REPORT & ACCOUNTS **07**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

International Learning Xchange

ILX GROUP

Company No. 3525870

CONTENTS

STATUTORY AND OTHER INFORMATION

Directors	P R S Lever* (Chairman) K P Scott (Chief Executive) J A Pickles (Finance Director) J H Davies*+ P Virik*++ * non-executive director + resigned 2 January 2007 ++ appointed 2 January 2007
Secretary	Secretarial Solutions Limited
Company Number	3525870
Registered Office	1 London Wall London EC2Y 5AB
Bankers	HSBC Bank plc 69 Pall Mall St James's London SW1Y 5EY
Auditors	Saffery Champness Beaufort House 2 Beaufort Road Clifton Bristol BS8 2AE
Nominated Adviser and Broker	Charles Stanley Securities 25 Luke Street London EC2A 4AR
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

I am pleased to present the results for the year ended 31 March 2007.

ILX Group plc has experienced another year of significant change and growth as the company continues to expand by way of organic growth and through acquisitions. The company's ability to provide a wide offering of high quality classroom training, e-learning, and consultancy remains a very powerful proposition, and with the acquisition of The Corporate Training Group this proposition has been broadened to include high level financial and banking training in addition to the existing portfolio of project and service management courseware.

Nevertheless, whilst the company saw operating profit growth of 58% year-on-year, we did not deliver fully to expectations, as previously announced in the trading update on 13 April 2007, due primarily to underperformance in the Mount Lane and Customer Projects acquisitions. This has been addressed through a restructure that sees these businesses even more fully integrated within the company's Best Practice division.

> Financial results

Turnover for the year was £10,340,406 (2006: £6,913,255) delivering an operating profit of £1,579,553 (2006: £1,000,725). Net profit for the year was £1,107,348 (2006: £1,699,430) representing basic earnings per share of 6.45p (2006: 16.39p). However, the underlying adjusted earnings per share figure is 5.94p (2006: 6.29p), as explained further in the Chief Executive's review and in note 10 to the accounts.

I am pleased to announce that your board has approved the issue of the company's second dividend which will be at 0.75p per share (2006: 0.75p per share), and will be paid subject to shareholder approval at the company's forthcoming AGM.

> Acquisitions

On 26 July 2006 the company purchased The Corporate Training Group Ltd ("CTG"), a leading financial training company. The company was purchased for £12.3 million, in cash and shares, of which £2.5 million was contingent upon meeting performance criteria for the year ended 31 March 2007 which have now been met, and of which £2.5 million remains contingent upon certain performance criteria for the year ended 31 March 2008.

CTG was started in 1996 by its current management team and is based in Clerkenwell, London. It provides in-house financially focused classroom training courses to major global organisations, and has grown to be regarded as one of the leading companies in its sector. It has an impressive blue chip client base, predominantly in the investment banking sector, where ongoing training requirements are of particular importance. It benefits from a large and highly visible order book, arising from the strength of the customer relationships and the nature of the courses that it operates.

The CTG business has historically been seasonal in that its busiest period is from July to November, with August as the peak training month, reflecting the graduate and associate training programmes undertaken for major investment banks. In future years this should complement our current seasonality which has been until now heavily weighted to the December to March period.

> Investor newsletters

The company continues to have in excess of 3,000 shareholders on the register and the board reiterates its hope that this will become a considerable advantage to the company, helping improve liquidity in the shares. With this in mind, the company continues to provide regular updates to shareholders by way of periodic newsletters. Their purpose is to give additional information on the group, its people and its challenges as it grows and matures.

I would strongly encourage shareholders to attend the AGM, to be held on Friday 20 July 2007, if at all possible. This provides an excellent opportunity not only for you to meet and quiz the directors, and some of the management team, but also for us to receive feedback from you as investors.

> Shareholder discount scheme

The company now caters for the training requirements not only of corporate bodies but also a very large number of individuals. The idea of a shareholder discount scheme has been raised a number of times and I am pleased to announce that we continue to offer a 10% discount on all training courses, and a 20% discount on software products, to all shareholders holding at least 1,000 shares at the time of purchase. The discount is applicable to private individuals only for open course enrolments and single user licences.

> Directorate Change

John Davies resigned from the board in January this year having served as a non-executive director since the company floated as Time2Learn plc in 2000.

At the same time, Paul Virik joined the board as non-executive director. He brings with him a wealth of experience spanning over 30 years leading a broad range of professional and business to business publishing operations across Reed Elsevier in the UK and US, spanning magazine publishing, conferences, exhibitions, directories and major internet developments. He has led operations across diverse markets including IT, Agriculture, Aviation, Social Work, Legal, Electronics, Hospitality, Human Resources, and Construction. His focus has always been on long term sustainable market leadership through teamwork, innovation and customer focus.

Paul takes over from John as a member of the remuneration committee and chairman of the audit committee.

I would like to warmly welcome Paul to the company and also to thank John for his service and contributions to the company over the last six years.

> Prospects

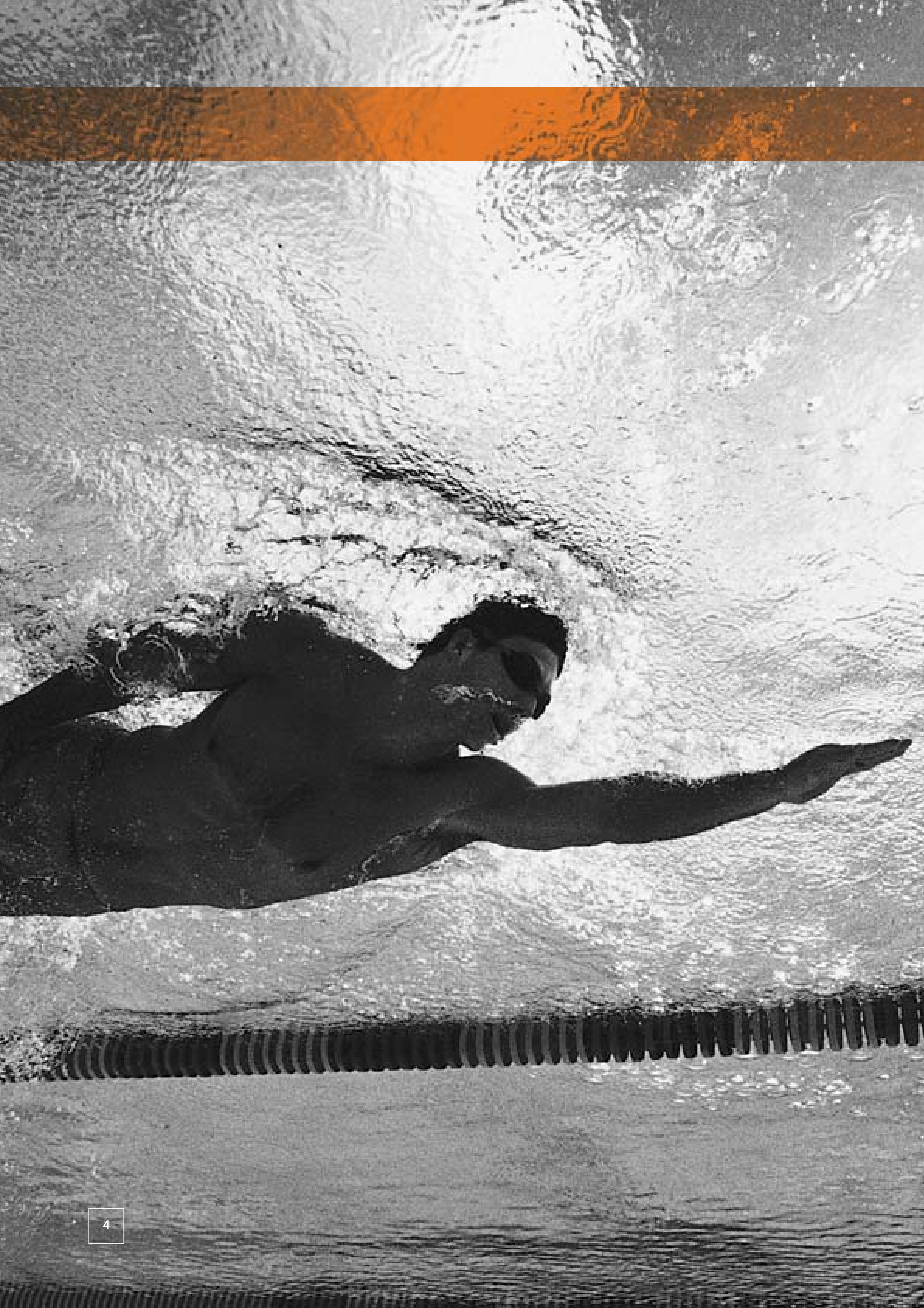
Whilst some areas of the business within the Best Practice division have experienced difficulties in the last year, these issues have now been fully addressed and the early signs, a series of new and repeat contract wins, are most encouraging. CTG meanwhile continues to go from strength to strength with further growth for the year ahead already coming through in terms of customer bookings; in addition the development of a series of e-learning products to complement the classroom offering is well under way.

There remains work to do to ensure all elements of the business continue to grow and to rebuild investor confidence, but the prospects nevertheless remain excellent.

Finally, I would like to formally welcome the staff and management of CTG, and once again to thank all ILX Group employees for their dedicated efforts over a year which has at times been difficult. We look forward to a strong performance and a successful year in 2007/8.

Paul Lever
Chairman

22 June 2007



> Introduction

Our strategy continues to be to build a significant vocational training business both through organic growth and by making earnings enhancing acquisitions. The year to 31 March 2007 has seen significant steps taken both through the acquisition of the Corporate Training Group Ltd ("CTG"), taking us into a new and exciting marketplace, and the integration of the other six individual businesses into one consolidated Best Practice division. The final integration of the last two of these businesses, Customer Projects and Mount Lane, took place in the six weeks immediately following the year end. Whilst the year has seen disappointing results in some areas, overall we have delivered another year of significantly increased turnover and profit.

> Financial Results

Profit for the year

The company delivered turnover of £10,340,406 for the year (2006: £6,913,255) and an operating profit of £1,579,553 (2006: £1,000,725). This growth resulted primarily from the acquisition of CTG, which contributed turnover of £3,338,850 during the 8 months post acquisition. Revenues from continuing business were flat despite a full year's trading from both the Mount Lane and Customer Projects acquisitions; the company's core computer-based training and blended products continued to show strong growth in the year, but this was offset by disappointing performances in other areas. Particular trends in the company's trading are identified later in this review.

Net profit for the year was £1,107,348 (2006: £1,699,430), giving basic earnings per share of 6.45p (2006: 16.39p). The underlying earnings per share is 5.94p (2006: 6.29p), and on that basis the 2007 performance represents a 5.6% fall on an enlarged base of 17.18 million weighted average shares (2006: 10.36 million).

The underlying figure is calculated by stripping out £92,716 in costs of a one-off nature relating to reorganisations of the company's ongoing activities, and from the 2006 figures the one-off recognition of a tax asset, relating to tax losses that are available to offset against future profits, before applying a notional tax charge of 30% to both years. Full details of the calculation are contained in note 10 to the accounts.

The directors recommend payment of a dividend of 0.75p per share. This dividend will be paid to shareholders on the register at 27 July 2007, subject to shareholder approval at the company's AGM.

The company has utilised £1.21 million of tax losses during the year. Unrelieved tax losses of £1.78 million remain available to be offset against future profits.

Acquisitions

CTG was purchased on 26 July 2006 for £12.3 million, in cash and shares, of which £5.0 million is deferred and contingent. The contingent consideration, which is payable 40% in cash and 60% in cash or shares at the company's option, is payable in two instalments on or before 30 June 2007 and on or before 30 June 2008.

Of the cash paid, the sum of £700,000 was ring fenced within an escrow account to be released on or before 30 June 2008, provided that the average annual pre-tax profit of CTG over the two-year period ended 31 March 2008 exceeded £1.149 million. This will now be released in July 2007 based on the profits of CTG for the year ended 31 March 2007 and the extent of bookings for the year ended 31 March 2008.

The first instalment is calculated as 9 times the excess of CTG's pre-tax profits for the year ended 31 March 2007 over £1.149 million. This payment is capped at £2.5 million and the first £1.0 million is to be made in cash with the remainder in cash or ordinary shares at the company's option. This first instalment is now payable in full based on CTG results for the year ended 31 March 2007; the precise split of cash and shares will be determined shortly.

The second instalment, which is capped at £5.0 million less the amount of the first instalment, is calculated as a total of 9 times the amount by which CTG's pre-tax profits for the 2 year period ended 31 March 2008 exceed the sum of £2.576 million, less the amount of the first instalment.

Earn-out agreements were also in place on the acquisitions of Mount Lane Training and Implementations Solutions Ltd and Customer Projects Ltd during the year, which finished on 31 March 2007. Both divisions fell significantly short of their earn-out targets and hence none of the amounts previously provided for in respect of these acquisitions will be payable. This is shown in the parent company accounts as an adjustment to the cost of investments and in the consolidated accounts as an adjustment to goodwill.

Cash generation and net debt

Cash generated from operating activities during the year was £1,982,198 (2006: £953,192), a conversion rate of 125% (2006: 95%) of profit from operations. The cash conversion was boosted by the significant level of debtors and accrued income that was acquired with CTG in the height of their busiest period and collected post acquisition. Nevertheless, the generation of almost £2 million in operating cash flow highlights the strong cash generation from the business.

Net cash from operating activities, which is stated after interest paid in relation to working capital facilities and corporation tax, was £1,860,712 (2006: £752,178). The tax payments totalling £96,858 (2006: £187,307) again relate entirely to pre-acquisition tax balances on acquired companies. Corporation tax balances payable in the coming year, relating to the pre-acquisition profits of CTG, are £130,773.

Net cash used in investing activities was £6,116,171 (2006: £1,186,117). The company spent £5,780,079 (2006: £839,914) on the cash elements of acquisitions (net of cash balances received) primarily in relation to CTG but also a small balance of deferred consideration on Customer Projects Ltd. The company also spent £198,945 on product development (2006: £474,305) relating to new products launched during the year or expected to be launched in the first half of the new financial year, and £163,646 (2006: £90,402) on capital expenditure, particularly in relation to investment in new computer hardware and systems to support group-wide IT over our four locations and an increasing demand from customers for hosted solutions.

Net cash from financing activities was an inflow of £4,453,019 (2006: £408,226), including £2,400,467 in increased borrowings (2006: £255,247 reduced borrowings) and £2,478,045 representing net proceeds from an issue of new ordinary shares, at a price of 80p, to help finance the CTG acquisition.

At the end of the year the company had cash balances of £843,686 (2006: £646,126) and total bank debt of £3,221,228 (2006: £820,761). The company's net debt position at the end of the year was therefore £2,377,542 (2006: £174,635), a multiple of 1.4 times EBITDA for the year.

> Best Practice Division – Business Review

Reorganisation

In last year's Chief Executive's Review I announced that the company was reorganising its four separate divisions into one Best Practice division, effective from April 1 2006. This was a natural evolution of the acquisition process and designed to enable the company to focus on its core areas and key customers more effectively, through the combination of particularly the Key Skills and Mindscope brands but also Intellexis and Computa-Friendly.

As a result of this, the company's sales team was consolidated during the year to allow them to offer solutions across the division's range of products. The technical and development teams were also brought together to gain efficiencies and ensure maximum focus on the division's growth products. The administration of all the company's service business was brought together at a new office in Theale Lakes Business Park, just off the M4.

As part of this process, we ceased to provide desktop applications training in order to allow us to focus on our core area of accreditation-led training. Finally, the individual trading names were dropped during the year and the division now trades simply as ILX (International Learning Xchange) Group plc.

Mount Lane and Customer Projects, acquired in November 2005 and February 2006 respectively, were included in the Best Practice division but as separately managed entities under the terms of their earn-outs. These have been fully integrated following the year end as covered later in this report.

Performance

Whilst the major core areas within the Best Practice division in 2006/7 performed well, the overall result was disappointing. The table below shows that whilst the core project and service management revenues grew by 19%, other revenues fell by 32%.

Turnover by subject		Year end 31/3/**07**		Year end 31/3/**06**	
	Growth%	£	%	£	%
PRINCE2 and other project management	16%	4,353,713	63%	3,753,760	54%
ITIL and service management	34%	1,005,114	14%	747,364	11%
Core Best Practice subjects	**19%**	**5,358,827**	**77%**	**4,501,124**	**65%**
IT and migration	-32%	632,253	9%	933,862	14%
Finance for non-financial managers	-45%	574,571	8%	1,045,898	15%
Non-subject revenues	1%	435,905	6%	432,371	6%
Other revenue streams	**-32%**	**1,642,729**	**23%**	**2,412,131**	**35%**
Total revenue	**1%**	**7,001,556**	**100%**	**6,913,255**	**100%**

Within the core Best Practice areas, as detailed below, e-learning showed strong growth of 26%. Classroom revenues fell by 1% overall but by 10% in the first half of the year, largely as a result of some customer service issues which were addressed by the consolidation of the administrative team at Theale. In the second half of the year revenues recovered and indeed grew by 10% over the previous year; thus providing additional momentum into 2007/8.

Revenues from consultancy and sale of books both increased substantially but from very low bases.

Core Best Practice by product/service type		Year end 31/3/**07**		Year end 31/3/**06**	
	Growth%	£	%	£	%
e-Learning	26%	3,109,522	58%	2,468,511	55%
Classroom	-1%	1,818,863	34%	1,838,364	41%
Consultancy	109%	306,774	6%	147,043	3%
Books	162%	123,668	2%	47,206	1%
Total revenue	**19%**	**5,358,827**	**100%**	**4,501,124**	**100%**

Trading outside of the core Best Practice areas was disappointing; whilst a drop in finance for non-financial managers sales was anticipated, the poor performance from Mount Lane, primarily due to the loss of that division's Commercial Director, was not. The long sales cycle for Mount Lane's range of products has meant that although a replacement is now in place it has taken some while to build up the sales pipeline, and as previously announced a number of deals expected to close in the year were delayed. The outlook for the future growth of the self-help and desktop migration areas remains promising however, particularly with the forthcoming launch of Microsoft Vista, and we are cautiously optimistic for a recovery in sales.

Geographic and product split

The chart below shows that the division continues to derive almost half its revenues from sales of software licences and a third from classroom training. The remainder is made up from consultancy, software development, and other revenue streams including recharges of expenses.

Turnover by product/service type		Year end 31/3/**07**		Year end 31/3/**06**	
	Growth%	£	%	£	%
e-Learning	5%	3,413,325	49%	3,265,753	48%
Classroom	4%	2,402,148	34%	2,306,841	33%
Consultancy	20%	341,094	5%	284,586	4%
Software development	-34%	376,266	5%	567,913	8%
Recharges and other	-4%	468,723	7%	488,162	7%
Total revenue	**1%**	**7,001,556**	**100%**	**6,913,255**	**100%**

The division continues to derive most of its revenues from the UK, as follows:

Turnover by geographical sector		Year end 31/3/**07**		Year end 31/3/**06**	
	Growth%	£	%	£	%
UK	1%	6,176,360	88%	6,092,440	88%
Mainland Europe	-2%	569,795	8%	578,724	8%
North America	-45%	63,387	1%	116,179	2%
Other	52%	192,014	3%	125,912	2%
Total revenue	**1%**	**7,001,556**	**100%**	**6,913,255**	**100%**

The directors see the current lack of overseas sales as a major opportunity for future growth.

Post year-end action

Following the year end a number of changes have taken place within the Best Practice division.

Firstly, the integration of the Mount Lane and Customer Projects divisions has been swiftly completed following the below-par performance from these businesses. The company has exercised its break clause in the lease of its premises at Wyvol Court and relocated Mount Lane staff to other existing premises. Additionally, the Theale administration team has taken over responsibility for all services delivery including the consultancy provided through Customer Projects and the migration training previously provided through Mount Lane. The resulting cut in premises and headcount has reduced administrative expenses within the Best Practice division by approximately 7%.

The full integration of the division's consultancy arm has given the combined sales force the ability to better address opportunities across the range of the division's services and to bid for larger contracts. I was therefore delighted that the company announced in May details of new and repeat contract wins totaling approximately £1 million, at least three of which were as a direct result of the combined approach.

As mentioned earlier the directors see overseas expansion as a major opportunity for future growth, and I am therefore excited to report on two recent management changes.

Martyn Kinch, who for the past two years has headed the Best Practice division, steps into a new role as International Sales Director (non-statutory). Martyn's considerable energy and sales expertise has helped drive the growth first in Key Skills and then the Best Practice division, and we are excited about the considerable opportunities for overseas business that have to date not yet been fully addressed.

This leaves a vacancy and I am delighted to confirm that we have appointed Tony Glass as Managing Director (non-statutory) of its Best Practice division, with effect from June 18. Tony, aged 53, was previously EMEA Sales Director of SkillSoft; a NASDAQ quoted leading provider of e-learning and performance support solutions for global enterprises, governments, education and small to medium-sized businesses. Tony joined SkillSoft in

March 2001 and has been credited with growing sales revenue substantially over a sustained period. He joins ILX from a background of extensive experience in the training industry and particularly in product marketing, customer retention and in managing successful sales operations.

Marketplace and prospects

The marketplace within which the Best Practice division operates remains highly fragmented and is increasingly competitive, as a result of a number of more traditional IT training businesses turning to more profitable specialist subjects such as PRINCE2 and ITIL in order to boost their margins.

The division's strategy is to continue its focus on e-learning as the preferred product, particularly at the less advanced stages of the various subjects, but to make available a full service offer that effectively provides a "one-stop shop" that can offer accredited e-learning, classroom, and consultancy services. Classroom training supports the e-learning in particular for the more advanced stages of the subjects and remains available as a stand-alone to those customers who, for whatever reason, prefer the instructor-led approach. Consultancy can help to identify the customers' learning requirements as well as to ensure that the expected benefits of the training are fully delivered.

We believe this approach is compelling as the combination and integration of offerings is unique in the marketplace and the e-learning element allows significant pricing flexibility for our customers. Customers who will accept e-learning products, although growing as a proportion of the market, remain in the minority. Accordingly we will continue to invest in research and development and in our core development team to ensure that our products remain of the highest quality. In addition we will continue to own the intellectual property for all our products, thus ensuring the necessary control.

The continued fragmentation of the marketplace remains an opportunity for future acquisitions should the right opportunity arise.

> Corporate Training Group – Business Review

Background

CTG was acquired on 26 July 2006. These results therefore reflect just over eight months' trading from the new division.

CTG is headed up by Peter Evans, who has a PhD from the London School of Economics and qualified as a chartered accountant with Moore Stephens in 1988. He founded the business with colleagues having previously been the UK Managing Director of a well known accountancy training business. Peter has worked with numerous global investment banks and multinational corporations developing and delivering specialist training programmes with a generic focus on equity valuation and shareholder wealth creation.

The business provides in-house financial training to major international organisations, primarily through its small team of twelve highly qualified trainers, with a particular focus on graduate training for major investment banks. I would like to echo the Chairman's sentiments and welcome Peter and his team to the company.

Performance

Trading at CTG has been excellent. Turnover for the year ended 31 March 2007, including the 4 months' pre-acquisition trading, was £4,679,138, an increase of 41% over its last published results of £3,318,538 for the year ended 31 December 2005. The division has experienced increases in both market size and in market share. CTG offers very good visibility to the group with significant revenues for the current financial year already booked and continuing to show strong growth.

As reported in the company's interim results the graduate training programmes that form a key element of CTG's business have reached record levels in 2005 and 2006 and graduate intakes for 2007 already look to exceed this. This in turn has led to much higher demand for follow on continuous professional development courses. Mobility of staff between banks is also at record levels and this in turn feeds through with an increase in contact referrals from bankers who have moved and now want high quality training in their new companies.

New expanding areas include wealth management, and private banking, with a number of our clients investing in this area. We are also seeing private equity firms starting to seriously invest in skills training, in particular financial modelling, as well as accountants and lawyers being recruited as lateral hires who need immediate training to get them up to speed.

Geographical split

As with the Best Practice division the bulk of the revenues are UK based. This again represents an excellent opportunity for growth and we are currently pursuing a number of options.

Marketplace and prospects

Turnover by geographical sector	Year end 31/3/**07**	
	£	%
UK	3,230,987	97%
Overseas	107,863	3%
Total revenue	**3,338,850**	**100%**

The strategy for CTG is threefold: to continue optimizing its pole position as the training provider of choice for the UK investment banking community; to introduce elements of state-of-the-art e-learning into this market to meet existing strong customer demand; and to grow the business overseas.

The UK and international capital markets are buoyant at present and we expect this to continue for the foreseeable future. We have consistently maintained an excellent reputation with our customers for high quality training, and in order to maintain this quality and the levels of growth we need to ensure we retain and recruit the very best trainers. Staff turnover for the last few years has been zero and two additional trainers have been recruited in June 2007 to meet the strong demand.

A key driver for the acquisition of CTG was the desire of both CTG and ILX Group to enter the market for e-learning products within the investment banking space. The combination of CTG's extensive intellectual property and subject matter expertise, and the company's existing experience in developing world-class learning software, is now coming together with the development of a next-generation suite of learning products, called iLearning, that will mirror and complement the quality classroom training already delivered by CTG. Initial customer reaction to prototypes has been extremely favourable and we expect to start launching these during the year.

Finally, as stated earlier, there is considerable opportunity to capitalise on the value of the CTG brand in overseas markets, and we continue to investigate suitable structures and partners to assist us in this area.

> Summary and prospects

Both our operating divisions are capable of achieving high levels of growth and have significant challenges and opportunities for the year ahead. In particular the opportunities for overseas expansion and the iLearning developments are very exciting.

Our primary focus for the first half is to deliver strong interim results to underline the growth in the businesses and demonstrate that the changes made within the Best Practice division have borne fruit.

Our strategy continues to be to build a sizeable training and software business in the vocational training market, achieved through organic growth and by earnings enhancing acquisitions. Despite the setbacks during 2006/7 we have continued to deliver overall profit growth and remain well placed to capitalise on the base that has been built to date.

Ken Scott
Chief Executive

22 June 2007

The directors present their report and the financial statements for the year ended 31 March 2007.

> Principal activity and business review

The principal activity of the group during the year was as providers of education and training products and services and related software development. A full review of trading and future developments is presented in the chief executive's review.

During the year, the group acquired The Corporate Training Group Ltd, a specialist provider of financial and investment banking training.

> Results and dividends

The results of the group for the year are set out on page 16. The directors recommend payment of a dividend of 0.75 pence per share, subject to shareholder approval at the annual general meeting on 20 July 2007. This dividend will be paid on 15 August 2007 to shareholders on the register at 27 July 2007. The ordinary shares will become ex-dividend on 25 July 2007. These financial statements do not reflect this dividend payable, which will be accounted for in the statement of changes in equity as an appropriation of retained earnings, in the year ended 31 March 2008.

> Principal shareholders

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

	Ordinary Shares of 10 pence each	Percentage
Barnard Nominees Ltd	2,177,430	11.23
Investec Trust Guernsey	1,850,000	9.54
Brewin Dolphin (Giltspur Nominees)	1,471,544	7.59
Park Row Group plc	1,030,652	5.32
Singer & Friedlander Investment Management	1,009,438	5.21
Kate Blackall	843,190	4.35
Marlborough Fund Managers	760,000	3.92
Andrew White	594,000	3.06
Singer & Friedlander AIM 3 VCT	591,600	3.05

The investment by Investec Trust Guernsey Limited represents 9.5% of the total called up share capital. This investment is a Medium Term Incentive Plan and the shares held by the trust will vest with various directors and senior management (see page 13 for details) only on achievement of certain performance criteria.

> Authority to purchase own shares

At the annual general meeting of the company held on 22 July 2005 shareholders approved a general authority for the company to re-purchase up to 14.99% of the company's issued ordinary share capital. No purchase of shares has been made pursuant to this authority, but the directors consider it desirable that the possibility of making such purchases under appropriate circumstances remains available. It is anticipated that a similar authority will be requested at the forthcoming annual general meeting. Any shares purchased under this authority will either be cancelled, and the number of shares in issue reduced accordingly, or held in treasury.

> Charitable donations

The company made charitable donations during the year of £800 (2006: £0). These donations were made to support staff members taking part in the "Race for Life" to raise money to fight breast cancer.

> 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 31 March 2007 was 44 (at 31 March 2006: 58).

> Directors and their interests

The present directors are listed on page 1. J H Davies resigned on 2 January 2007 and P Virik was appointed on 2 January 2007. The other directors served throughout the year. The interests of the directors (including family interests) in the share capital of the company are listed on page 13.

P R S Lever retires by rotation and, being eligible, offers himself for re-election at the forthcoming annual general meeting. P Virik, having been appointed by the board since the last annual general meeting, retires and, being eligible, offers himself for election at the forthcoming annual general meeting.

> Auditors

In accordance with S385 of the Companies Act 1985 a resolution proposing that Saffery Champness be reappointed as auditors to the company will be put to the annual general meeting.

In the case of each of the persons who were directors at the time when the report was approved under section 234A, each director has confirmed that:-

(a) so far as he is aware, there is no relevant audit information of which the company's auditors are unaware, and
(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report was approved by the board on 22 June 2007.

On behalf of the board

J A Pickles
Director

> Corporate governance

The directors intend, so far as possible and to the extent appropriate given the company's size and the constitution of the board, to comply with the combined code prepared by the committee on corporate governance chaired by Sir Ronald Hampel and which is appended to the listing rules of the Financial Services Authority. The board has separate roles for chairman and chief executive.

The board has established an audit committee, which comprises P R S Lever, and P Virik (chairman), and a remuneration committee which also comprises P R S Lever (chairman), and P Virik, with formally delegated responsibilities.

The audit committee meets at least twice a year and is responsible for ensuring that the financial performance of the company is properly monitored and reported. It is also responsible for appointing the auditors, ensuring the auditors' independence is not compromised, and reviewing the reports on the company from the auditors in relation to the accounts and internal control systems.

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.

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.

> Internal control

The combined code introduced a requirement that the directors' review should be extended to cover not just internal financial controls but all controls including operations, compliance and risk management. It reports as follows:

The directors are responsible for the group's system of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the company'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:

Management structure: the board of directors meets regularly and minutes of its meetings are maintained.

Financial reporting: budgets are prepared and reviewed by executive management. Any material variances to actual results are investigated.

Investment appraisal: the company has a clearly defined framework for capital expenditure requiring approval by key personnel and the board where appropriate.

The board has reviewed the effectiveness of the system of internal controls and it has considered the major business risks and the control environment. No significant control deficiencies were reported during the period.

No weaknesses in internal control have resulted in any material losses, contingencies or uncertainty which would require disclosure, as recommended by the guidance for directors on reporting on internal control.

> Remuneration policy

The objective of the company'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 financial year are set out below:

	Salary & fees £	Car allowance £	Other benefits £	Bonus £	Pension contributions £	TOTAL £
Executive directors						
K P Scott	173,233	13,000	21,748	56,501	29,067	293,549
J A Pickles	97,950	6,750	558	32,959	20,930	159,147
Non-executive directors						
P R S Lever	27,875	-	-	-	-	27,875
J H Davies	12,600	-	-	-	-	12,600
P Virik	6,250	-	-	-	-	6,250
	317,908	19,750	22,306	89,460	49,997	499,421

> Share options

It is the policy of the company that all employees are granted options over the shares of the company. The company grants options under an Inland Revenue approved scheme and also under an unapproved scheme. The share options granted to the directors are as follows:

	Number of shares under option at 31 March 2006	Granted / (lapsed) during the year	Number of shares under option at 31 March 2007	Exercise price	Date
K P Scott	140,500		140,500	110p	30-Sep-02
K P Scott	16,875		16,875	70p	31-Mar-04
K P Scott	225,000		225,000	96p	01-Dec-04
K P Scott	49,893		49,893	100p	13-Apr-05
K P Scott	144,901		144,901	100p	24-Nov-05
K P Scott		298,271	298,271	99p	22-Sep-06
J A Pickles	25,000		25,000	110p	09-Dec-02
J A Pickles	7,125		7,125	70p	31-Mar-04
J A Pickles	122,875		122,875	96p	01-Dec-04
J A Pickles	17,907		17,907	100p	13-Apr-05
J A Pickles	57,960		57,960	100p	24-Nov-05
J A Pickles		119,309	119,309	99p	22-Sep-06
P R S Lever	10,000		10,000	140p	07-Jan-03
J H Davies	10,000	(10,000)	-	110p	09-Dec-02
	828,036	407,580	1,235,616		

As at 31 March 2007, 67 employees (including directors) held options (granted between 19 April 2002 and 15 November 2006) over a total of 2,008,615 ordinary shares at an average option price of 95.7p. All options are exercisable between 2 and 10 years from date of grant.

The company's share price on 31 March 2007 was 87.0p (on 31 March 2006: 96.0p).

> Medium Term Incentive Plan

The company also has in place a Medium Term Incentive Plan designed to award shares in the company to directors and senior management on the achievement of performance criteria laid down from time to time by the remuneration committee. Ownership of the shares remains with Investec Trust Guernsey Limited and vest only on achievement of those criteria. The shares allotted to directors and senior management are as follows:

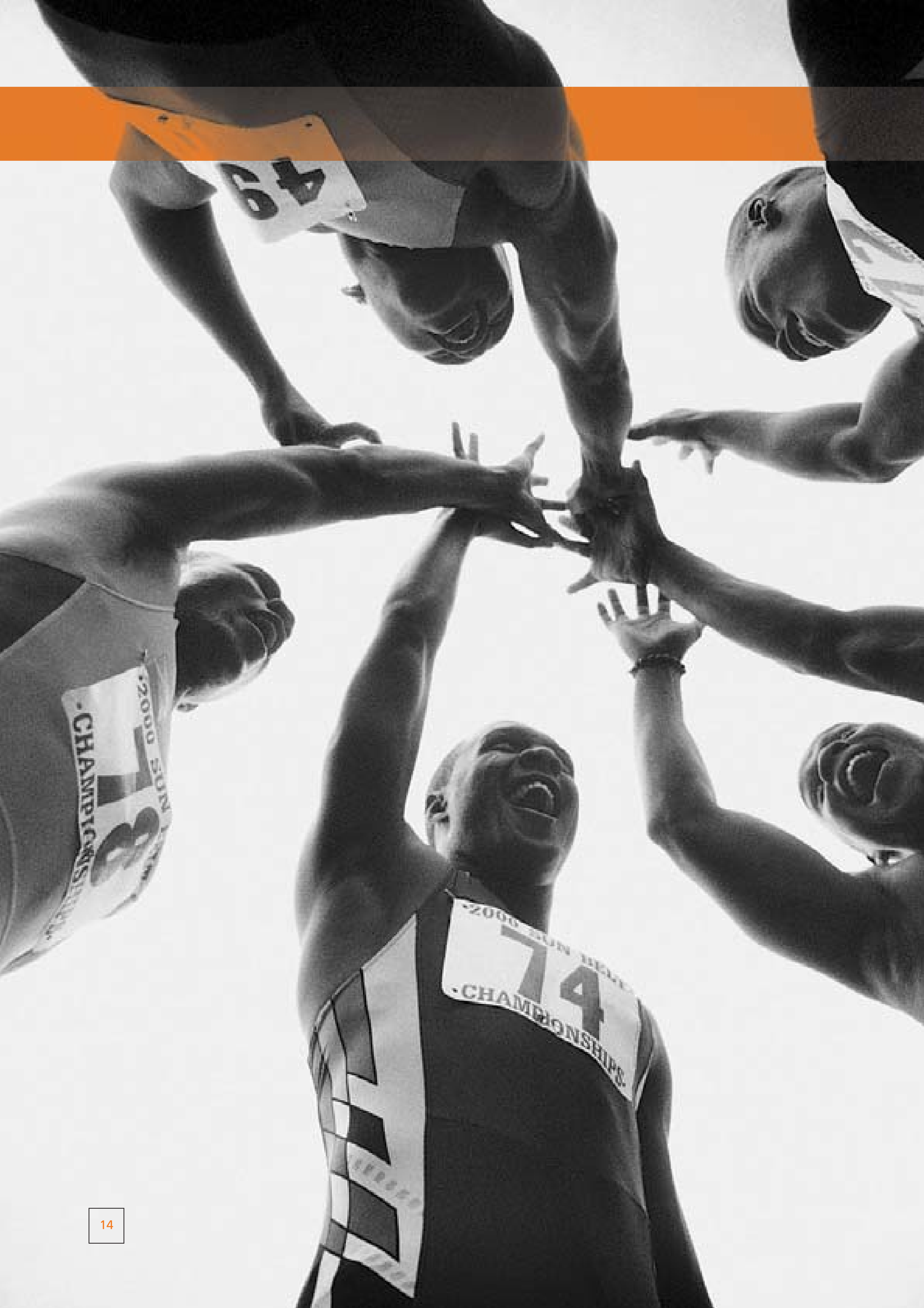
	Number of shares allotted at 31 March 2006	Allotted during the year	Vested during the year	Number of shares allotted at 31 March 2007
K P Scott	577,168	298,271	-	875,439
J A Pickles	230,867	119,309	-	350,176
Other management	291,965	332,420	-	624,385
	1,100,000	750,000	-	1,850,000

> Directors' interests

The interests of the directors (including family interests) in the share capital of the company at the year end are set out below.

	Ordinary shares of 10 pence each At 31 March 2007	Ordinary shares of 10 pence each At 31 March 2006
P R S Lever	84,100	46,600
K P Scott	147,585	110,085
J A Pickles	107,812	82,812
J H Davies	49,100	36,600
P Virik	-	-

There were no changes between 31 March 2007 and 22 June 2007.


74
·CHAMPIONSHIPS·

DIRECTORS' RESPONSIBILITIES AND REPORT OF THE AUDITORS

> Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that year.

In preparing those financial statements, the directors are required to select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether 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 group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

> Independent auditors' report to the members

We have audited the group and company financial statements (the "financial statements") of ILX Group plc for the year ended 31 March 2007 on pages 16 to 36. These financial statements have been prepared in accordance with the accounting policies set out therein. We have also audited the information in the directors' remuneration report.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities above, the company's directors are responsible for the preparation of the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we required for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the chairman's statement, the chief executive's review, the corporate governance statement and the directors' remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of affairs of the company and the group as at 31 March 2007 and of the profit for the group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Saffery Champness
Chartered Accountants and Registered Auditors
Beaufort House
2 Beaufort Road
Clifton
Bristol BS8 2AE

22 June 2007

CONSOLIDATED AND COMPANY INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

	Notes	Year ended 31.3.2007 Continuing activities £	Year ended 31.3.2007 Acquisitions £	Year ended 31.3.2007 Total £	Year ended 31.3.2006 Total £
Revenue	2	7,001,556	3,338,850	10,340,406	6,913,255
Cost of sales		(3,093,673)	(1,394,983)	(4,488,656)	(2,335,574)
Gross profit		3,907,883	1,943,867	5,851,750	4,577,681
Distribution costs		(275,709)	(10,325)	(286,034)	(227,548)
Administrative expenses excluding depreciation and amortisation		(3,371,085)	(528,024)	(3,899,109)	(3,302,092)
Earnings before interest, tax and depreciation and amortisation		261,089	1,405,518	1,666,607	1,048,041
Depreciation		(81,284)	(5,770)	(87,054)	(47,316)
Operating profit	3	179,805	1,399,748	1,579,553	1,000,725
Interest receivable and similar income	5			26,499	12,073
Interest payable and similar charges	6			(241,344)	(71,123)
Profit before tax				1,364,708	941,675
Tax	9			(257,360)	757,755
Profit for the period attributable to equity holders				1,107,348	1,699,430
Earnings per share – from continuing operations and acquisitions					
Basic	10			6.45p	16.39p
Diluted	10			6.33p	15.08p

> Consolidated and company statement of changes in equity
Year ended 31 March 2007

	Year ended 31.03.2007 £	Year ended 31.03.2006 £
Balance at start of year	12,919,708	6,460,730
Profit for the year	1,107,348	1,699,430
Dividends Paid	(96,250)	-
Capital reorganisation	-	(18,267)
Issue of shares to trust	(742,500)	(781,420)
Issue of shares	655,247	385,937
Options granted	62,659	108,750
Contingent consideration	970,000	1,655,000
Premium on issue of shares	4,731,927	3,495,483
Costs relating to share issue	(166,629)	(85,935)
Balance at end of year	19,441,510	12,919,708

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2007

	Notes	As at 31.3.2007	As at 31.3.2006
Assets		£	£
Non-current assets			
Property, plant and equipment	11	232,554	132,872
Intangible assets	12	22,779,845	12,386,146
Deferred tax asset	9	534,000	789,000
Total non-current assets		23,546,399	13,308,018
Current assets			
Trade and other receivables	15	2,660,587	2,031,070
Cash and cash equivalents		843,686	646,126
Total current assets		3,504,273	2,677,196
Total assets		27,050,672	15,985,214
Current liabilities			
Trade and other payables		(1,743,352)	(1,317,742)
Deferred consideration	17	(1,000,000)	(236,869)
Tax liabilities		(644,582)	(417,086)
Bank loans	18	(1,098,372)	(146,429)
Total current liabilities	16	(4,486,306)	(2,118,126)
Non-current liabilities			
Provision for contingent consideration	17	(1,000,000)	(270,000)
Hire purchase creditor	18	-	(3,048)
Bank loans	18	(2,122,856)	(674,332)
Total non-current liabilities		(3,122,856)	(947,380)
Total liabilities		(7,609,162)	(3,065,506)
Net assets		19,441,510	12,919,708
Equity			
Issued share capital	19	1,938,576	1,283,329
Share premium	19	11,813,335	7,248,037
Shares to be issued – contingent consideration	17	3,000,000	2,030,000
Own shares in trust	19 & 20	(1,824,692)	(1,082,192)
Share option reserve	19	258,281	199,616
Buyback reserve	19	1,177,819	1,177,819
Retained earnings	19	3,078,191	2,063,099
Total equity		19,441,510	12,919,708

The financial statements were approved by the board of directors and authorised for issue on 22 June 2007.
They were signed on its behalf by:

J A Pickles ____________________ Director

K P Scott ____________________ Director

COMPANY BALANCE SHEET
AS AT 31 MARCH 2007

	Notes	As at 31.3.2007 £	As at 31.3.2006 £
Assets			
Non-current assets			
Property, plant and equipment	11	232,554	132,872
Intangible assets	12	837,071	638,126
Investments	13	21,942,774	11,748,020
Deferred tax asset	9	534,000	789,000
Total non-current assets		23,546,399	13,308,018
Current assets			
Trade and other receivables	15	2,660,587	2,031,070
Cash and cash equivalents		843,686	646,126
Total current assets		3,504,273	2,677,196
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They were signed on its behalf by:

J A Pickles ______________________ Director

K P Scott ______________________ Director

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

	Notes to cash flow statement	Year ended 31.3.2007 £	Year ended 31.3.2006 £
Profit from operations		1,579,553	1,000,725
Adjustments for:			
Profit on disposal of non-current assets		-	(9,861)
Depreciation and amortisation		87,054	47,316
Share option charge		62,659	108,750
Movement in trade and other receivables		457,349	(821,795)
Movement in trade and other payables		(204,417)	628,057
Cash generated from operating activities		1,982,198	953,192
Interest paid		(24,628)	(13,707)
Tax paid		(96,858)	(187,307)
Net cash generated from operating activities		1,860,712	752,178
Investing activities			
Interest received		26,499	12,073
Proceeds on disposal of property, plant and equipment		-	206,431
Purchases of property, plant and equipment		(163,646)	(90,402)
Expenditure on product development		(198,945)	(474,305)
Acquisition of subsidiaries (net of cash acquired)	c)	(5,780,079)	(839,914)
Net cash used by investing activities		(6,116,171)	(1,186,117)
Financing activities			
Post-completion dividends paid		(82,411)	-
Increase in / (repayment of) borrowings		2,400,467	(255,247)
Repayment of finance lease obligations		(10,362)	-
Net proceeds of share issue		2,478,045	720,796
Interest paid		(236,470)	(57,323)
Dividend paid		(96,250)	-
Net cash from financing activities		4,453,019	408,226
Net change in cash and cash equivalents		197,560	(25,713)
Cash and cash equivalents at start of year		646,126	671,839
Cash and cash equivalents at end of year		843,686	646,126

a) Purchase of subsidiary undertaking – The Corporate Training Group Ltd

On 26 July 2006 the company acquired 100% of the ordinary share capital of The Corporate Training Group Limited ("CTG"). This was acquired for a maximum £12,300,000 in cash and shares. The trade, assets and liabilities of CTG were immediately hived up to the parent company.

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

Net assets acquired	Book value	Revaluation	Fair value
	£	£	£
Tangible fixed assets	23,090	-	23,090
Intangible assets	-	7,579,000	7,579,000
Trade and other receivables	1,032,956	-	1,032,956
Cash at bank and in hand	213,021	-	213,021
Trade and other payables	(409,425)	-	(409,425)
Tax liabilities	(598,165)	-	(598,165)
Net assets	261,477	7,579,000	7,840,477
Acquisition costs			(456,231)
Goodwill			4,915,754
			12,300,000
Satisfied by			
Shares allotted			2,000,000
Cash paid			5,300,000
Contingent consideration			5,000,000
			12,300,000

The intangible assets identified relate to the intellectual property rights over the training materials which are subject to copyright and the valuation of certain key customer relationships. Further information is available in note 12 to the accounts.

The £2,000,000 share payment was made by way of an issue of 2,500,000 new ordinary shares to the vendors. Fair value for these shares was set at 80p based on the price at which new shares were simultaneously placed with institutional investors. The shares are subject to a 24 month lock-in arrangement whereby for 12 months no sales may be made without the prior written consent of the company which may be withheld for any reason, and for a further 12 months sales may not be made without the prior written consent of the company which shall not be unreasonably withheld.

Of the cash paid, the sum of £700,000 was ring fenced within an escrow account to be released on or before 30 June 2008, provided that the average annual pre-tax profit of CTG over the two-year period ended 31 March 2008 exceeded £1.149 million. This will now be released in July 2007 based on the profits of CTG for the year ended 31 March 2007 and the extent of bookings for the year ended 31 March 2008.

The contingent consideration is payable in two instalments on or before 30 June 2007 and on or before 30 June 2008.

The first instalment is calculated as 9 times the excess of CTG's pre-tax profits for the year ended 31 March 2007 over £1.149 million. This payment is capped at £2.5 million and the first £1.0 million is to be made in cash with the remainder in cash or ordinary shares at the company's option. The first instalment is now payable in full based on CTG's results for the year ended 31 March 2007.

The second instalment, which is capped at £5.0 million less the amount of the first instalment, is calculated as a total of 9 times the amount by which CTG's pre-tax profits for the 2 year period ended 31 March 2008 exceed the sum of £2.576 million, less the amount of the first instalment.

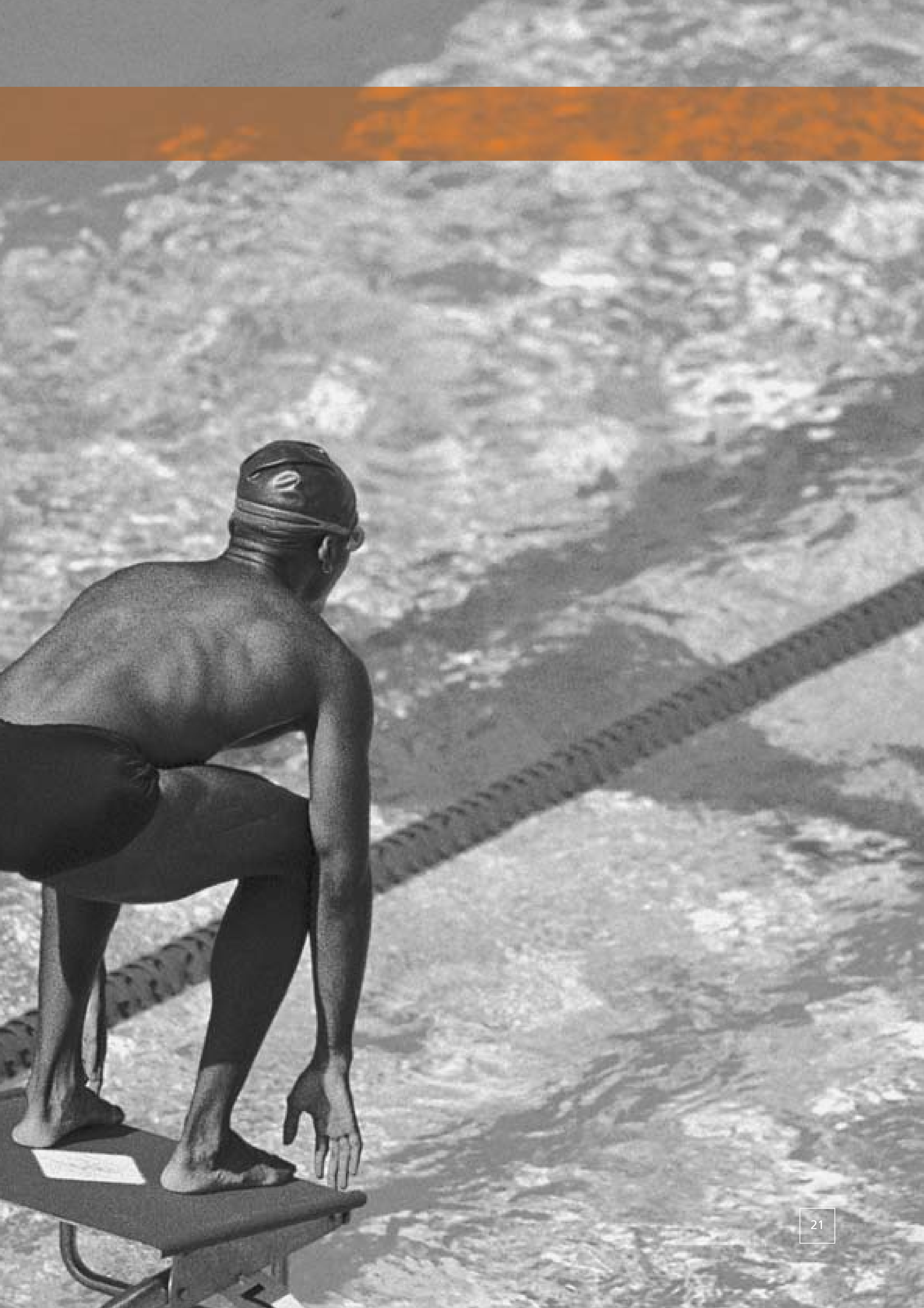
b) Prior years – The Corporate Training Group Ltd

The summarised income statement of the acquired entity for the 30-week period from the beginning of its financial year on 1 January 2006 to the effective date of acquisition, and for its previous financial year, is set out below:

	30 weeks to 26.07.2006	Year ended 31.12.2005
	£	£
Revenue	1,816,102	3,318,538
Administrative expenses	(1,354,429)	(3,011,330)
Operating profit	461,673	307,208
Interest receivable	9,145	13,512
Interest payable	(920)	(5,568)
Profit before tax	469,898	315,152
Tax	(130,338)	(67,435)
Profit after tax	339,560	247,717

c) Reconciliation of amounts paid for acquisition of subsidiaries

	£
Payment of opening deferred consideration balance re Customer Projects Ltd	(236,869)
Cash consideration re CTG	(5,300,000)
Acquisition costs re CTG	(456,231)
less cash balances acquired with CTG	213,021
Net cash outflow for acquisitions	(5,780,079)



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 22 June 2007.

The group financial statements consolidate those of the company and its subsidiaries (together referred to as the "group"). The parent 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 s230 of the Companies Act 1985 not to present its individual income statement 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 judgement at the date of the Financial Statements. In the future, actual experience may deviate from these estimates and assumptions, which could affect the Financial Statements as the original estimates and assumptions are modified, as appropriate, in the year in which the circumstances change.

The financial statements have been prepared on the historical cost basis.

The accounting policies set out below have, unless otherwise stated, been applied consistently by the group to all years presented in these financial statements.

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 purchase method of accounting to account for the acquisition of subsidiaries.

Revenue
Revenue represents the amount chargeable, excluding sales related taxes, for goods or services supplied. Revenue is only recognised when there is persuasive evidence that a contract exists, the fee is fixed or determinable and collection of the resulting receivable is considered probable. Full provision is made for all known or expected losses.

Revenue for sales of generic software products and delivery of standard services is recognised where an order has been placed and delivery has occurred.

Revenue from fixed price consultancy, customisation, and software development contracts is recognised in accordance with the percentage completed for each contract. Revenue from such contracts 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.

Share based payments
The company operates two share option schemes. The fair value of the options granted under these schemes is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period at the end of which the option holder may exercise the option.

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.

Goodwill
Goodwill is determined by comparing the amount paid, including the full undiscounted 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. Goodwill is capitalised and is subject to annual impairment reviews in accordance with applicable accounting standards.

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. Where the consideration may be paid by way of shares the deferred and contingent consideration is shown under equity.

Segment reporting
A business segment is a distinguishable component of a group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographic segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

Research and development
Research expenditure is written off to the income statement 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.

Capitalised product development expenditure is subject to regular impairment reviews and is stated at cost less any accumulated impairment losses. Any permanent impairment taken during the year is shown under amortisation on the income statement.

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:

Freehold buildings – 50 years
Fixtures, fittings and equipment – 4 years
Motor vehicles – 4 years
Computer equipment – 3 years

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

Deferred taxation
Deferred tax is provided in full in respect of temporary differences between the treatment of certain items for taxation and accounting purposes. Deferred tax liabilities are not material against the available losses brought forward and are therefore not reported.

Deferred tax assets are recognised where unused tax losses are available to offset against future profits and where there is convincing evidence that sufficient taxable profits will be available against which the unused tax losses can be offset.

Leasing and hire purchase commitments
Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce constant periodic rates of charge on the net obligations outstanding in each period. All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term.

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

Loans
Borrowings 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.

Foreign currencies
Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

Defined contribution pension scheme
The pension costs charged in the financial statements represent the contributions payable by the company during the year.

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

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

Trade payables
Trade payables are recognised and carried at original invoice amount.

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. Where the relationships have an indefinite life, the value is subject to annual impairment reviews in accordance with applicable accounting standards.

Future changes to accounting policies
Certain changes to IFRS will be applicable for the group accounts in future years. To the extent that the group has not adopted these early in the accounts to 31 March 2007, they will not affect the group reported profit or equity but they will affect disclosures. The requirements, which have been endorsed by the EU, are effective from 1 January 2007 and are considered to affect the group, relate to disclosures under IFRS7 Financial Instruments: disclosures and amendments to IAS1 – Capital disclosures. In addition, IFRS8 Operating Segments will be effective from 1 January 2009 if, as expected, it is endorsed by the EU. However, once endorsed, it would be possible to adopt IFRS8 before 2009.

2 Segment reporting

The group operates in one business segment; that of supply of training and consultancy solutions. The operations are monitored by the geographic regions of UK, Mainland Europe, North America, and Other (Asia, Middle and Far East, Africa, and South America). Tax assets and liabilities and the intangible asset for product development capitalised are excluded from segment assets and liabilities. All other assets and liabilities are maintained and managed centrally and are apportioned between the regions on a pro-rata basis below.

For the year ended 31 March 2007	UK £	Mainland Europe £	North America £	Other £	Total £
Segment revenue	9,407,348	611,303	63,387	258,368	10,340,406
Segment result	5,063,499	329,033	34,118	139,066	5,565,716
Central costs					(3,986,163)
Operating profit					1,579,553
Capital additions	169,886	11,039	1,145	4,666	186,736
Depreciation and amortisation	79,199	5,146	534	2,175	87,054
Segment assets	24,609,781	1,599,177	165,821	675,893	27,050,672
Segment liabilities	6,922,557	449,837	46,644	190,124	7,609,162

For the year ended 31 March 2006	UK £	Mainland Europe £	North America £	Other £	Total £
Segment revenue	6,092,440	578,724	116,179	125,912	6,913,255
Segment result	3,833,639	364,159	73,105	79,230	4,350,133
Central costs					(3,349,408)
Operating profit					1,000,725
Capital additions	79,668	7,568	1,519	1,647	90,402
Depreciation and amortisation	41,698	3,961	795	862	47,316
Segment assets	14,542,804	945,011	97,990	399,409	15,985,214
Segment liabilities	2,788,893	181,226	18,792	76,595	3,065,506

3 Operating profit

Operating profit is stated after charging:

	Year ended 31.3.2007 £	Year ended 31.3.2006 £
Depreciation on assets held under finance leases and hire purchase agreements	-	2,125
Depreciation	87,054	47,317
Exchange differences	15,065	2,230
Operating lease rentals – land and buildings	99,314	75,850
Fees receivable by the group's auditors:		
Audit of financial statements	41,675	37,300
Other services relating to taxation	7,000	7,650
Services relating to corporate finance transactions	18,014	39,766
Other services	3,000	3,000
	69,689	87,716

4 Reorganisation costs

During the year the company incurred exceptional costs of £92,716 (2006: £0) relating to reorganisations of the company's continuing operations.

5 Interest receivable and similar income

	Year ended 31.3.2007 £	Year ended 31.3.2006 £
Bank interest	26,499	12,073

6 Interest payable and similar charges

	Year ended 31.3.2007 £	Year ended 31.3.2006 £
On bank loans and overdrafts	240,795	70,221
Other interest	549	902
	241,344	71,123

7 Employees' and directors' remuneration

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

Group and company	Year ended 31.3.2007 Number	Year ended 31.3.2006 Number
Development and delivery	27	17
Office and management	20	20
Sales and marketing	23	19
	70	56

Their total remuneration was:

Group and company	Year ended 31.3.2007 £	Year ended 31.3.2006 £
Wages and salaries	4,257,632	2,667,965
Social security costs	488,848	297,478
Pension costs	174,353	67,545
Share based payments	62,660	108,750
	4,983,493	3,141,738

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

Group and company	Year ended 31.3.2007 £	Year ended 31.3.2006 £
Cost of sales	1,711,166	476,159
Administrative expenses	3,061,204	2,278,563
Product development capital expenditure	175,272	387,016
Other capital expenditure	35,851	-
	4,983,493	3,141,738

Directors' emoluments can be analysed as follows:

Group and company	Year ended 31.3.2007 £	Year ended 31.3.2006 £
Remuneration and other emoluments	449,424	343,012
Pension contributions	49,997	16,700
	499,421	359,712

	£	£
Highest paid director	293,549	207,710

There are two directors to whom retirement benefits are accruing under a money purchase scheme (2006: 2).

Key person insurance policies at a total value of £4,500,000 (2006: £1,500,000) are in place over the lives of 9 staff, including the 2 executive directors. A detailed analysis of directors' remuneration is provided on pages 12 and 13.

8 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 £98,176 (2006: £38,881) plus contributions made directly to directors' and employees' personal pension schemes which amounted to £76,177 (2006: £28,664).

9 Taxation

	Year ended 31.3.2007 £	Year ended 31.3.2006 £
Current tax charge	2,360	31,245
Deferred tax charge / (credit)	255,000	(789,000)
Current tax	257,360	(757,755)
Factors affecting the tax charge for the year		
Profit before tax	1,364,708	941,675
Profit before tax multiplied by standard rate of UK corporation tax of 30% (2006: 30%)	409,413	282,503
Effects of:		
Non-deductible expenses	8,668	35,441
Capital allowances in excess of depreciation	(4,898)	(9,494)
Product development adjustment	(59,684)	-
Share option adjustment	18,797	-
Chargeable gain	-	5,607
Schedule DIII income	5,035	3,622
Other tax adjustments	-	(3,385)
Movement in provisions	-	3,237
Tax losses utilised	(372,296)	(311,686)
Overprovision in prior year	-	(2,100)
Provision for withholding taxes	(2,675)	27,500
Deferred tax asset reduced / (recognised)	255,000	(789,000)
Current tax charge for year	257,360	(757,755)

Unrelieved tax losses of £1,780,181 remain available to offset against future taxable profits.

A deferred tax asset balance of £534,000 (2006: £789,000) is recognised on the grounds that it is probable that the company will have taxable profits against which the unused tax losses can be offset.

10 Earnings per share

The calculation of earnings per share is calculated by dividing profit attributable to shareholders of £1,107,348 (2006: £1,699,430) by the weighted average number of shares in issue during the year.

	Year ended 31.3.2007	Year ended 31.3.2006
Post tax profit for the year	£1,107,348	£1,699,430
Weighted average shares	17,179,200	10,363,803
Basic EPS	**6.45p**	**16.39p**

Diluted earnings per share is adjusted for outstanding options and the average option price, using an average interest saving of 8.0% (2006: 5.6%.)

	Year ended 31.3.2007	Year ended 31.3.2006
Post tax profit for the year	£1,107,348	£1,699,430
After tax interest on outstanding options multiplied by exercise price	£107,680	£71,993
Profit for diluted earnings per share	£1,215,028	£1,771,423
Weighted average shares for basic earnings per share	17,179,200	10,363,803
Outstanding options	2,008,615	1,383,035
Weighted average shares for diluted earnings per share	19,187,815	11,746,838
Diluted EPS	**6.33p**	**15.08p**

An underlying adjusted earnings per share figure is calculated below stripping out the effect of exceptional reorganisation costs incurred and using a normalised tax rate of 30% for both years:

	Year ended 31.3.2007 £	Year ended 31.3.2006 £
Post tax profit for the year	1,107,348	1,699,430
Add / (deduct) actual tax charge / (credit)	257,360	(757,755)
Strip out exceptional items	92,716	(9,861)
Normalised tax charge	(437,227)	(279,544)
Profits for adjusted earnings per share	1,020,197	652,270

	Year ended 31.3.2007	Year ended 31.3.2006
Post tax profit for the year	£1,020,197	£652,270
Weighted average shares	17,179,200	10,363,803
Basic EPS – adjusted	**5.94p**	**6.29p**

	Year ended 31.3.2007	Year ended 31.3.2006
Post tax profit for the year	£1,020,197	£652,270
After tax interest on outstanding options multiplied by exercise price	£107,680	£71,993
Profit for diluted earnings per share	£1,127,877	£724,263
Weighted average shares for basic earnings per share	17,179,200	10,363,803
Outstanding options	2,008,615	1,383,035
Weighted average shares for diluted earnings per share	19,187,815	11,746,838
Diluted EPS – adjusted	**5.88p**	**6.17p**

11 Property, plant and equipment

Group and company	Freehold property	Motor vehicles	Fixtures, fitting and equipment	Computer equipment	Total
Cost	£	£	£	£	£
At 31 March 2005	180,000	15,000	71,389	149,450	415,839
Additions	10,094	12,000	23,816	68,494	114,404
Disposals	(190,094)	(15,000)	(38,332)	(75,460)	(318,886)
At 31 March 2006	-	12,000	56,873	142,484	211,357
Additions	-	-	42,979	143,757	186,736
Disposals	-	-	(5,895)	(22,228)	(28,123)
At 31 March 2007	-	12,000	93,957	264,013	369,970
Depreciation					
At 31 March 2005	3,600	1,875	43,715	104,295	153,485
Charge for the year	1,820	2,125	14,557	28,815	47,317
Disposals	(5,420)	(3,750)	(37,687)	(75,460)	(122,317)
At 31 March 2006	-	250	20,585	57,650	78,485
Charge for the year	-	3,250	16,435	67,369	87,054
Disposals	-	-	(5,895)	(22,228)	(28,123)
At 31 March 2007	-	3,500	31,125	102,791	137,416
Net book value					
At 31 March 2007	-	8,500	62,832	161,222	232,554
At 31 March 2006	-	11,750	36,288	84,834	132,872
At 31 March 2005	176,400	13,125	27,674	45,155	262,354

Included above are assets held under finance leases or hire purchase contracts as follows:

Asset description	2007 Net book value	2007 Depreciation charge	2006 Net book value	2006 Depreciation charge
	£	£	£	£
Motor vehicle	-	-	11,750	250

12 Intangible fixed assets

Group	Goodwill	Acquired customer relationships	Product development and intellectual property	Total
Cost	£	£	£	£
At 31 March 2005	7,560,174	-	198,024	7,758,198
Additions	5,106,269	-	463,193	5,569,462
At 31 March 2006	12,666,443	-	661,217	13,327,660
Additions	4,915,754	6,974,000	803,945	12,693,699
Write-off of contingent consideration	(2,300,000)	-	-	(2,300,000)
At 31 March 2007	15,282,197	6,974,000	1,465,162	23,721,359
Amortisation				
At 31 March 2005	907,311	-	34,203	941,514
At 31 March 2006	907,311	-	34,203	941,514
At 31 March 2007	907,311	-	34,203	941,514
Net Book Value				
At 31 March 2007	14,374,886	6,974,000	1,430,959	22,779,845
At 31 March 2006	11,759,132	-	627,014	12,386,146
At 31 March 2005	6,652,863	-	163,821	6,816,684

Company	Goodwill	Product development and intellectual property	Total
Cost	£	£	£
At 31 March 2005	-	198,024	198,024
Additions	11,112	463,193	474,305
At 31 March 2006	11,112	661,217	672,329
Additions	-	198,945	198,945
At 31 March 2007	11,112	860,162	871,274
Amortisation			
At 31 March 2005	-	34,203	34,203
At 31 March 2006	-	34,203	34,203
At 31 March 2007	-	34,203	34,203
Net Book Value			
At 31 March 2007	11,112	825,959	837,071
At 31 March 2006	11,112	627,014	638,126
At 31 March 2005	-	163,821	163,821

The fair value of acquired customer relationships was calculated by discounting the estimated future cash flows resulting from certain key customer relationships acquired with CTG to their net present value, using a discount rate of 15%.

The product development and intellectual property additions include £605,000 in relation to intellectual property acquired with CTG. The value is an estimate of fair value.

The aggregate amount of research and development recognised as an expense during the year was £10,757 (2006: £39,859).

For impairment purposes the carrying value of goodwill was reviewed against the following cash generating units:

Goodwill arising on acquisition of:	Financial training products and services £	Best Practice training and consultancy products and services (excluding IT) £	IT Training and consultancy products and services £	Total £
Intellexis International Ltd	2,590,039			2,590,039
Key Skills Ltd		2,199,917		2,199,917
Computa-Friendly Ltd		368,187		368,187
Mindscope Ltd		1,494,720		1,494,720
Mount Lane Training & Implementation Solutions Ltd			2,353,171	2,353,171
Techpractice Ltd (purchase of elements of the trade)		11,112		11,112
Customer Projects Ltd		441,986		441,986
Corporate Training Group Ltd	4,915,754			4,915,754
	7,505,793	4,515,922	2,353,171	14,374,886

The goodwill has been tested for impairment in accordance with IAS 36 by reference to the fair value of the underlying cash generating units less estimated costs to sell. This value has been tested by discounting expected future cash flows to their net present value at rates suitable to the particular cash generating units. Rates used vary between 14% and 30%.

13 Investments

Company	Shares in group undertakings (at cost)
Cost	£
At 31 March 2006	11,748,020
Adjustment	(2,300,000)
Acquired during the year	12,494,754
At 31 March 2007	21,942,774

The company has adjusted the value of its investments by £2,300,000 during the year. This represents amounts previously provided for in respect of earn-out payments on the acquisition of Mount Lane Training & Implementation Solutions Limited and Customer Projects Limited, but not payable due to the performance of those businesses during the year.

The company has the following subsidiary undertakings:

Name	*Principal Activity*	*Holding*	*Registered*
Mindscope Limited	Non-trading	100%	England & Wales
Computa-Friendly Limited	Non-trading	100%	England & Wales
Intellexis Limited	Non-trading	100%	England & Wales
Key Skills Limited	Non-trading	100%	England & Wales
Intellexis International Limited	Non-trading	100%	England & Wales
Mount Lane Training & Implementation Solutions Limited	Non-trading	100%	England & Wales
Customer Projects Limited	Non-trading	100%	England & Wales
The Corporate Training Group Limited	Non-trading	100%	England & Wales
Corporate Training Solutions Limited	Non-trading	100%	England & Wales
CTG Exam Training Limited	Non-trading	100%	England & Wales

These companies have all prepared accounts to 31 March 2007.

14 Business combination

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

	Year ended 31.3.2007	Year ended 31.3.2006
	£	£
Mount Lane Training & Implementation Solutions Ltd		292,096
Customer Projects Ltd		(10,485)
Corporate Training Group Ltd	1,758,805	-

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 Income Statement for the Year ended 31.3.2007	Pre-acquisition trading of Corporate Training Group for the period 1.4.2006 to 25.7.2006	Total for the year ended 31.3.2007 as though the acquisition date was 1.4.2006
		£	£
Revenue	10,340,406	1,340,288	11,680,694
Operating profit	1,579,553	597,634	2,177,187

15 Trade and other receivables

	At 31.3.2007	At 31.3.2006
	£	£
Trade receivables	2,337,852	1,633,859
Other receivables	5,502	5,097
Prepayments	237,901	100,194
Accrued income	79,332	291,920
	2,660,587	2,031,070

16 Trade and other payables

	At 31.3.2007	At 31.3.2006
	£	£
HSBC 10-year term loan (see note 18)	25,000	25,000
HSBC 7-year term loan (see note 18)	121,429	121,429
HSBC 3-year term loan (see note 18)	951,943	-
Hire purchase (see note 18)	-	7,314
Trade payables	586,342	625,087
Corporation tax	135,808	25,922
Withholding tax	23,876	27,500
Other taxes and social security costs	484,898	363,664
Other creditors	2,233	-
Deferred and contingent consideration (see note 17)	1,000,000	236,869
Accruals	738,650	321,571
Deferred income	416,127	363,770
	4,486,306	2,118,126

17 Deferred and contingent consideration

	At 31.3.2007	At 31.3.2006
Current liabilities: Deferred consideration	£	£
Acquisition of Mount Lane Training and Implementation Solutions Ltd	-	18,268
Acquisition of Customer Projects Ltd	-	218,601
Acquisition of Corporate Training Group Ltd	1,000,000	-
	1,000,000	236,869
Non-current liabilities: Contingent consideration		
Acquisition of Mount Lane Training and Implementation Solutions Ltd	-	270,000
Acquisition of Corporate Training Group Ltd	1,000,000	-
	1,000,000	270,000
Equity: Deferred consideration		
Acquisition of Corporate Training Group Ltd	1,500,000	-
	1,500,000	-
Equity: Contingent consideration		
Acquisition of Mount Lane Training and Implementation Solutions Ltd	-	1,530,000
Acquisition of Customer Projects Ltd	-	500,000
Acquisition of Corporate Training Group Ltd	1,500,000	-
	1,500,000	2,030,000

The deferred consideration relating to Corporate Training Group Limited, which is capped at £2,500,000, is payable on 30 June 2007. It is payable £1,000,000 cash with the remainder in cash or shares at the company's option. The element payable in cash is shown as a provision in current liabilities, with the element payable in cash or shares shown under equity.

The amounts provided for as contingent consideration at 31 March 2006 have been released and not paid as the earn-out targets for Mount Lane Training & Implementation Solutions Limited and Customer Projects Limited were not met.

The contingent consideration relating to Corporate Training Group Limited, which is capped at £2,500,000, is payable on 30 June 2008. It is payable £1,000,000 cash with the remainder in cash or shares at the company's option. The element payable in cash is shown as a provision in non-current liabilities, with the element payable in cash or shares shown under equity.

18 Bank loans and hire purchase creditor

Bank loan amounts included in non-current liabilities	At 31.3.2007	At 31.3.2006
	£	£
HSBC 10-year term loan	122,917	147,917
HSBC 7-year term loan	405,741	526,415
HSBC 3-year term loan	1,594,198	-
	2,122,856	674,332
Total bank loans		
Repayable in one year or less (note 16)	1,098,372	146,429
Repayable between one and two years	1,098,372	146,429
Repayable between two and five years	1,024,484	439,287
Repayable in five years or more	-	88,616
	3,221,228	820,761
Net obligations under hire purchase contracts		
Repayable within one year	-	7,314
Repayable between one and five years	-	3,048
	-	10,362

The HSBC loans, and an overdraft facility currently undrawn, are secured by a Debenture granted by ILX Group Plc in favour of HSBC Bank Plc dated 9 December 2002, 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.

19 Share capital and reserves

	At 31.3.2007	At 31.3.2006
Authorised equity:	£	£
Ordinary shares of 10p each	5,000,000	1,663,074
Allotted, called up and fully paid equity:		
Ordinary shares of 10p each	1,938,576	1,283,329

Details of movement on reserves are as follows:

	Called up share capital	Share premium account	Contingent consideration	Own shares in trust	Share option reserve	Buyback reserve	Retained earnings	Total
	£	£	£	£	£	£	£	£
Balance at 31 March 2005	3,734,318	7,338,490	375,000	(300,772)	90,866	-	(4,777,171)	6,460,731
Profit for the year	-	-	-	-	-	-	1,699,430	1,699,430
Capital reorganisation	(2,836,926)	(3,500,000)	-	-	-	1,177,819	5,140,840	(18,267)
Issue of shares to trust	-	-	-	(781,420)	-	-	-	(781,420)
Issue of shares	385,937	-	-	-	-	-	-	385,937
Options granted	-	-	-	-	108,750	-	-	108,750
Contingent consideration	-	-	1,655,000	-	-	-	-	1,655,000
Premium on issue of shares	-	3,495,483	-	-	-	-	-	3,495,483
Costs relating to share issue	-	(85,936)	-	-	-	-	-	(85,936)
Balance at 31 March 2006	1,283,329	7,248,037	2,030,000	(1,082,192)	199,616	1,177,819	2,063,099	12,919,708
Profit for the year	-	-	-	-	-	-	1,107,348	1,107,348
Dividend Paid	-	-	-	-	-	-	(96,250)	(96,250)
Issue of shares to trust	-	-	-	(742,500)	-	-	-	(742,500)
Issue of shares	655,247	-	-	-	-	-	-	655,247
Options exercised	-	-	-	-	(3,994)	-	3,994	-
Options granted	-	-	-	-	62,659	-	-	62,659
Contingent consideration	-	-	970,000	-	-	-	-	970,000
Premium on issue of shares	-	4,731,927	-	-	-	-	-	4,731,927
Costs relating to share issue	-	(166,629)	-	-	-	-	-	(166,629)
Balance at 31 March 2007	1,938,576	11,813,335	3,000,000	(1,824,692)	258,281	1,177,819	3,078,191	19,441,510

Share premium account
This reserve records the consideration premium for shares issued as a value that exceeds their nominal value, less any costs incurred by the company relating directly to the issue of these shares. Details of the shares issued during the year were as follows:

	Number of shares	Nominal Value £	Consideration Received £
Consideration shares	2,500,000	250,000	2,000,000
Shares issued for cash	3,275,468	327,547	2,620,374
Issue of shares to trust	750,000	75,000	742,500
Options exercised	27,000	2,700	24,300
	6,552,468	655,247	5,387,174

Contingent consideration
This reserve records the elements of contingent future consideration on acquisitions where the company has the option to make payments in shares. Further details are contained in note 17.

Own shares in trust
This reserve records the purchase cost of shares by Investec Trust held in the company's medium term incentive plan trust. Further details are contained in note 20.

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

Buyback reserve
This reserve was created as a result of a capital reorganisation effected by a special resolution passed at an AGM held on 22 July 2005, and by Order of the High Court of Justice on 24 August 2005, for the purpose of the company purchasing its own shares.

20 Share options and own shares in trust

Share options
As at 31 March 2007, 67 employees (including directors) held options (granted between 19 April 2002 and 15 November 2006) over a total of 2,008,615 (2006: 1,383,035) ordinary shares at an average exercise price of 95.7p (2006: 95.9p), as follows:

Date of grant	Number of shares under option at 31 March 2006	Granted during the year	Exercised during the year	Forfeited during the year	Number of shares under option at 31 March 2007	Exercise Price	Expiry Date
30-Sep-02	140,500				140,500	110p	30-Sep-12
09-Dec-02	60,000			(10,000)	50,000	110p	09-Dec-12
07-Jan-03	10,000				10,000	140p	07-Jan-13
01-Feb-04	69,500				69,500	70p	01-Feb-14
31-Mar-04	16,875				16,875	70p	31-Mar-14
01-Dec-04	347,875				347,875	96p	01-Dec-14
24-Dec-04	219,500		(27,000)	(75,000)	117,500	90p	24-Dec-14
13-Apr-05	67,800				67,800	100p	13-Apr-15
15-Jul-05	71,250			(5,000)	66,250	90p	15-Jul-15
01-Oct-05	111,875			(20,000)	91,875	90p	01-Oct-15
23-Nov-05	202,860				202,860	100p	23-Nov-15
01-Dec-05	65,000			(27,500)	37,500	100p	01-Dec-15
12-Jun-06		115,000		(10,000)	105,000	90p	12-Jun-16
22-Sep-06		417,580			417,580	99p	22-Sep-16
15-Nov-06		267,500			267,500	90p	15-Nov-16
	1,383,035	800,080	(27,000)	(147,500)	2,008,615		

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

	Options outstanding at 31 March 2006	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options exercisable at 31 March 2007	Options outstanding (including those exercisable) at 31 March 2007
Number of shares under option	1,383,035	800,080	(27,000)	(147,500)	752,250	2,008,615
Weighted average exercise price	95.9p	94.7p	90.0p	93.2p	96.2p	95.7p

The weighted average time to expiry of the share options outstanding at 31 March 2007 was 8.36 years (2006: 8.65 years). Details of individual expiry dates are shown above. For those share options outstanding but not exercisable at 31 March 2007, the weighted average time prior to the options becoming exercisable was 1.12 years (2006: 1.07 years).

All options are exercisable between 2 and 10 years from date of grant. Details of directors' share options can be found on page 12. The company's share price on 31 March 2007 was 87.0p (on 31 March 2006: 96.0p).

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 the time from grant until vesting of the option. The employee expense for the year was £62,659 (2006: £108,750). The fair value has been measured using the Black Scholes model. The expected volatility is based on the historic volatility adjusted for any expected changes to future volatility. The material inputs into the model have been:

	Granted in year ended 31 March 2003	Granted in year ended 31 March 2004	Granted in year ended 31 March 2005	Granted in year ended 31 March 2006	Granted in year ended 31 March 2007
Average share price at grant	111.5p	70.0p	94.5p	96.6p	94.8p
Average exercise price	111.5p	70.0p	94.5p	96.6p	94.8p
Expected volatility	35%	35%	27%	27%	15%
Expected life	3.5 years	3.5 years	3.5 years	3.5 years	3.5 years
Expected dividend yield	0.0%	0.0%	0.0%	1.0%	1.0%
Risk-free rate of return	4.5%	4.5%	4.5%	4.5%	5.0%

Own shares in trust

The company holds 1,850,000 of its own ordinary shares in trust in a Medium Term Incentive Plan, administered by Investec Trust Guernsey Ltd, as set out on the Report on Directors Remuneration on pages 12 to 13 of these accounts. These shares become payable to directors and senior management, on the achievement of certain performance criteria. The shares are shown at cost as a debit against reserves and relate to the investment. The shares are held in trust under the Plan and represent 9.5% of the total called up share capital.

21 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 which are not members of the group.

During the year members of key management as defined by IAS 24 (Related Party Disclosures) who were not directors received compensation, including salary, benefits, and pension contributions, totalling £222,383 (2006: nil). As at the year end there were a total of 125,000 share options outstanding for these individuals (2006: nil).

During the previous year the company's freehold premises at George House, Nantwich were sold to the wife of Mr Martyn Kinch, an employee of the company with management responsibility, for £200,000 and leased back at a rate of £18,000 per annum.

22 Ultimate parent undertaking and controlling interest

There is no ultimate controlling party.

23 Financial instruments

All assets and liabilities are denominated in Sterling.

The group's financial instruments comprise cash and short term deposits, and various items such as trade debtors and trade creditors 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.

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.

The main risks arising from the group's financial instruments are interest rate risk and liquidity risk. The board reviews and agrees positions for the management of these risks and they are summarised below.

Interest rate risk

The following analysis excludes receivables and payables falling due within one year, other than cash at bank, short term deposits or borrowings.

The interest rate profile of the group's financial assets and liabilities was as follows:

At 31 March 2007	Floating interest rates	Fixed interest rates	Total
Financial assets	£	£	£
Cash at bank deposits denominated in sterling	825,250	-	825,250
Cash at bank deposits denominated in euros	7,859	-	7,859
Cash at bank deposits denominated in US dollars	10,577	-	10,577
	843,686	-	843,686
Financial liabilities			
Bank loans denominated in sterling	3,221,228	-	3,221,228

At 31 March 2006	Floating interest rates	Fixed interest rates	Total
Financial assets	£	£	£
Cash at bank deposits denominated in sterling	190,694	438,098	628,792
Cash at bank deposits denominated in euros	7,979	-	7,979
Cash at bank deposits denominated in US dollars	9,355	-	9,355
	208,028	438,098	646,126
Financial liabilities			
Bank loans denominated in sterling	820,761	-	820,761

Surplus cash and bank deposits are held on overnight deposit at floating interest rates. Operating cash balances are maintained at a minimum and attract no interest. The HSBC 10-year term loan has an interest rate of 2% above HSBC Bank Plc base rate. The HSBC 7-year term loan and the HSBC 3-year term loan have an interest rate margin above HSBC Bank base rate of 2.5%.

The company has taken out a 5-year Base Rate Collar Agreement with HSBC, from 23 February 2004 to 6 March 2009, over a notional principal of £1,000,000. The floor rate is 3.75% and the cap rate is 6.00%. The premium of £13,800 is spread over the life of the agreement.

The company has also taken out a 3-year Base Rate Cap Agreement with HSBC, from 24 July 2006 to 25 July 2009, over a notional principal of £1,500,000 as at 24 July 2006 reducing on a quarterly straight line basis to £0 at 25 July 2009. The cap rate is 6.00%. The premium of £7,200 is spread over the life of the agreement.

The group finances its operations primarily through a mixture of cash raised through issues of shares and borrowings.

Liquidity risk

The group's policy is to ensure that sufficient long term cash resources are available to finance the group's requirements for the foreseeable future. It is the directors' opinion that sufficient long-term cash is held by the group at the year end.

Fair value of assets and liabilities

There is no material difference between the fair value of the group's assets and liabilities and their book value as shown in the financial statements.

Borrowing facilities

The company has an overdraft facility with HSBC Bank Plc for a limit of £150,000. The amount utilised at 31 March 2007 was £nil (31 March 2006 £nil).

24 Operating leases

At 31 March 2007 the group had minimum commitments under non-cancellable operating leases as set out below:

	Land and buildings 31.3.2007	Land and buildings 31.3.2006
	£	£
Due within one year	89,255	61,729
Due in second to fifth year	128,936	-
Total minimum lease payments	218,191	61,729

The group leases five office spaces under operating leases. The lease terms typically range from three years to ten years. Lease terms of greater than five years are often subject to a rent review under the lease term, and all leases greater than 5 years have numerous break points.

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

25 Dividend

A final dividend of 0.75 pence per share in respect of the year ended 31 March 2006 was paid on 15 August 2006. This dividend is reflected in these financial statements.

As stated in the directors' report, the directors recommend payment of a final dividend of 0.75 pence per share in respect of the year ended 31 March 2007, subject to shareholder approval at the annual general meeting on 20 July 2007. This dividend will be paid on 15 August 2007 to shareholders on the register at 27 July 2007. The ordinary shares will become ex-dividend on 25 July 2007. These financial statements do not reflect this dividend payable, which will be accounted for in the statement of changes in equity as an appropriation of retained earnings, in the year ended 31 March 2008.

26 Contingent liability

A claim for unfair dismissal, wrongful dismissal, breach of contract, unlawful deduction from wages and detriment on grounds of making a protected disclosure has been lodged by a former employee against the company. The employee is seeking damages of up to £114,000. The company is vigorously defending the claim, which is scheduled to be heard by an employment tribunal in November 2007. The potential liability is not possible to quantify as it is entirely up to the tribunal precisely what the award, if any, would be.

27 Capital commitments

There were no capital commitments at the end of the year (2006: £0).

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of ILX Group plc will be held at 12th Floor, One London Wall, London EC2Y 5AB on 20 July 2007 at 10 am for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the report of the directors and the accounts for the financial year ended 31 March 2007 together with the independent auditors' report thereon.
2. To receive the report to the shareholders on directors' remuneration for the year ended 31 March 2007.
3. To re-elect P R S Lever, who retires by rotation, as a director of the company.
4. To elect P Virik, having been appointed by the board since the last AGM, as a director of the company.
5. To re-appoint Saffery Champness as auditors of the company and to authorise the directors to fix their remuneration.
6. To declare a final dividend of 0.75 pence per ordinary share for the financial year ended 31 March 2007 (See note 4).

SPECIAL BUSINESS

7. To consider and, if thought fit, pass the following special resolution:

   That the Company is, pursuant to Section 166 of the Companies Act 1985, hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Companies Act 1985) of ordinary shares of 10p each in the capital of the Company ("Ordinary Shares") provided that:

   (a) the maximum number of Ordinary Shares hereby authorised to be purchased is 14.99 per cent. of the issued Ordinary Share capital;

   (b) the minimum price which may be paid for Ordinary Shares is 10p per Ordinary Share;

   (c) the maximum price which may be paid for an Ordinary Share is an amount equal to 105 per cent. of the average of the middle market price for an Ordinary Share published by the London Stock Exchange for the five business days immediately preceding the day on which the share is contracted to be purchased;

   (d) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which contract to purchase would or might require to be executed wholly or partly after the expiry of such authority, and may make the purchase of Ordinary Shares in pursuance of any such contract; and

   (e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting at which the audited accounts of the Company are laid unless previously renewed, varied or revoked.

8. To consider and, if thought fit, pass the following ordinary resolution:

   That the Directors are hereby generally and unconditionally authorised for the purpose of Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate amount of the authorised but unissued share capital of the Company, provided that this authority shall expire (unless previously renewed varied or revoked by the Company in general meeting) on the earlier of the date of the next Annual General Meeting of the Company or the date falling fifteen months from the date of the passing of this resolution (the "Section 80 period") save that the Company may prior to expiry of the Section 80 period make an offer or agreement which would or might require relevant securities to be allotted after the Section 80 period and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

9. To consider and, if thought fit, pass the following special resolution:

   That the directors be and are hereby empowered, pursuant to section 95 of the Companies Act 1985 ("the Act") subject to their being duly authorised under Section 80 of the Act, to allot equity securities (as defined in section 94 of the Act) for cash as if section 89 (1) of the Act did not apply to any such allotment provided that this power shall be limited to:

   (a) the allotment of equity securities in connection with a rights issue or other pro rata offer in favour of holders of Ordinary Shares where the equity securities respectively attributable to the interests of all holders of Ordinary Shares are proportionate (as nearly as may be) to the respective numbers of equity securities held by them subject in each case to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements arising or any legal or practical problems under the laws of any overseas territory or the requirements of any regulatory body or stock exchange;

   (b) the allotment of equity securities pursuant to the terms of the Company's share option schemes and;

   (c) the allotment (otherwise than pursuant to sub-paragraphs (a) and (b) above) of equity securities up to an aggregate nominal amount of £100,000.

   and provided such power shall expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling fifteen months from the date of the passing of this resolution except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired and further provided that this power shall be in substitution for any previous power granted to the directors.

Registered office

One London Wall
London EC2Y 5AB

On behalf of the board
Jon Pickles
Director

22 June 2007

> NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the company.

2. A form of proxy is provided with this notice and instructions for its use shown on the form. To be valid, completed forms must be received at the office of the company's registrars, Capita Registrars, Proxy Processing Centre, Telford Road, Bicester, OX26 4LD, not less than 48 hours before the time fixed for the meeting. Deposit of the form of proxy will not prevent a member from attending the meeting and voting in person.

3. The following documents will be available for inspection during normal business hours on any weekday (public holidays excepted) at the registered office of the company from the date of this notice until the date of the meeting, and at the meeting from 15 minutes prior to its commencement and until it ends
    (a) copies of directors' service contracts with the company
    (b) the register of directors' interests in the share capital of the company

4. The final dividend is proposed to be paid out to all ordinary shareholders listed on the company's register of members on 27 July 2007.

FORM OF PROXY

FOR ANNUAL GENERAL MEETING

Please complete in BLOCK CAPITALS

I/We ______________________________ (NAME IN FULL – BLOCK CAPITALS, PLEASE)

of ______________________________ (NAME IN FULL – BLOCK CAPITALS, PLEASE)

being (a) member(s) of the above named Company hereby appoint the Chairman of the Meeting or in place of him

______________________________ (NAME IN FULL – BLOCK CAPITALS, PLEASE)

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 10.00 am at 12th Floor, One London Wall, London EC2Y 5AB on 20 July 2007 and at any adjournment thereof, on the following resolutions, as indicated by an "X" in the appropriate box and on any other resolutions as he or she thinks fit:

	For	**Against**
1. To receive and adopt the report of the directors and the audited accounts for the financial year ended 31 March 2007.	☐	☐
2. To receive the report to the Shareholders on Directors' Remuneration for the year ended 31 March 2007.	☐	☐
3. To re-elect P R S Lever as a director of the Company.	☐	☐
4. To elect P Virik as a director of the Company.	☐	☐
5. To re-appoint Saffery Champness as auditors of the Company and to authorise the directors to fix their remuneration.	☐	☐
6. To declare a final dividend of 0.75 pence per ordinary share for the financial year ended 31 March 2007.	☐	☐
7. To authorise the Company to make market purchases of its own shares.	☐	☐
8. To authorise the directors to allot shares under Section 80 of the Companies Act 1985.	☐	☐
9. To disapply the statutory pre-emption rights on certain equity issues for cash.	☐	☐

Please indicate with an "X" in the appropriate box above how the proxy should vote and then sign in the space provided below. If no specific direction is given, the proxy may vote or abstain at his or her discretion.

Dated: ______________ Signature: ______________

Notes:

i. To be valid this form must be completed and delivered to the Company's registrars, Capita Registrars, Proxy Processing Centre, Telford Road, BICESTER, OX26 4LD, not later than 48 hours before the time of the Meeting or any adjournment thereof.

ii. A proxy need not be a member of the Company.

iii. In the case of a corporation, the form of proxy must be expressed to be executed by the corporation and must be executed under its legal seal or under the hand of its duly authorised officer or attorney or other person authorised to sign.

iv. In the case of joint holders the vote of the senior holder tendering a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority depends on the order in which the names stand in the register of members.

v. Returning the form of proxy will not prevent you from attending the Meeting and voting in person.

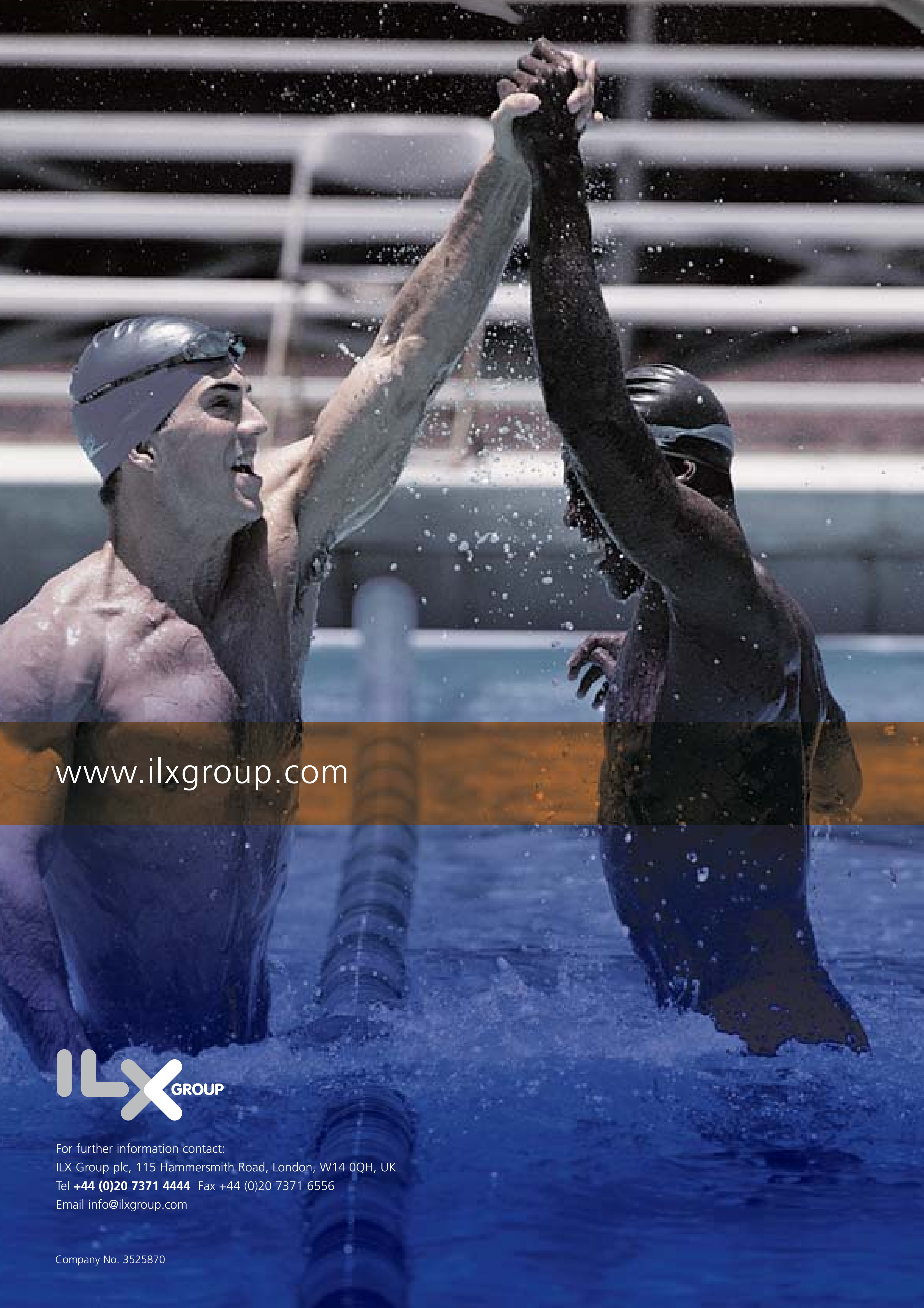
Third fold and tuck in

BUSINESS REPLY SERVICE
Licence No RRHB-RSXJ-GKCY

Proxy Processing Centre
Telford Road
BICESTER
OX26 4LD

First Fold

Second fold



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