-09
E J Kilkelly	80,000	–	80,000	0p	01-Jun-10
	2,477,510	**(1,816,574)**	**660,936**		

Note: As at the date of the report the above outstanding options had become lapsed or waived.

Bonus scheme for executive Directors

The Company will consider creating a bonus scheme for executive Directors and the new management which is based on meeting market expectations and operating profit margin targets. No bonus was paid under the previous scheme for the period under review.

Shareholder approval

In accordance with best practice in corporate governance, the Company will put a resolution to shareholders to approve the remuneration report at the forthcoming Annual General Meeting.

Corporate Governance

Statement of compliance

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

The Directors are committed to ensuring appropriate standards of Corporate Governance are maintained by the Group and this statement sets out how the Board has applied the QCA Code in its management of the business during the period ended 30 June 2013.

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

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

The Board

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

Executive Directors

Wayne Bos, Executive Chairman (appointed 21 August 2012)
John McIntosh, Chief Financial Officer (appointed 6 Jun 2013)
Donald Stewart, General Counsel (appointed 18 April 2013)
Ken Scott (resigned 27 November 2012)
Jon Pickles (resigned 24 October 2012)
Eddie Kilkelly (resigned 24 October 2012)

Non-executive Directors

Paul Lever
Paul Virik (resigned 24 October 2012)
Damien Lane (resigned 24 October 2012)

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

To support the Company's strategy of exploring and developing the Group's capabilities in areas which the Board believes will afford good growth opportunities, and as part of the Company's thorough operating review carried out during the 15 months to 30 June 2013, the Board has been significantly restructured to ensure the right team are focused on the right business areas. As a result the Chairman, who is responsible for running the Board, has also assumed the role of acting Chief Executive. The Board believes that the circumstances in which this situation has arisen are both exceptional and appropriate given the commercial performance of the business and Board's need to reduce overheads and understand and strengthen the drivers of the core business. The Chairman has displayed a clear vision and focus on the Company's strategy and has brought together the disparate characteristics, skills, qualities and experience of the other members of the Board and senior management. Highly visible in his role, he has fostered a positive corporate governance culture, which has permeated through the Company. In his role as acting Chief Executive he has been instrumental in facilitating the new executive management team in running the Group's business and implementing the Group's strategy to achieve the overall objectives. As mentioned above the Executive Directors, together with the Group's senior management team, hold regular formal and informal meetings to monitor progress made towards the objectives.

Throughout the period Paul Lever has been an independent non-executive Director and has brought his independent judgment to the management of the Group. Although Mr Lever has now served on the board for more than nine years since his first appointment, in accordance with the QCA Code the Board is satisfied that Mr Lever is free from any business or other relationships which could interfere with the exercise of his judgment. Mr Lever has sufficient time to carry out his duties for the Group.

While the Board considers its current structure is appropriate for the scale of the business and to enable the Group to be managed effectively, it is actively seeking to appoint additional non-executive directors who can bring appropriate experience to the Group.

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

Committees

The Board is supported by specialised committees ensuring that appropriate governance procedures are followed. During the period the Board has established an audit committee, which comprises Paul Lever (chairman) and Donald Stewart, and a remuneration committee which also comprises Paul Lever (chairman) and Donald Stewart, with formally delegated responsibilities.

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

Audit committee

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

Remuneration committee

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

Internal control

The QCA Code provides that the Board is responsible for putting in place and communicating a sound system to manage risk and implement internal control.

Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide the Directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The key procedures that have been established and which are designed to provide effective internal control are as follows:

- A formal management structure with a schedule of matters specifically reserved for the Board's approval. The Executive Directors and other members of senior management meet regularly to control and monitor the Group's activities.
- A strategic planning and budget setting process with both annual and longer-term forecasts reviewed and approved by the Board.
- A comprehensive monthly financial reporting system which compares results with budgets, together with a written report detailing current trading conditions, variations from budget and updated forecasts.
- A report to the audit committee from the auditors stating any material findings arising from the audit. This report is also considered by the Board and action taken where appropriate.
- A framework for capital expenditure and controls including authorisation procedures and rules relating to the delegation of authority.
- Risk management policies to manage issues relating to health and safety, disaster recovery, legal compliance, insurance and security.

Relations with shareholders

The Group places a high level of importance on communicating with its shareholders and welcomes and encourages such dialogue within the constraints of the AIM Rules and other regulations applicable to publicly quoted companies. The Group works closely with its Nominated Adviser, brokers and financial PR advisors to maintain an active dialogue with institutional and private shareholders and analysts through a programme of investor relations carried out during the year.

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

Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 the Company and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance of the Group website, www.ilxgroup.com, together with the websites of all subsidiary companies. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Resolutions at the Annual General Meeting

The Company's AGM will be held on 3 October 2013. Accompanying this Report is the Notice of AGM which sets out the resolutions to be considered and if thought fit, approved at the meeting together with some explanatory notes.

Supplier payment policy

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

Share capital

Details of the Company's share capital and changes to the share capital are shown in note 20 to the Consolidated Financial Statements.

Website publication

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

Charitable and political donations

Group donations to charities worldwide were £nil (2011: £nil). No donations were made to any political party.

Independent auditor's report to the members of ILX Group plc

We have audited the financial statements of ILX Group plc for the period ended 30 June 2013 which comprise group statement of comprehensive income, the group and parent company statement of financial position, the group and parent company cash flow statements, the group and parent company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2013 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Mark Henshaw

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London 10 September 2013

Financial Statements

Consolidated Statement of Comprehensive Income for the Period ended 30 June 2013

	Notes	15 months ended 30.6.2013 Total £'000	Year ended 31.3.2012 Restated £'000
Revenue	4	16,992	13,473
Cost of sales		(10,614)	(7,414)
Gross profit		6,378	6,059
Administrative and distribution expenses		(5,469)	(5,076)
Restructuring costs	11	(2,412)	–
Operating profit	5	(1,503)	983
Finance income	6	–	4
Finance costs	7	(147)	(365)
Profit before tax		(1,650)	622
Tax benefit/ (expense)	10	332	(101)
(Loss)/Profit for the year attributable to equity shareholders		(1,318)	521
Other comprehensive income		(69)	34
Total comprehensive (loss)/income		(1,387)	555
Earnings per share	12		
Basic		(3.79p)	2.07p
Diluted		(3.79p)	1.86p

The notes on pages 27 to 57 form part of the financial statements.

Consolidated statement of Financial Position for the Period ended 30 June 2013

	Notes	As at 30.6.2013 £'000	As at 31.3.2012 £'000
Assets			
Non-current assets			
Deferred tax asset		82	–
Property, plant and equipment	13	209	194
Intangible assets	14	9,608	9,795
Total non-current assets		9,899	9,989
Current assets			
Trade and other receivables	16	2,161	3,266
Tax receivable	16	263	–
Cash and cash equivalents		1,142	638
Total current assets		3,566	3,904
Total assets		13,465	13,893
Current liabilities			
Trade and other payables		(4,505)	(3,410)
Contingent consideration	18	(307)	(28)
Tax liabilities		(69)	(860)
Bank and shareholder loans	19	(1,536)	(2,888)
Total current liabilities	17	(6,417)	(7,186)
Non-current liabilities			
Deferred Tax		(91)	–
Contingent consideration	18	(289)	(28)
Total non-current liabilities		(380)	(28)
Total liabilities		(6,797)	(7,214)
Net assets		6,668	6,679
Equity			
Issued share capital		3,993	2,759
Share premium		114	114
Other reserve		75	–
Own shares in trust	21	(50)	(1,881)
Share option reserve		152	427
Retained earnings		2,447	5,254
Exchange differences arising on consolidation		(63)	6
Total equity	20	6,668	6,679

The notes on pages 27 to 57 form part of the financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 10 September 2013. They were signed on its behalf by:

Wayne Bos ***John McIntosh***

Director Director

Company Statement of Financial Position as at 30 June 2013

	Notes	As at 30.6.2013 £'000	As at 31.3.2012 £'000
Assets			
Non-current assets			
Deferred tax asset		79	–
Property, plant and equipment	13	154	182
Intangible assets	14	1,568	2,674
Investments	15	8,434	7,131
Total non-current assets		10,235	9,987
Current assets			
Trade and other receivables	16	927	2,732
Tax receivable	16	209	–
Cash and cash equivalents		685	558
Total current assets		1,821	3,290
Total assets		12,056	13,277
Current liabilities			
Trade and other payables		(3,724)	(3,316)
Contingent consideration	18	(307)	(28)
Tax liabilities		–	(668)
Bank and shareholder loans	19	(1,536)	(2,888)
Total current liabilities	17	(5,567)	(6,900)
Non-current liabilities			
Contingent consideration	18	(289)	(28)
Total non-current liabilities		(289)	(28)
Total liabilities		(5,856)	(6,928)
Net assets		6,200	6,349
Equity			
Issued share capital		3,993	2,759
Share premium		114	114
Other reserve		75	–
Own shares in trust	21	(50)	(1,881)
Share option reserve		152	427
Retained earnings		1,916	4,930
Total equity	20	6,200	6,349

The notes on pages 27 to 57 form part of the financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 10 September 2013. They were signed on its behalf by:

Wayne Bos — Director

John McIntosh — Director

Consolidated Cash Flow Statement for the period ended 30 June 2013

	Notes	15 months ended 30.6.2013 Total £'000	Year ended 31.3.2012 Restated £'000
(Loss)/Profit before tax		(1,650)	622
Adjustments for:			
Depreciation and amortisation		328	137
Loss/(profit) on fixed asset disposal		6	–
Impairment - product development		1,123	–
Goodwill adjustment	14	26	–
Share option charge		67	113
Investment income		–	(4)
Interest expensed		147	365
Movement in trade and other receivables		1,870	(461)
Movement in trade and other payables		82	335
Cash generated from operations		1,999	1,107
Income taxes paid		(194)	(342)
Net cash generated from operating activities		1,805	765
Investing activities			
Interest received		–	4
Purchases of property and equipment		(126)	(178)
Capitalised expenditure on product development		(241)	(489)
Acquisition of subsidiaries, net of cash acquired	3	(665)	(23)
Net cash used by investing activities		(1,032)	(686)
Financing activities			
Proceeds from borrowings		400	3,050
Repayment of borrowings		(1,677)	(3,313)
Proceeds of share issue		1,234	–
Interest and refinancing costs paid		(157)	(245)
Dividend paid		–	(232)
Net cash from financing activities		(200)	(740)
Net change in cash and cash equivalents		573	(661)
Impact of exchange differences on consolidation		(69)	34
Cash and cash equivalents at start of year		638	1,265
Cash and cash equivalents at end of year		1,142	638

The notes on pages 27 to 57 form part of the financial statements.

Company Cash Flow Statement for the period ended 30 June 2013

	Notes	15 months ended 30.6.2013 Total £'000	Year ended 31.3.2012 Restated £'000
(Loss)/Profit before tax		(1,866)	380
Adjustments for:			
Depreciation and amortisation		303	134
Loss/(profit) on fixed asset disposal		6	–
Impairment - product development		1,123	–
Goodwill adjustment	14	26	–
Share option charge		67	113
Interest expensed		148	365
Movement in trade and other receivables		1,807	(167)
Movement in trade and other payables		(213)	252
Cash generated from operations		1,401	1,077
Income taxes paid		(6)	(283)
Net cash generated from operating activities		1,395	794
Investing activities			
Purchases of property and equipment		(57)	(164)
Expenditure on product development		(241)	(489)
Acquisition of subsidiaries	3	(768)	(23)
Net cash used by investing activities		(1,066)	(676)
Financing activities			
Proceeds from borrowings		400	3,050
Repayment of borrowings		(1,677)	(3,313)
Proceeds of share issue		1,234	–
Interest and refinancing costs paid		(159)	(245)
Dividend paid		–	(232)
Net cash from financing activities		(202)	(740)
Net change in cash and cash equivalents		127	(622)
Cash and cash equivalents at start of year		558	1,180
Cash and cash equivalents at end of year		685	558

The notes on pages 27 to 57 form part of the financial statements.

Statement of Changes in Equity for the period ended 30 June 2013

Group	Called up share capital £'000	Share premium account £'000	Other reserve £'000	Own shares in trust £'000	Share option reserve £'000	Exchange difference arising on consol- idation £'000	Retained earnings £'000	Total £'000
Balance at 31.3.2011	2,697	–	–	(1,852)	317	(28)	5,116	6,250
Dividend paid	–	–	–	(29)	–	–	(377)	(406)
Options granted	–	–	–	–	113	–	–	113
Options lapsed and waived	–	–	–	–	(3)	–	3	–
Scrip issue	62	114	–	–	–	–	–	176
Transactions with owners	**62**	**114**	**–**	**(29)**	**110**	**–**	**(374)**	**(117)**
Profit for the year	–	–	–	–	–	–	512	512
Other comprehensive income:	–	–	–	–	–	34	–	34
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**34**	**512**	**546**
Balance at 31.3.2012	**2,759**	**114**	**–**	**(1,881)**	**427**	**6**	**5,254**	**6,679**
Equity component of convertible debt	–	–	75	–	–	–	–	75
Options granted	–	–	–	–	67	–	–	67
Options exercised	–	–	–	1,831	(315)	–	(1,516)	–
Options lapsed and waived	–	–	–	–	(27)	–	27	–
Share issue	1,234	–	–	–	–	–	–	1,234
Transactions with owners	**1,234**	**–**	**75**	**1,831**	**(275)**	**–**	**(1,489)**	**1,376**
Loss for the period	–	–	–	–	–	–	(1,318)	(1,318)
Other comprehensive income:	–	–	–	–	–	(69)	–	(69)
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**(69)**	**(1,318)**	**(1,387)**
Balance at 30.6.2013	**3,993**	**114**	**75**	**(50)**	**152**	**(63)**	**2,447**	**6,668**

Statement of Changes in Equity for the period ended 30 June 2013 (continued)

Company	**Called up share capital £'000**	**Share premium account £'000**	**Other reserve £'000**	**Own shares in trust £'000**	**Share option reserve £'000**	**Retained earnings £'000**	**Total £'000**
Balance at 31.3.2011	2,697	–	–	(1,852)	317	4,971	6,133
Equity component of convertible debt	–	–	–	–	–	–	–
Dividend paid	–	–	–	(29)	–	(377)	(406)
Options granted	–	–	–	–	113	–	113
Options lapsed and waived	–	–	–	–	(3)	3	–
Scrip issue	62	114	–	–	–	–	176
Transactions with owners	**62**	**114**	**–**	**(29)**	**110**	**(374)**	**(117)**
Profit for the year	–	–	–	–	–	333	333
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**333**	**333**
Balance at 31.3.2012	2,759	114	–	(1,881)	427	4,930	6,349
Equity instrument of convertible debt	–	–	75	–	–	–	75
Options granted	–	–	–	–	67	–	67
Options exercised	–	–	–	1,831	(315)	(1,516)	–
Options lapsed and waived	–	–	–	–	(27)	27	–
Share issue	1,234	–	–	–	–	–	1,234
Transactions with owners	**1,234**	**–**	**75**	**1,831**	**(275)**	**(1,489)**	**1,376**
Loss for the period	–	–	–	–	–	(1,525)	(1,525)
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**(1,525)**	**(1,525)**
Balance at 30.6.2013	**3,993**	**114**	**75**	**(50)**	**152**	**1,916**	**6,200**

The notes on pages 27 to 57 form part of the financial statements.

Notes to the Financial Statements

ILX Group Plc (the "Company") is a company incorporated in England and Wales. The financial statements are presented in pounds sterling, and were authorised for issue by the Directors on 10 September 2013. On the 21 March 2013 the statutory year end was changed to 30 June to better reflect the cycle of revenue and reporting within the core Training business. As such the information in the financial statements is not entirely comparable.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Company financial statements present information about the Company as a separate entity and not about its Group.

Both the Group financial statements and the Company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). In publishing the Company financial statements here together with the Group financial statements, the Company has taken advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

1 Basis of preparation and significant accounting policies

Basis of preparation

The preparation of the Group accounts in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. The key estimates and assumptions are set out in the accounting policies below, together with the related notes to the accounts.

Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best judgment of conditions at the date of the financial statements. Key estimates and judgments relate to impairment analysis assumptions, revenue recognition over exam vouchers and deferred tax assets. In the future, actual experience may deviate from these estimates and assumptions, which could affect the financial statements as the original estimates and assumptions are modified, as appropriate, in the year in which the circumstances change.

The financial statements have been prepared on the historical cost basis as modified by financial assets and financial liabilities (including derivative financial instruments) at fair value through the statement of comprehensive income.

Change in Statutory period end

On 21 March 2013 the statutory year end was changed to 30 June to better reflect the cycle of revenue and reporting within the core Training business. As such the information in the financial statements is not entirely comparable with the prior year.

Restatement of Gross profit

We have recalculated the gross profit. The effect of this has been to move certain sales related costs, including administrative and technical staff costs and shipping costs, from administrative and distribution expenses to cost of sales. The accounting policies set out below have, unless otherwise stated, been applied consistently by the Group to all years presented in these financial statements. Due to the immateriality of the resulting changes it has not been deemed necessary to provide a third set of comparatives from 2011.

Going concern

The Group meets its day-to-day working capital requirements from its operating cash flows and from its revolving bank facility, of which £0.35 million was undrawn at the balance sheet date. Based on cash flow projections the Group considers the existing financing facilities to be adequate to meet operating requirements through December 2014.

1 Basis of preparation and significant accounting policies (continued)

Going concern (continued)

The Group has an outstanding term loan from HSBC bank (£0.5 million as the balance sheet date), which is due to be repaid during the next twelve months. The Directors have a reasonable expectation that there are no material uncertainties that cast significant doubt about the Group's ability to continue as a going concern. Accordingly, the Group has prepared the financial statements on a going concern basis.

The Group's banking facilities are due for renewal in November 2013. Through the recent negotiations with its loan note holders and its principal bankers, the Directors, after making enquiries, have a reasonable expectation that the Company and the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The negative net current liabilities reflected in the Group's statement of financial position are a reflection of the Group's prudent review of its liabilities. The financial statements do not include the adjustments that would result if the Group or Company was unable to continue as a going concern.

Basis of consolidation

The consolidated financial statements include the financial statements of ILX Group Plc and its subsidiaries. There are no associates or joint ventures to be considered.

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The Group uses the acquisition method of accounting to account for the acquisition of subsidiaries.

Revenue

Revenue for licences to generic software products is recognised at the start of the license term, provided that delivery has occurred. Revenue from multi-year licences is recognised over the license term.

Revenue from software that is sold together with a workshop or exam voucher is split into separate components based on the fair value of the individual deliverables. The software will be recognised upon delivery. The workshop or course deliverable will be recognised upon delivery of the service. The allocation of the fair value of the exam voucher is determined after taking into account the expected redemptions that have been reliably estimated based on significant historical experience. This amount is deferred until the exam has been taken or the voucher has expired.

Revenue from fixed price consultancy, training, customisation, and software development projects or events is recognised in accordance with the delivery for each project or event. Revenue from such projects chargeable on a time and materials basis is recognised when the work is performed.

Revenue from rental and support services is recognised evenly over the period for which the service is to be provided.

Deferred revenue represents amounts invoiced for revenue which is expected to be recognised in a future period. Accrued revenue represents amounts recognised as revenue which are to be invoiced in a future period.

Foreign currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are taken to the statement of comprehensive income.

In the consolidated accounts, the assets and liabilities of foreign subsidiaries are translated at the rates of exchange ruling at the balance sheet date. The trading results of foreign subsidiaries are translated using the exchange rate ruling at the date of the transactions. Exchange differences arising are classified as other comprehensive income and credited to foreign exchange reserve.

1 Basis of preparation and significant accounting policies (continued)

Share based payments

The Company operates a share option scheme. The fair value of the options granted under the scheme is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the vesting period, based on the number of options expected to vest

The fair value of the options granted is measured using the Black-Scholes model, adjusted to take into account sub-optimal exercise factor and other flaws in Black-Scholes, and taking into account the terms and conditions upon which the incentives were granted.

Business combinations

On acquisition the assets liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below fair values of the identified net asset acquired is credited to the income statements in the period of acquisition.

Changes in the Group's ownership interest that do not result in a loss of control are accounted for as equity transactions. Purchase of non-controlling interests are recognized directly within equity being the difference between the fair value of the consideration paid and the relevant share acquired of the carrying value of the net assets to the subsidiary.

Contingent and deferred consideration arising as a result of acquisitions is stated at fair value. Contingent and deferred consideration is based on management's best estimate of the likely outcome and best estimate of fair value, which is usually, not always, a contracted formula based on multiples of revenue and/or ebitda.

The Group has elected not to apply IFRS3 business combinations retrospectively to combinations prior to the date of transition of 1 Janaury 2008.

Goodwill

Goodwill is determined by comparing the amount paid, including the fair value of any deferred and contingent consideration, on the acquisition of a subsidiary or associated undertaking and the Group's share of the aggregate fair value of its separable net assets. It is considered to have an indefinite useful economic life as there are no legal, regulatory, contractual, or other limitations on its life. Goodwill is therefore capitalised and is subject to annual impairment reviews in accordance with applicable accounting standards. Contingent consideration is subject to annual re-measurement and any movement recorded through the profit and loss account.

Impairment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment, first looking at the intangible product and then acquired goodwill, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Eg if the product become obsolete, or a technology change occurs in the case of capitalized intangible product. The recoverable amount is the higher of an asset'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 using a discount rate that approximates the Grop's cost of capital to calculate the net present discounted cash flow. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

1 Basis of preparation and significant accounting policies (continued)

Acquired customer relationships

The value of acquired customer relationships is determined by estimating the net present value of the future profits expected from the customer relationships. Where customer relationships relate to contracts covering a pre-determined period, the value is amortised over that period.

Research and development

Research expenditure is written off to the statement of comprehensive income in the year in which it is incurred. Costs incurred on product development relating to the design and development of new or enhanced products are capitalised as intangible assets when it is probable that the development will provide economic benefits, considering its commercial and technological feasibility and the resources available for the completion and marketing of the development, and where the costs can be measured reliably. The expenditures capitalised are the direct labour costs, which are managed and controlled centrally. Other development costs are recognised as an expense as incurred. Product development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Change in accounting estimate

To update the estimate and reflect the interpretation of IAS 38 the Group has decided to adopt this new estimate to more accurately reflect the economic life of the product development investment. Capitalised product development expenditure is considered to have an economic life of ten years and is written off during the economic life on a straight line basis. Previously, relevant product development costs were recorded with an indefinite life, which was subject to regular impairment reviews.

As a result of the change in the estimate there was a charge to the amortisation account of £224,000 and is recognised within Depreciation and Amortisation in the Consolidated Statement of Comprehensive Income.

Depreciation

Property, plant, and machinery are stated at cost less accumulated depreciation. Depreciation on these assets is provided at rates estimated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Fixtures, fittings and equipment	– 4 years
Computer equipment	– 3 years
Building & properties	– 10 years

Investments

The Company carries the value of investments in subsidiaries at cost, after adjusting for any impairment.

Deferred taxation

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

1 Basis of preparation and significant accounting policies (continued)

Deferred taxation (continued)

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant nontaxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Defined contribution pension scheme

The pension costs charged in the financial statements represent the contributions payable by the Company during the year.

Leases and hire purchase contracts

The Company has no assets financed through finance leases.

Other leases are treated as operating leases. Annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

Convertible debt

Convertible loan notes are regarded as compound instruments, consisting of a liability instrument and an equity instrument. At the date of issue the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan note and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity. The portion relating to the equity component is charged directly against equity. The interest expense of the liability component is calculated by applying the effective interest rate to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

Deferred and contingent consideration

Deferred and contingent consideration payable is shown as a creditor on the balance sheet to the extent that a contractual obligation exists, or may exist, to make payment in cash.

Company profit

The Company profit for the financial year includes a loss after tax of £1,525,000 relating to the Company after taking account of restructuring costs of £2,412,000. No separate Company statement of comprehensive income has been presented, in accordance with Section 408 of the Companies Act 2006.

Interest

Interest on loans is expensed as it is incurred. Transaction costs of borrowings are expensed as interest over the term of the loans.

Financial instruments

The Directors consider the Company to have financial instruments, as defined under IFRS 7, in the following categories:

Loans and receivables

The Group's loans and receivables comprise cash and cash equivalents and trade receivables.

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

1 Basis of preparation and significant accounting policies (continued)

Financial instruments (continued)

Trade receivables are recognised and carried at original invoice amount less an adjustment for doubtful debts. Bad debts are written off to the statement of comprehensive income when identified. An estimate of the adjustment for doubtful debts is made when collection of the full amount is no longer probable.

Contingent consideration measured at fair value through profit or loss

The Group measures its contingent liabilities arising upon acquisition on an annual basis. Changes in the fair value of any such contingent liabilities, such as earn out or other contingent consideration are recognised immediately through the profit and loss account.

Other financial liabilities measured at amortised cost

These include accruals, trade payables, revolving credit facilities and term debt.

Trade payables are recognised and carried at original invoice amount. Accruals are recognised and carried at the amounts expected to be paid for the goods or services received but not invoiced at the balance sheet date.

Bank borrowings, overdrafts, and revolving credit facilities are classified as current liabilities to the extent that capital repayments are due within 12 months of the balance sheet date, and long term liabilities where they fall due more than 12 months after the balance sheet date.

Future changes to accounting policies

Certain new standards, amendments and interpretations to existing standards have been issued by the IASB or IFRIC with an effective date after the date of these financial statements:

Standard	*Description*	*Effective (periods beginning on or after)*
IFRS 9	Classification of financial assets and liabilities	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Disclosure of Interests in other entities	1 January 2014
IFRS 13	Fair Value Accounting	1 January 2013

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

2 Financial instruments – risk management

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

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

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

2 Financial instruments – risk management (continued)

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

	Group		Company	
	At	At	At	At
	30.6.2013	31.3.2012	30.6.2013	31.3.2012
Financial Assets	£'000	£'000	£'000	£'000
Loans and receivables	1,805	2,954	651	2,510
Cash on hand	1,142	638	685	558

	Group		Company	
	At	At	At	At
	30.6.2013	31.3.2012	30.6.2013	31.3.2012
Financial Liabilities	£'000	£'000	£'000	£'000
Fair value through profit or loss:				
Contingent consideration	596	28	596	28
Other:				
Bank loans	1,211	2,888	1,211	2,888
Convertible Loan	325	–	325	–
Trade payables.	1,104	940	699	794

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. The Group does, however, manage interest rate risk as detailed below. For loans and receiveables, and items carried at amortised costs, the carrying value approximates the fair value.

Fair value hierarchy

The following table presents financial assets and liabilities measured at fair value in the balance sheet in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The following tables present the Group's assets and liabilities that are measured at fair value at December 31, 2012 and December 31, 2011:

		2012			
		Level 1	Level 2	Level 3	Total
Group	**Note**	**£'000**	**£'000**	**£'000**	**£'000**
Liabilities					
Contingent consideration		–	–	562	–
Net fair value		–	–	562	–

Fair value measurements in Level 3

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

2 Financial instruments – risk management (continued)

The following table presents the changes in Level 3 instruments for the year ended December 31, 2012.

	At fair value through profit and loss £'000
At April 1, 2012	–
Contingent consideration from acquisition of Obrar	562
At June 30, 2013	562

Credit risk

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

The amount of receivables past due but not impaired at the balance sheet date was £ 378,000 (2012: £400,000). The receivables are aged as follows: Debt Aged 60 days and over 21%, up to 59 days 25%, and current up to 29 days, 53%.

The total exposure to credit risk lies within trade receivables and accrued revenue. The majority of these balances are with blue-chip companies. The risk is spread over a wide range of approximately 380 customers with an average balance of just under £5,000. The largest balance at year end comprised 8% of the total trade receivable balance.

At the reporting date the Directors do not expect any losses from bad debts other than where specific provision has been made.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group may encounter difficulty in meeting its financial obligations as they fall due.

The Group's banking facilities are due for renewal in November 2013. Through the recent negotiations with its loan note holders and its principal bankers, the Directors, after making enquiries, have a reasonable expectation that the Company and the Group will have adequate resources to continue in operational existence for the foreseeable future.

	Group		Company	
Group	At 30.6.2013 £'000	At 31.3.2012 £'000	At 30.6.2013 £'000	At 31.3.2012 £'000
Cash on hand	1,142	638	685	558

As at 30 June 2013, the Group's non-derivative financial liabilities have contractual maturities as summarized below:

As of 30 June 2013	Current within 6 Months £' 000	Currrent 6 to 12 Months £' 000	Non-current 1 to 5 years £' 000
Trade Payables	1,104	–	–
Borrowings	700	511	325
Contingent consideration	–	304	289

To ensure that this is achieved, rolling 12-month cash flow projections are prepared on a monthly basis within a model that can be readily flexed to show the effect of changes to key variables on cash balances and cash flow. These projections are reviewed by the Board and made available to the Group's bankers.

2 Financial instruments – risk management (continued)

At the balance sheet date these projections indicated that the Group expected to have sufficient cash and facilities to meet its obligations for the next 12 months.

Interest rate risk

Interest risk arises from potential changes to interest rates. It is the risk that the Group's financial position may be adversely affected by future changes to interest rates.

It is the Group's policy to reduce its exposure to movements in interest rates in instances where a significant change in rates could have a material adverse impact on the Group's position.

The Group's exposure to interest rate risk arises principally from its term debt, which carries an interest rate margin over Bank of England Base Rate, and its revolving credit facility, which carries an interest rate margin over LIBOR. Future changes in these rates will affect the interest cost to the group. These rates would need to rise significantly to have a material effect on the interest cost. A one percentage point movement in LIBOR would have approximately £2,000 impact on the monthly interest rate charge.

Exchange rate risk

All assets and liabilities are denominated in Sterling. Transactions in Euros, Danish Kroner, American Dollars, Australian Dollars, New Zealand Dollars, Omani Riyals, Emirati Dirhams, and South African Rand are translated at the exchange rate ruling at the date of the transaction. The Group did not carry out a significant level of transactions in any other currency during the year, however, this may increase in the future in line with the Group's strategy. A five percentage point adverse movement in the Australian dollar exchange rate could potentially be reflected as a £5,000 reduction on the monthly sales recorded in pound sterling in the Group's accounts. The exchange rates would need to move significantly to have a material effect on the translated cost.

Any gain or loss resulting from the final realisation of these transactions in sterling is taken to the statement of comprehensive income as an exchange gain or loss. Monetary assets and liabilities remaining in foreign currencies are re-translated at the rates of exchange ruling at the balance sheet date, with any gain or loss taken to the statement of comprehensive income as an exchange gain or loss.

No hedging of this risk is undertaken as the non-sterling assets and liabilities are relatively liquid and the Group considers that its exposure is adequately managed, for the time being, through matching of currency income and expenditure.

Capital risk

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern;
- To fund projects from raising capital from equity placements rather than long term borrowings;
- To increase the value of the assets of the business; and to provide an adequate return to shareholders in the future when new assets are taken on board.

These objectives will be achieved by maintaining and adding value to existing projects and ultimately taking them through to delivery and cash flow either with partners or by the Group's means.

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the financial position. Capital for the reporting periods under review is summarized in the consolidated statement of changes in equity and was £5,526 at the end of the period (2012: £6,041) .

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

3 Acquisitions and Disposals

On 5 December 2012 the company acquired 100% of the ordinary share capital of Obrar Ltd ("Obrar"). This was acquired for a maximum £1.41 million in cash. Obrar helps corporate clients achieve improvements in strategy, processes, sales, efficiency, technology design and deliveries and overall business performance. It was acquired to diversify the Group's revenue stream across the project management sector. Refer to note 13 for the break down off the fair value of customer relationship in relation to Obrar.

The fair values of the identifiable assets and liabilities of the new subsidiary at the date of acquisition were calculated below as follows:

Fair value of consideration	£'000
Cash paid	758
Fair value of contingent consideration	562
Total	**1,320**

Recognised amounts of identifiable net assets	Book value £'000	Fair value £'000
Intangible assets		381
Trade and other receivables	746	746
Cash at bank and in hand	93	93
Trade and other payables	(230)	(230)
Tax liabilities	(141)	(141)
Deferred Tax		(91)
Identifiable Net Assets	**468**	**758**
Goodwill on acquisition		**562**
Consideration paid in cash		758
Cash and cash equivalents acquired		(93)
Net cash outflow on acquisition		665
Acquisition costs charged to expenses		32
Net cash paid relating to the acquisition		**697**

Note: The fair value was calculated in line with the Group's acquisition policy in note 1. Goodwill has arisen from the acquisition due to synergies of management and the opportunity to for the Group to further expand the acquired customer relationships. Goodwill arising from the acquisition is not tax deductible. The fair value of the trade receivables and payables is based on gross contractual amount as these are expected to be settled in full within the year.

A first earn-out payment of up to £0.3 million will be made upon Obrar reaching a profit before tax target of £0.6 million for the year ended 31 March 2014. A second and final earn-out payment of up to £0.35 million will be made upon Obrar reaching a profit before tax target of £0.725 million for the year ended 31 March 2015.

3 Acquisitions and Disposals (continued)

The summarised income statement of the acquired entity for the period from the beginning of its financial year on 1 January 2012 to the effective date of acquisition, and for its previous financial year, is set out below:

Obrar Ltd	Period ended 5.12.2012 £'000	Year ended 31.3.2012 £'000
Revenue	1,414	1,625
Net profit	170	239

Amounts paid for acquisition of subsidiaries in the Consolidated Cash Flow Statement is made up as follows:

	£'000
Cash consideration re Obrar	758
less cash balances acquired with Obrar	(93)
Acquisition of other subsidiaries	–
	665

The amount of net profit since the acquisition date of acquired companies included in the company's income statement, excluding apportioned central costs, is as follows:

Obrar Ltd	15 months ended 30.6.2013 £'000	Year ended 31.3.2012 £'000
Revenue	1,474	–
Net profit	93	–

The revenues and profits of the group for the year, had the acquisitions made during the year been made at the beginning of the year, would have been as follows:

	Consolidated Statement of Comprehensive Income for the 15 months ended 30.6.2013 £'000	Pre-acquisition trading of Obrar for the period 1.4.2012 to 5.12.2012 £'000	Total for the 15 months ended 30.6.2013 as though the acquisition date was 1.4.2012 £'000
Revenue	16,992	1,414	18,406
Net profit	(1,318)	170	(1,148)

4 Segment reporting

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

Training – The Group's training revenue is generated through the sales of software and face-to-face and online training services. Included in the revenue for training services are exam fees.

Consulting – The Group's consulting revenue is generated through the delivery of project management consulting services.

The Group measures the operating performance of the business through monthly financial reports on the Training and Consulting divisions. These segments are reported because they reflect the management accounting key indicators which is used to manage the performance of the business. The Group's cost base cannot reasonably be allocated to an individual operating segment, and does not impact the decisions made by the chief operating decision maker, the chief executive officer.

Segment profit or loss consists of earnings before interest, tax, depreciation, amortisation, overheads and other adjusting items. This is the detail used by the chief operating decision maker in determining how to allocate resources.

	15 months ended 30.6.2013			**Year ended 31.3.2012**		
	Revenue £'000	**Gross profit £'000**	**Profit £'000**	**Revenue £'000**	**Gross profit £'000**	**Profit £'000**
Training division	15,345	6,196	2,627	13,473	6,059	3,400
Consulting division	1,647	182	20	–	–	–
Unallocated central costs*	–	–	(4,150)	–	–	(2,417)
	16,992	6,378		13,473	6,059	
Operating (loss) profit			(1,503)			983
Interest			(147)			(361)
(Loss)/profit before tax			(1,650)			622
**Adjusting items added back						
Non-cash refinancing charges			–			139
Restructuring cost			2,412			–
Share option charges			67			113
Impairment charges			224			60
Adjusted** profit before tax			1,053			934
Adjusted** operating profit			1,200			1,156

*including restructuring costs £2.4 million (2012: £nil) and unallocated central costs £1.7 million (2012:£2.4 million)

The segmented net assets and liabilities have not been allocated to the reporting divisions Training and Consulting as the latter division has only recently been brought into the Group and there is not a material level of apportionable resource for the period of review.

4 Segment reporting (continued)

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

	15 months ended 30.6.2013 £'000	15 months ended 30.6.2013 %	Year ended 31.3.2012 £'000	Year ended 31.3.2012 %
UK & Ireland	9,073	53.4	7,922	58.8
Australasia	4,186	24.6	2,502	18.6
Europe, Middle East and Africa	3,233	19.0	2,616	19.4
Americas	400	2.4	358	2.6
Asia	100	0.6	75	0.6
	16,992	100.0	13,473	100.0

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

Revenue represents the amount chargeable, excluding sales related taxes, for goods or services supplied, and is recognised as follows:

	Group	
Revenue by service	**At 30.6.2013 £'000**	**At 31.3.2012 £'000**
Software	7,452	7,130
Training and consulting	8,753	5,760
Other services	787	583
Total.	16,992	13,473

5 Operating profit

Operating profit is stated after charging:

	15 months ended 30.6.2013 £'000	Year ended 31.3.2012 £'000
Depreciation	104	137
Exchange losses / (gains)	(17)	(35)
Operating lease rentals - land and buildings	229	138
Operating lease rentals - other	7	7

Impairment of intangible fixed assets has been classified under Restructuring (refer to note 11). The was no material research and development charged during the period (2012:£60,000).

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

	15 months ended 30.6.2013 £'000	Year ended 31.3.2012 £'000
Audit of financial statements	64	53
Other services relating to taxation	37	10
Corporate finance and other advisory services	35	26
	136	89

Note: there was a change of auditor during the period. Amounts relating to previous auditor for audit, tax and advisory during the period was £78k.

6 Finance income

	15 months ended 30.6.2013 £'000	Year ended 31.3.2012 £'000
Bank interest	–	4

7 Finance costs

	15 months ended 30.6.2013 £'000	Year ended 31.3.2012 £'000
On bank loans and overdrafts	90	207
On shareholder loans	26	–
Mark to market of derivative financial instrument	–	(35)
Arrangement fees and refinancing costs	31	193
	147	365

8 Employees' and Directors' remuneration

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

Employed by the Group	15 months ended 30.6.2013 Number	Year ended 31.3.2012 Restated Number
Development and delivery	27	30
Administration and management	14	14
Sales and marketing	37	43
	79	87

Their total remuneration was as follows:

Group	15 months ended 30.6.2013 £'000	Year ended 31.3.2012 £'000
Wages and salaries	5,410	5,016
Social security costs	513	540
Pension costs	216	213
Share based payments	67	113
	6,206	5,882

8 Employees' and Directors' remuneration (continued)

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

Group	**15 months ended 30.6.2013 £'000**	**Year ended 31.3.2012 Restated £'000**
Cost of sales	2,628	2,220
Administrative expenses	3,431	3,297
Product development capital expenditure	147	365
	6,206	5,882

Company	**15 months ended 30.6.2013 £'000**	**Year ended 31.3.2012 Restated £'000**
Cost of sales	1,993	1,947
Administrative expenses	2,602	2,845
Product development capital expenditure	147	365
	4,742	5,157

Directors' Remuneration

Company	**15 months ended 30.6.2013 £'000**	**Year ended 31.3.2012 £'000**
Remuneration and other emoluments	508	567
Severance pay	239	–
Pension contributions	52	83
	799	650

	£'000	**£'000**
Highest paid Director	171	270

Prior to their resignation, three directors were accruing benefits under the pension scheme. However, as at the period end there were no Directors to whom retirement benefits are accruing under a money purchase scheme (2012: three). Jon Pickles and Eddie Kilkelly both participated in the Company pension scheme. Following their resignation as directors Jon Pickles made a gain of £51k on share options converted. Ken Scott made a gain of £87k on share options converted. A detailed analysis of Directors' remuneration is provided on page 13.

8 Employees' and Directors' remuneration (continued)

Key management personnel emoluments	15 months ended 30.6.2013 £'000	Year ended 31.3.2012 £'000
Salaries including taxes	415	509
Other compensation	91	141
Share based payment expense	67	113
	637	763

9 Pension costs

The Company operates a defined contribution pension scheme in respect of the Directors and employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the Company which amounted to £ 75,000 (2012: £110,000) plus contributions payable directly to Directors' and employees' personal pension schemes which amounted to £ 48,000 (2012: £44,000).

10 Tax expense

	15 months ended 30.6.2013 £'000	Year ended 31.3.2012 £'000
Current tax expense	(47)	191
Adjustment in respect of prior periods	(22)	(90)
Tax expense for the period	(69)	101
Deferred credit	(263)	–
Tax expense	(332)	101
Factors affecting the tax charge for the year		
Profit before tax	(1,650)	622
Profit before tax multiplied by standard rate of UK corporation tax of 23.8% (2012: 26%)	(393)	168
Effects of:		
Non-deductible expenses	112	2
Depreciation in excess of capital allowances	2	(2)
Share option adjustment	16	29
Provisions adjustment	(9)	(6)
Unutilised loses	263	–
Adjustment in respect of prior periods	(22)	(90)
Oversea Tax differences	(38)	–
Tax charge for period	(69)	101

Factors that may affect future tax charges

A deferred tax asset of £0.2 million related to the tax losses from the parent company has been recognised as at 30 June 2013. This amount is expected to be fully utilized against taxable income from operations in 2013. There is also a deferred tax liability of £0.1 million relating to the fair value of customer relationships from the acquisition of Obrar. The liability is expected to reverse over the next four years.

11 Restructuring

An internal review of the business has identified several opportunities to reduce costs that will translate into profitability. The management team has also tightened up a number of business processes and eliminated certain operating expenses and capital expenditure that have demonstrated either insufficient return or none at all. This has resulted in restructuring costs and intangibles impairment as follows:

	15 months ended 30.6.2013 £'000	Year ended 31.3.2012 £'000
Restructuring costs incurred	1,263	–
Provision for further restructuring costs	–	–
Impairment of intangibles	1,149	–
Total restructuring	2,412	–

12 Earnings per share

Earnings per share is calculated by dividing profit attributable to shareholders by the weighted average number of shares in issue during the year.

	15 months ended 30.6.2013 £'000	Year ended 31.3.2012 £'000
Loss/Profit for the period attributable to equity shareholders	(1,318)	521
Weighted average shares	34,190,645	25,226,782
Outstanding share options	–	2,714,760
Convertible loan equity	–	–
Weighted average shares for diluted earnings per share	34,190,645	27,941,542
Basic earnings per share	(3.85p)	2.07p
Diluted earnings per share	(3.85p)	1.86p

Note: The £400,000 convertible loan note is convertible into Ordinary Shares at a price of 10 pence per Ordinary Share and has a one for one warrant attached, exercisable at 10 pence per Ordinary Share, giving Praxis the potential to subscribe for a total of up to 8 million new Ordinary Shares. In addition, there are 660,936 of nil value shares eligible for exercise as well as 130,000 other share options. The loss for the period attributable to equity shareholders results in the exercise of the nil value share options and the convertible debt dilution being anti-dilutive.

13 Property, plant and equipment

Group Cost	Fixtures, fitting and equipment £'000	Computer equipment and software £'000	Property £'000	Total £'000
At 31.3.2011	63	156	–	219
Additions	18	160	–	178
Disposals	(9)	(80)	–	(89)
At 31.3.2012	72	236	–	308
Additions	31	47	48	126
Disposals	(45)	(59)	–	(104)
At 30.6.2013	58	224	48	330
Depreciation				
At 31.3.2011	27	97	–	124
Charge for the year	20	57	–	77
Disposals	(8)	(79)	–	(87)
At 31.3.2012	39	75	–	114
Charge for the period	20	72	12	104
Disposals	(38)	(59)	–	(97)
At 30.6.2013	21	88	12	121
Net Book Value				
At 30.6.2013	37	136	36	209
At 31.3.2012	33	161	–	194
At 31.3.2011	36	59	–	95

13 Property, plant and equipment (continued)

Company Cost	Fixtures, fitting and equipment £'000	Computer equipment and software £'000	Property £'000	Total £'000
At 31.3.2011	63	155	–	218
Additions	17	147	–	164
Disposals	(9)	(80)	–	(89)
At 31.3.2012	71	222	–	293
Additions	29	29	–	58
Disposals	(45)	(59)	–	(104)
At 30.6.2013	55	192	–	247
Depreciation				
At 31.3.2011	27	97	–	124
Charge for the year	19	55	–	74
Disposals	(8)	(79)	–	(87)
At 31.3.2012	38	73	–	111
Charge for the period	20	59	–	79
Disposals	(38)	(59)	–	(97)
At 30.6.2013	20	73	–	93
Net Book Value				
At 30.6.2013	35	119	–	154
At 31.3.2012	33	149	–	182
At 31.3.2011	36	58	–	94

14 Intangible assets

Group	Goodwill	Acquired customer relationships	Product development and intellectual property	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**
At 31.3.2011	10,385	–	3,285	13,670
Additions	16	–	473	489
Disposals	–	–	–	–
At 31.3.2012	10,401	–	3,758	14,159
Additions	559	381	241	1,181
Disposals	(26)	–	–	(26)
At 30.6.2013	10,934	381	3,999	15,314
Impairment and Amortisation				
At 31.3.2011	3,267	–	785	4,052
Charge for the year	11	–	299	310
At 31.3.2012	3,278	–	1,084	4,362
Impairment charge for the period	–	–	1,123	1,123
Amortisation charge for the period	–	–	224	224
At 30.6.2013	3,278	–	2,431	5,709
Net Book Value				
At 30.6.2013	7,656	381	1,568	9,605
At 31.3.2012	7,123	–	2,674	9,795
At 31.3.2011	7,118	–	2,500	9,618

Refer to note 3 for further details on acquired customer relationships.

14 Intangible assets (continued)

Company Cost	Goodwill £'000	Product development and intellectual property £'000	Total £'000
At 31.3.2011	24	2,680	2,704
Additions	–	473	473
Disposals	(13)	–	(13)
At 31.3.2012	11	3,153	3,164
Additions	–	241	241
Disposals	–	–	–
At 30.6.2013	11	3,394	3,405
Impairment			
At 31.3.2011	–	180	180
Charge for the year	11	299	310
Disposals	–	–	–
At 31.3.2012	11	479	490
Impairment charge for the period	–	1,123	1,123
Amortisation charge for the period	–	224	224
Disposals	–	–	–
At 30.6.2013	11	1,826	1,837
Net Book Value			
At 30.6.2013	–	1,568	1,568
At 31.3.2012	–	2,674	2,674
At 31.3.2011	24	2,500	2,524

Intangible capitalised product

The impairment charge of £1.1 million (2012: £nil) which was based on value in use at a discount rate of 10%, arose in the Training division as a result of under performance of the division. Factors contributing to the current year's underperformance include: a macro environment, the further investment required to address the digital assets and cost reduction measures at all levels, including senior management. Forecasts and assumptions which incorporate these factors have been used in the calculation of this year's impairment review.

Additions

The additions in respect of product development and intellectual property relate to products and intellectual property developed internally. The fair value of acquired customer relationships, £0.4 million which was calculated by discounting the estimated future cash flows resulting from certain key business relationships acquired with Obrar Limited to their net present value, using a discount rate of 10%.

Goodwill by Cash Generating Units

The above reflects the cash generating unit supporting Goodwill made up of Obrar Ltd, £562,000, and the Training business unit made up of £7,097,000, the historic acquired training businesses.

14 Intangible assets (continued)

Impairment

Goodwill is not amortised but tested annually for impairment with the recoverable amount being determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate (10%, being the closest match to its cost of capital), growth rates (in line with underlying growth of the industry) and forecasts in income and costs.

The Group assessed whether the carrying value of goodwill was supported by the discounted cash flow forecasts of operating segment based on financial forecasts approved by management covering a five year period, taking in to account both past performance and expectations for future market developments. Management used a 2% growth rate for the future extrapolated period. Management estimates the discount rate using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to training business.

In assessing the divisions the Group reviewed the management forecasts. Management believe the low growth rate used does not exceed the growth rate of the industry and in the primary markets served by the Group. The management forecasts include restructurings which have been completed prior to 30 June 2013.

In evaluating the recoverable amount, we employ the discounted cash flow methodology, which is based on making assumptions and judgements on forecasts, margins, discount rates and working capital needs. Management notes that a reasonable potential change in any of these associated factors would not lead to a recognition of an impairment charge.

	Learning and consultancy products and services £'000
Goodwill arising on consolidation	7,659
Other intangibles	
Acquired customer relationships	381
Product development and intellectual property	1,568
	1,949
	9,608

15 Investments

Cost	Shares in group undertakings (at cost) £'000
At 31.3.2011	7,095
Additions	23
(Disposals) / Adjustments	13
At 31.3.2012	7,131
Additions	1,330
(Disposals) / Adjustments	(27)
At 30.6.2013	8,434

The Company has the following subsidiary undertakings:

Name	*Principal Activity*	*Holding*	*Registered*
ILX Group Inc	Trading	100%	USA
ILX Group Pty Ltd	Trading	100%	Australia
ILX Consulting Pty Ltd	Trading	100%	Australia
ILX Group Aps	Trading	100%	Denmark
ILX Group Ltd	Trading	100%	New Zealand
ILX Consulting JLT	Trading	100%	UAE (Free Zone)
Obrar Ltd	Trading	100%	England & Wales
ILX Connexions Ltd	Non-trading	100%	England & Wales
ILX Key Skills Ltd	Non-trading	100%	England & Wales
ILX Learning Ltd	Non-trading	100%	England & Wales
ILX Mindscope Ltd	Non-trading	100%	England & Wales
ILX Publishing Ltd	Non-trading	100%	England & Wales
ILX Software Ltd	Non-trading	100%	England & Wales
ILX Solutions Ltd	Non-trading	100%	England & Wales
ILX Training Ltd	Non-trading	100%	England & Wales
Computa-Friendly Ltd	Non-trading	100%	England & Wales
Corporate Training Solutions Ltd	Non-trading	100%	England & Wales
CTG Exam Training Ltd	Non-trading	100%	England & Wales
Customer Projects Ltd	Non-trading	100%	England & Wales
Intellexis International Ltd	Non-trading	100%	England & Wales
Progility Consulting Ltd	Non-trading	100%	England & Wales
Progility Ltd	Non-trading	100%	England & Wales
Mindscope Ltd	Non-trading	100%	England & Wales
Mount Lane Training & Implementation Solutions Ltd	Non-trading	100%	England & Wales
The Corporate Training Group Ltd	Non-trading	100%	England & Wales

Note: Only the Trading entities above require to be audited. The other entities are non-trading or soon to be dormant with no activity in the period of the report.

16 Trade and other receivables

Group	At 30.6.2013 £'000	At 31.3.2012 £'000
Trade receivables	1,701	2,880
Other receivables	28	45
Corporation Tax receivable	291	–
Prepayments	355	312
Accrued revenue	76	29
	2,451	3,266

Company	At 30.6.2013 £'000	At 31.3.2012 £'000
Trade receivables	638	2,476
Other receivables	6	15
Amounts owed by group undertakings	–	–
Prepayments	276	222
Accrued revenue	7	19
	927	2,732

The amount of receivables past due but not impaired at the balance sheet date was £ 378,000 (2012: £400,000). The receivables are aged as follows: Debt Aged 60 days and over 21%, up to 59 days 25%, and current up to 29 days, 53%.

17 Trade and other payables

Group	At 30.6.2013 £'000	At 31.3.2012 £'000
HSBC 3-year term loan (see note 19)	511	1,838
HSBC 2-year revolving credit facility (see note 19)	700	1,050
5-year convertible shareholder loan	325	–
Trade payables	1,104	940
Corporation tax	–	145
Other taxes and social security costs	476	714
Contingent consideration (see note 18)	307	28
Accruals	916	766
Deferred revenue	2,009	1,705
	6,348	7,186

17 Trade and other payables (continued)

Company	At 30.6.2013 £'000	At 31.3.2012 £'000
HSBC 3-year term loan (see note 19)	511	1,838
HSBC 2-year revolving credit facility (see note 19)	700	1,050
5-year convertible shareholder loan	325	–
Trade payables	699	794
Amounts owed to group undertakings	642	668
Corporation tax	–	59
Other taxes and social security costs	303	609
Contingent consideration (see note 18)	307	28
Accruals	725	582
Deferred revenue	1,355	1,247
	5,567	6,875

18 Contingent consideration

	At 30.6.2013 £'000	At 31.3.2012 £'000
Current liabilities: Contingent consideration		
Acquisition of Obrar Ltd (refer to note 3)	273	–
Acquisition of rights to software products	34	28
	307	28
Non-current liabilities: Contingent consideration		
Acquisition of Obrar Ltd (refer to note 3)	289	–
Acquisition of rights to software products	–	28
	289	28

In January 2010 the Group purchased the full intellectual property rights to certain software products. Under the purchase agreement, a further payment equal to 20% of the gross profits on sales of these products over a 4-year period ended January 2014 is due. The payments are capped at £335,000, and no further payments are required after the expiry of the 4-year period.

The split between current and non-current liabilities is based on management's expectation for sales of software products in the forthcoming year.

19 Bank loans and facilities

	At 30.6.2013 £'000	At 31.3.2012 £'000
Total loans		
Repayable in one year or less (note 17)	1,536	2,888
	1,536	2,888

The HSBC loan and additional facilities are secured by a Debenture granted by the Group in favour of HSBC Bank Plc dated 30 October 2011, which includes a Fixed Charge over all present freehold and leasehold property; a First Fixed Charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and a First Floating Charge over all assets and undertakings both present and future.

The carrying amount of financial assets pledged as collateral under this Debenture as at 30 June 2013 was £3.3 million.

The HSBC 3-year amortising term loan has an interest rate of 3.3% over Base Rate, increasing to 4.0% above Base Rate with effect from 1 September 2012.

The HSBC 2-year revolving credit facility had a limit of £2,000,000 at the balance sheet date with a non-utilisation fee of 1.6% on the full facility and an interest rate of 3.15% over LIBOR on amounts drawn down. On 30 July 2012, the facility limit was reduced to £1,050,000, with the interest rate increasing to 4.0% above LIBOR from 1 September 2012 on amounts drawn down, and the non-utilisation fee increasing to 2.0% from 1 September 2012. This revolving facility has now been returned to its previous level of £2,000,000 on the same terms as above.

On 17 December 2012 ILX Group plc entered into an agreement with Praxis Trustees Limited ("Praxis Trustees"), a subsidiary of the Praxis Group, to raise £400,000 by way of a five year convertible loan. The loan note will be convertible into Ordinary Shares at a price of 10 pence per Ordinary Share and have a one for one warrant attached, exercisable at 10 pence per Ordinary Share, giving Praxis the potential to subscribe for a total of up to 8 million new Ordinary Shares.

The Loan Note conversion rights cannot be exercised until the Company has all necessary authorities to enable conversion free from pre-emption rights. Neither the Loan Note conversion rights nor the warrants can be exercised unless either the exercising party will not incur a City Code mandatory offer obligation or it obtains a dispensation from such obligation.

Of the total £1.6 million in facilities drawn at the balance sheet date, £0.5 million is expected to be repaid during the current financial year, comprising quarterly term loan repayments.

20 Share capital and reserves

	At 30.6.2013 £'000	At 31.3.2012 £'000
Authorised equity:		
Ordinary shares of 10p each	5,000	5,000
Allotted, called up and fully paid equity:		
Ordinary shares of 10p each	2,759	3,993

20 Share capital and reserves (continued)

The movement on allotted called up and fully paid shares is reflected below:

Issued and fully paid ordinary shares of 10 pence each	**Number of ordinary shares**	**Amount $**
Amount		
At April 1, 2011	26,972,580	2,697,258
Issue by placing	620,796	62,080
At March 31, 2012	27,593,376	2,759,338
At March 1, 2012	27,593,376	2,759,338
Issue by placing	12,340,000	1,234,000
At June 30, 2013	39,933,376	3,993,338

Company	**Called up share capital £'000**	**Share premium account £'000**	**Other reserve £'000**	**Own shares in trust £'000**	**Share option reserve £'000**	**Retained earnings £'000**	**Total £'000**
Balance at 31.3.2011	2,697	–	–	(1,852)	317	4,971	6,133
Equity component of convertible debt	–	–	–	–	–	–	–
Dividend paid	–	–	–	(29)	–	(377)	(406)
Options granted	–	–	–	–	113	–	113
Options lapsed and waived	–	–	–	–	(3)	3	–
Scrip issue	62	114	–	–	–	–	176
Transactions with owners	**62**	**114**	**–**	**(29)**	**110**	**(374)**	**(117)**
Profit for the year	–	–	–	–	–	333	333
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**333**	**333**
Balance at 31.3.2012	2,759	114	–	(1,881)	427	4,930	6,349
Equity instrument of convertible debt	–	–	75	–	–	–	75
Options granted	–	–	–	–	67	–	67
Options exercised	–	–	–	1,831	(315)	(1,516)	–
Options lapsed and waived	–	–	–	–	(27)	27	–
Share issue	1,234	–	–	–	–	–	1,234
Transactions with owners	**1,234**	**–**	**75**	**1,831**	**(275)**	**(1,489)**	**1,376**
Loss for the period	–	–	–	–	–	(1,525	(1,525)
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**(1,525)**	**(1,525)**
Balance at 30.6.2013	**3,993**	**114**	**75**	**(50)**	**152**	**1,916**	**6,200**

Share premium account

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

20 Share capital and reserves (continued)

Other reserve

This reserve records the difference between the proceeds of issue of the convertible loan note and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, as outlined in note 19.

Own shares in trust

This reserve records the purchase cost of shares by Investec Trust held in the Group's medium term incentive plan trust. Further details are contained in note 21.

Share option reserve

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

21 Share options and own shares in trust

Share options

As at 30 June 2013, 10 employees (including former Directors) held options (granted between 9 December 2002 and 19 November 2012) over a total of 790,936 (2012: 3,267,940) ordinary shares at an average exercise price of 9.5p (2012: 7.4p), as follows:

Date of grant	Number of shares under option at 31.3.2012	Granted during the year	Exercised during the year	Forfeited during the year	Number of shares under option at 30.6.2012	Exercise price	Expiry date
09-Dec-02	5,000	–	–	(5,000)	–	110p	09-Dec-12
01-Feb-04	25,000	–	–	(5,000)	20,000	70p	01-Feb-14
24-Dec-04	28,000	–	–	(13,000)	15,000	90p	24-Dec-14
15-Jul-05	18,125	–	–	(13,125)	5,000	90p	15-Jul-15
01-Oct-05	11,875	–	–	(11,875)	–	90p	01-Oct-15
01-Dec-05	7,500	–	–	(7,500)	–	100p	01-Dec-15
12-Jun-06	10,000	–	–	–	10,000	90p	12-Jun-16
22-May-07	87,500	–	–	(37,500)	50,000	53p	22-May-17
28-Nov-08	1,225,000	–	(1,225,000)	–	–	0p	28-Nov-18
30-Jan-09	75,000	–	–	(75,000)	–	20p	30-Jan-19
30-Jan-09	47,250	–	(47,250)	–	–	0p	30-Jan-19
31-Oct-09	240,000	–	–	–	240,000	0p	31-Oct-19
30-Apr-10	115,000	–	–	(115,000)	–	0p	30-Apr-20
01-Jun-10	80,000	–	–	–	80,000	0p	01-Jun-20
02-Jul-10	500,000	–	(500,000)	–	–	0p	02-Jul-20
24-Feb-11	60,000	–	–	(30,000)	30,000	25p	24-Feb-21
14-Apr-11	100,000	–	–	(100,000)	–	25p	14-Apr-21
20-Apr-11	432,510	–	(91,574)	–	340,936	0p	20-Apr-21
15-Aug-11	100,000	–	–	(100,000)	–	25p	15-Aug-21
19-Nov-11	100,000	–	–	(100,000)	–	25p	19-Nov-21
	3,267,760	–	(1,863,824)	(613,000)	790,936		

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

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

	Options outstanding at 31.3.2012	**Options granted during the year**	**Options exercised during the year**	**Options forfeited during the year**	**Options exercisable at 30.6.2013**	**Options outstanding (including those exercisable) at 30.6.2013**
Number of shares under option	3,267,760	–	(1,863,824)	(613,000)	790,936	790,936
Weighted average exercise price	7.4p	–	0.0p	27.4p	9.5p	9.5p
	at 31.3.2011				**at 31.3.2012**	**at 31.3.2012**
Number of shares under option	2,556,750	732,510	–	(21,500)	1,780,250	3,267,760
Weighted average exercise price	7.2p	10.2p	–	76.3p	8.6p	7.4p

The weighted average time to expiry of the share options outstanding at 30 June 2013 was 2.8 years (2012: 3.54 years). Details of individual expiry dates are shown above.

All options are exercisable between 2 and 10 years from the date of grant. Details of Directors' share options can be found on page 13. The Company's share price on 30 June 2013 was 11.25p (on 31 March 2012: 18.50p).

The fair value of all options granted is recognised as an employee expense with a corresponding increase in equity. The employee expense is recognised equally over time from grant until vesting of the option. The employee expense for the year was £67,000 (2012: £113,000). The fair value has been measured using the Black-Scholes model. The expected volatility is based in the historic volatility adjusted for any expected changes to future volatility. The material inputs into the model have been:

	Granted in year ended 31.3.2008	**Granted in year ended 31.3.2009**	**Granted in year ended 31.3.2010**	**Granted in year ended 31.3.2011**	**Granted in year ended 31.3.2012**	**Granted in 15 months ended 30.6.2013**
Average share price at grant	53.0p	22.5p	35.0p	20.1p	25.5p	–
Average exercise price	53.0p	2.9p	1.4p	2.0p	10.2p	–
Expected volatility	40%	48%	62%	68%	55%	–
Expected life	3.5 years	3.5 years	3.5 years	3.5 years	3.5 years	–
Expected dividend yield	1.3%	5.2%	5.4%	0.0%	6.0%	0.0%
Risk-free rate of return	5.0%	5.0%	1.0%	1.0%	1.0%	1.0%

Own shares in trust

At 30 June 2013, the Company held 49,231 (2012: 2,033,035) of its own ordinary shares in a trust, administered by Investec Trust Guernsey Ltd. The shares are held in trust and represented 0.001% of the total called up share capital. These shares will be utilised as required to satisfy share options granted to Directors and other senior management on vesting and exercise.

22 Related party transactions

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

The Company made payments to Octopus Investments Ltd of £12,500 (2012: £25,000) in respect of fees charged for the services of Damien Lane as Non-Executive Director.

The parent company charge royalties and management charges to their subsidiaries in the amounts of £833,546 and £423,710, respectively. These amounts along with any intercompany payable and receivable balances are eliminated upon consolidation.

The issue of a convertible loan and warrants to Praxis Trustees (together the "Transaction") is classified as a related party transaction. The Company made payment to Praxis of £26,000 in respect of interest due on its Convertible Loan Note for the period to 30 June 2013.

23 Ultimate parent undertaking and controlling interest

There is no ultimate controlling party.

24 Operating leases

At 30 June 2013 the Group had minimum commitments under non-cancellable operating leases as set out below:

Group	**Land and buildings 30.6.2013 £'000**	**Land and buildings 31.3.2012 £'000**
Due within one year	215	179
Due in second to fifth year	183	247
Total minimum lease payments	398	426

Company	**Land and buildings 30.6.2013 £'000**	**Land and buildings 31.3.2012 £'000**
Due within one year	160	121
Due in second to fifth year	94	18
Total minimum lease payments	254	139

The Group leases four office spaces under operating leases. The lease terms typically range from one year to ten years. There are no leases with more than five years to run from the balance sheet date.

The amounts shown above assume all leases are broken at the earliest opportunity and include any penalty payments that would result from exercising the early break clauses.

25 Capital commitments

There were no material capital commitments at the end of the year (2012: £0).

26 Post Balance Sheet Review

Acquisition of TFPL Limited ("TFPL")

TFPL is a recruitment, training and consulting business. The entire share capital was acquired on the 1st July 2013 for a maximum consideration of £0.6 million. The recruitment business is complementary to the activities of the group in the project management area. The Group has clients whose projects are temporary in nature and therefore there is potential demand for a service which can also help recruit while training clients in their chosen project management field.

TFPL provides executive search, managed services and the placement of permanent, interim and contract personnel into the public and private sectors. Since its establishment in 1985, the company has developed a strong brand and reputation in its marketplace.

The consideration for the acquisition comprises an upfront payment of £0.3 million, deferred consideration of £50,000 payable if TFPL's net fee income for the year to 31 October 2013 reaches £1.05 million, and a single earn-out payment of up to £0.25 million payable in full if TFPL's net fee income exceeds £1.3 million in the 12 months to 30 June 2014. All consideration is payable in cash.

At the date these financial statements were finalised the Directors has not finalised the valuation of the intangible assets acquired. A further valuation will take place. The Directors have identified three main types of intangible asset: Domain name and brand; IT systems ; and, customer relationships. The Directors consider that any residual goodwill that may arise will do so due to synergies and economies of scale from integrating TFPL within the Group.

Acquisition of Progility

The proposed acquisition of Progility Pty Ltd ("Progility") for a consideration of 159,733,504 ordinary shares credited as fully paid, which values Progility at £15.97 million. The acquisition is conditional, *inter alia*, on shareholders' consent, and the re-admission of the the enlarged group's share capital to trading on the AIM market of the London Stock Exchange. A Circular and Admission Document will be issued and dated today, the same day as the statutory accounts.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting ("the Meeting") of ILX Group plc ("the Company") will be held at the offices of the Company, 2nd Floor, Strand Bridge House, 138-142 The Strand, London, WC2R 1HH on 3 October 2013 at 10.00a.m. for the purpose of considering and, if thought fit, passing the following resolutions each of which will be proposed as an ordinary resolution:

Ordinary Business

1. To adopt the accounts for the fifteen month period ended 30 June 2013, together with the Reports of the Directors and Auditor.
2. To receive the Directors' Remuneration Report.
3. To elect Donald Stewart a Director of the Company
4. To elect John McIntosh a Director of the Company
5. To re-elect Paul Lever a Director of the Company
6. To re-appoint Grant Thornton UK LLP as Auditor to the Company and to authorise the Directors to determine their remuneration.

By Order of the Board

John McIntosh
Company Secretary

10 September 2013

Registered Office

2nd Floor Strand Bridge House
138-142 The Strand
London
WC2R 1HH

Explanatory Notes to the Notice of Annual General Meeting

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 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 Limited, The Registry, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive no later than 10.00 a.m. on 1 October 2013.

3. If you appoint a proxy, this will not prevent you attending the Meeting and voting in person if you wish to do so.

4. CREST members who wish to appoint a proxy or proxies through the CREST Electronic Proxy Appointment Service may do so for the Meeting and any adjournment(s) thereof by using 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. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited ("EUI") and must contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID RA10) by 10.00 a.m. on 1 October 2013. 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 Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

5. CREST members and, where applicable, their CREST sponsors or voting services provider(s) should note that EUI does not make available special procedures in EUI 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 provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

6. 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.

7. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to have the right to attend and vote at the 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 2 October 2013 or, if the Meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned 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 Meeting.

8. Except as provided above, members who have general queries about the Meeting should email investors@ilxgroup.com or telephone the Company on 020 7371 4444.

9. Copies of Directors' service contracts, letters of appointment and the register of Directors' interests in the share capital of the Company will be available for inspection for at least 15 minutes prior to and during the Meeting.

produced by codex GLOBAL Job No. 9943