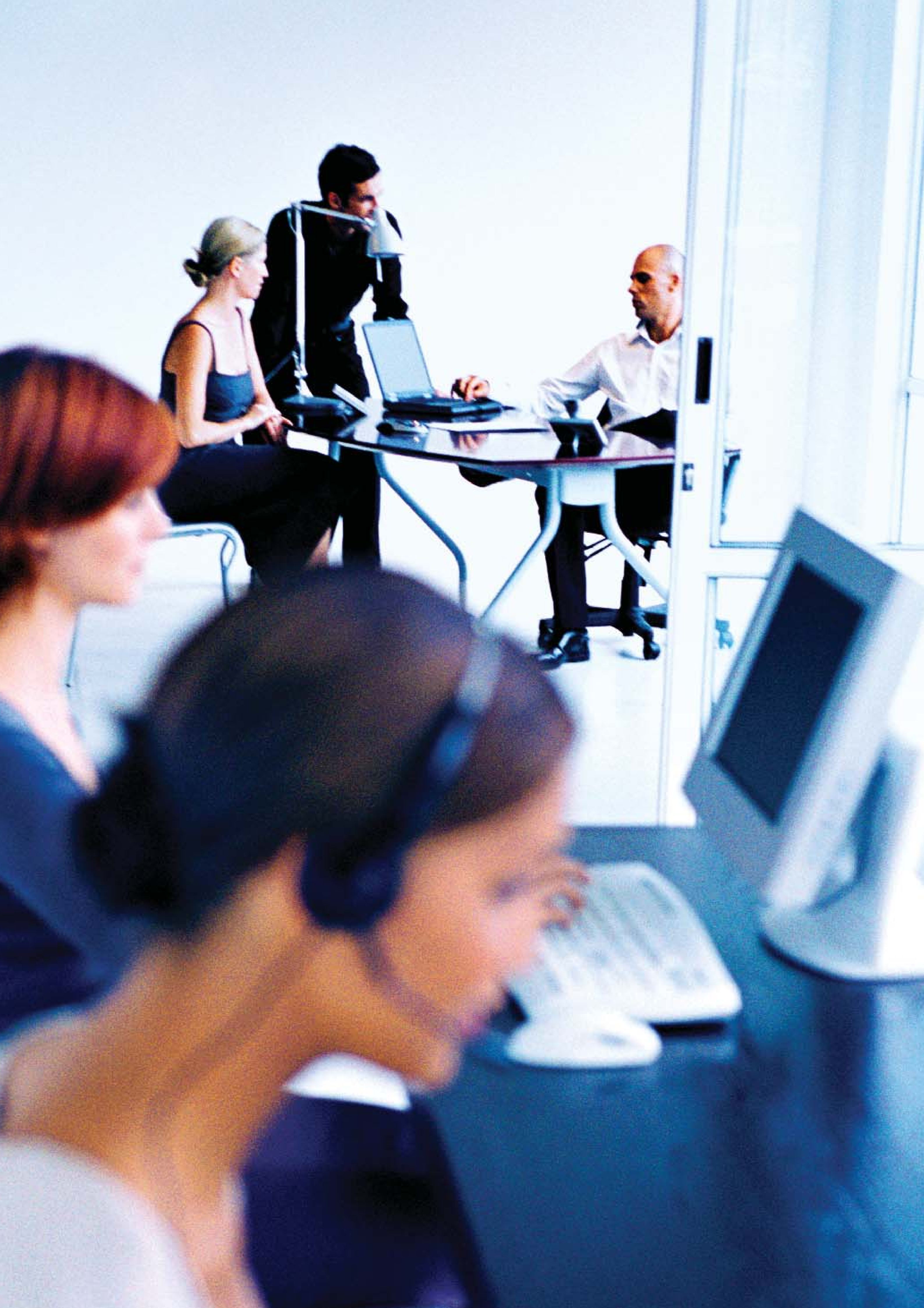
'07/'08

REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2008

ILX Group plc company No. 3525870



Contents

Statutory
and Other Information

Directors
P R S Lever (Chairman and non-executive Director)
K P Scott (Chief Executive)
J A Pickles (Finance Director)
P Virik (Non-executive Director)

Secretary
Secretarial Solutions Limited

Company Number
3525870

Registered Office
1 London Wall
London
EC2Y 5AB

Bankers
Barclays Bank plc
Level 28
1 Churchill Place
London
E14 5HP

Auditors
Saffery Champness
Beaufort House
2 Beaufort Road
Clifton
Bristol
BS8 2AE

Nominated Adviser
Arbuthnot Securities Limited
Arbuthnot House
20 Ropemaker Street
London
EC2Y 9AR

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0GA

Solicitors
Maclay Murray and Spens LLP
1 London Wall
London
EC2Y 5AB

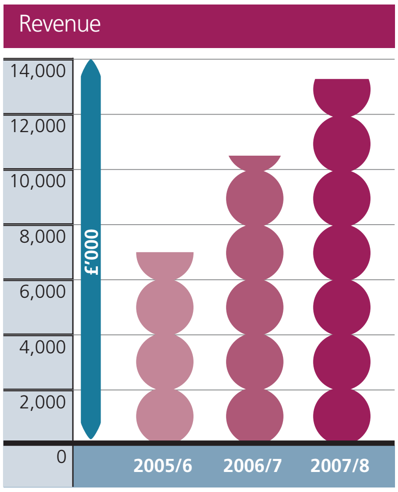
Financial PR
Adventis Financial PR
93-95 Wigmore Street
London
W1U 1HH

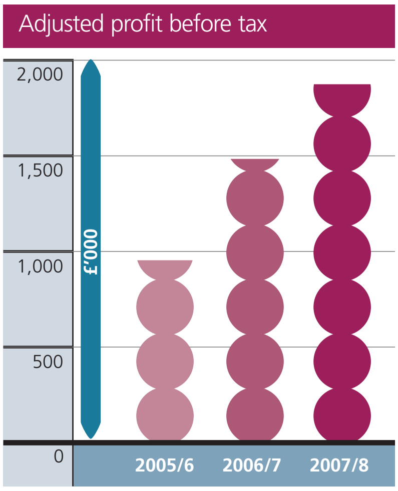
Financial highlights

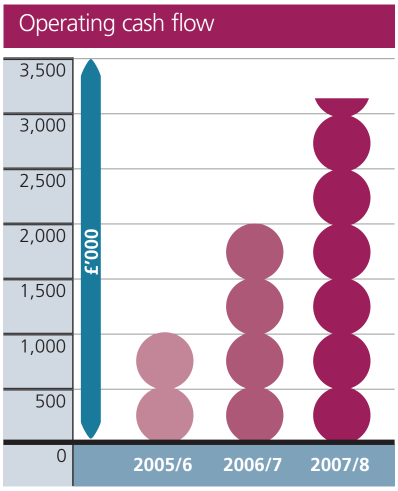
£13.3m

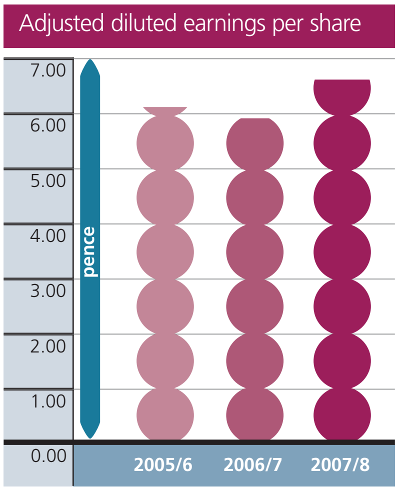
Revenue of £13.3 million was achieved in the year

	Year ended 31.3.2008 £'000	Year ended 31.3.2007 £'000	Increase/ (Decrease) %
Revenue	13,312	10,340	28.7%
Operating profit before non-recurring items, interest and taxation	2,285	1,672	36.7%
Profit before taxation and non-recurring items	1,858	1,457	27.5%
Cash generated from operations	3,167	1,982	59.8%
Net debt (bank debt plus all deferred consideration for acquisitions less cash)	5,506	7,378	(25.4%)
Adjusted fully diluted earnings per share	6.61p	5.88p	12.4%
Dividend per share	1.50p	0.75p	100.0%









59.8%

Cash generated from operations has increased by 59.8% in the last year from £1,982,000 to £3,167,000

Chairman's Statement

For the year ended 31 March 2008

£1.86m

Underlying profit before taxation and non-recurring items grew 27.5% to £1.86 million

I am pleased to present the results for the year ended 31 March 2008, a year of consolidation and growth.

Our strategy is to focus on the provision of hard skills training to our customers through a combination of innovative e-learning products and traditional classroom training. We aim to deliver strong organic growth complemented, where opportunities arise, with suitable acquisitions.


Paul Lever, Chairman, ILX Group

I am pleased to report that both our operating divisions, the Best Practice Group and the Corporate Training Group, showed a strong performance achieving double-digit revenue growth and increased market share during the year.

The Best Practice Group was restructured at the start of the year and, after a slow start, experienced a renaissance in the latter half of the year. It is rapidly moving into a position of market dominance, both in terms of market share and thought leadership.

The Corporate Training Group had another strong year, growing its repeat business and securing some key new customers. This business has far outperformed our expectations when it was acquired in July 2006 and I would like to thank the management and staff for their exceptional efforts.

An exciting new range of e-learning products is under development in this division and we expect to see the first take-up in the 2008 graduate training programmes.

Financial Results

Revenue for the year was £13.3 million (2007: £10.3 million), growth of 28.7%. This delivered an operating profit before non-recurring items of £2.29 million (2007: £1.67 million), growth of 36.7%.

After non-recurring items, which related to restructuring costs and settlement of an employment dispute dating back to 2006, operating profit grew by 28.7% to £2.03 million (2007: £1.58 million).

Underlying profit before taxation and non-recurring items grew 27.5% to £1.86 million (2007: £1.46 million). After non-recurring items, including one off re-financing costs of £111,000, profit before tax grew 9.5% to £1.49 million (2007: £1.36 million).

The company incurred a higher tax charge than in 2006/7, as previous years have benefited from greater additional tax credits for qualifying research and development activities undertaken by the company.

Net profit after tax for the year was £1.03 million (2007: £1.11 million). Basic earnings per share was 5.33p (2007: 6.45p) and fully diluted earnings per share was 5.27p (2007: 6.33p). In the light of non-recurring costs and also variations in the tax charge, it is appropriate to present an adjusted diluted earnings per share figure which is stated before non-recurring costs and assumes a normalised tax rate. This figure was 6.61p (2007: 5.88p), and the calculations are detailed in the notes to the accounts.

Net debt, defined as bank debt plus all deferred consideration for acquisitions less cash, was £5.51 million at the end of the year (2007: £7.38 million).

Personnel Changes

Peter Evans, previously managing director and co-founder of the Corporate Training Group, is to take on a new role responsible for strategic business development, with a view to joining the main Board once the final earn-out payment in relation to the division has been completed.

Peter will continue to oversee the organic growth of the Corporate Training Group, its global expansion and development of its e-learning initiative. In addition he will focus on the growth of the blended solutions offer into the blue chip corporate market, leveraging off the extensive curriculum currently residing within the Best Practice Group.

Peter Scollen is to take over as managing director of the Corporate Training Group and I am delighted to welcome him and Peter Evans to their new roles.

Chairman's Statement

For the year ended 31 March 2008

1.50p

Recommended dividend for the year 1.50 pence per share

Earn-out Payments

The first earn-out payment of £2.5 million, which became payable due to the performance last year of the Corporate Training Group, was made fully in cash. Whilst the company had the option to pay up to £1.5 million of this amount in shares, this would have resulted in considerable dilution for shareholders.

The targets for the second and final earn-out payment have also been met and accordingly a further £2.5 million becomes payable. As with the previous payment, up to £1.5 million can be made in shares, but it is the board's intention to make this payment in cash where possible. £1.0 million in undrawn bank facilities, in addition to current cash, remain available for this purpose.

New Broker

I am delighted to announce the appointment of Arbuthnot Securities as Nominated Advisor and Broker to the Company. Arbuthnot Securities has an excellent reputation in supporting companies of our size which should over time help position the share price more realistically. The Board would like to thank Charles Stanley for their efforts over the last three years, in particular the placing that secured the Corporate Training Group acquisition.

Dividend

The Board remains committed to the payment of a dividend. A dividend of 0.75 pence per share was paid in August 2007 in respect of the year ended 31 March 2007. Subject to shareholder approval at the company's forthcoming AGM, the directors recommend payment of a final dividend of 1.50 pence per share, in respect of the year ended 31 March 2008. This dividend will be paid on 22 August 2008 to shareholders on the register at 1 August 2008.

Share Buyback Authority

The company will be seeking to renew its share buyback authority at the forthcoming AGM. This, if approved, will allow the company to repurchase up to 14.99% of its issued share capital. The company has no intention to carry out such a buyback exercise in the immediate future, and indeed the terms of the tax relief granted to our Enterprise Investment Scheme and Venture Capital Trust investors effectively prevent the company from carrying out any buy-back until 27 July 2009.

Nevertheless the Board considers this ability a useful option as it reviews ways in which the company's strong performance can be translated into shareholder value.

Investor Relations

The company continues to provide regular updates to shareholders by way of its periodic ILXtra newsletters, which are mailed to shareholders and which are also available from the investor relations section of the company website. Their purpose is to give additional information on the group, its people and its challenges as it grows and matures. The company also attends a selection of suitable investor shows.

I would strongly encourage shareholders to attend the AGM on 18 July, if at all possible, where you will be able to hear from and question the directors and other key members of staff as well as see a demonstration of the company's products.

Finally, I am pleased to remind shareholders 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.

Outlook

The prospects for the forthcoming year and beyond for your company are excellent. Both divisions have established strong positions in their respective marketplaces, and both continue to see robust trading into the new financial year in spite of the current economic climate.

Once again I would like to thank all staff for an excellent year and I look forward with confidence to the future.

Paul Lever
Chairman

20 June 2008

Business Review

For the year ended 31 March 2008

Ken Scott, Chief Executive, ILX Group

Our strategy remains one of delivering shareholder value through building a strong business providing hard skills business training, delivered through innovative and exciting e-learning software together with top quality traditional instructor-led training.

The company continues to trade through two divisions; the Best Practice Group, providing training in project and service management qualifications such as PRINCE2™ and ITIL®, and the Corporate Training Group, providing financial training programmes principally for finance professionals.

The year to 31 March 2008 has been the first year for some time without an acquisition. Instead, we have focused on consolidating the businesses we have acquired and on maintaining a high level of organic growth. We are very pleased with the progress made in 2007/8.

ITIL® is a Registered Trade Mark of the Office of Government Commerce in the United Kingdom and other countries.

PRINCE2™ is a Trade Mark of the Office of Government Commerce.

Financial Results

Profit for the Year

Once again the company has delivered record revenues and profits. Revenue for the year was £13.3 million (2007: £10.3 million), an increase of 28.7%. 14.0% of this increase represents organic growth from both divisions. Best Practice Group revenues were up 13.1% to £7.92 million (2007: £7.00 million) and Corporate Training Group revenues were £5.40 million (2007: £4.70 million including pre-acquisition revenues), growth of 15.3%. The remainder of the growth is due to these results including a full 12 months of the Corporate Training Group (2007: 8 months).

Gross margins have decreased slightly to 51.1% (2007: 56.6%), due to the increased proportion of instructor-led training arising principally from the acquisition of the Corporate Training Group.

Operating margins however increased to 17.2% (2007: 16.2%), with operating profit, before non-recurring items, being £2.29 million (2007: £1.67 million), growth of 36.7%.

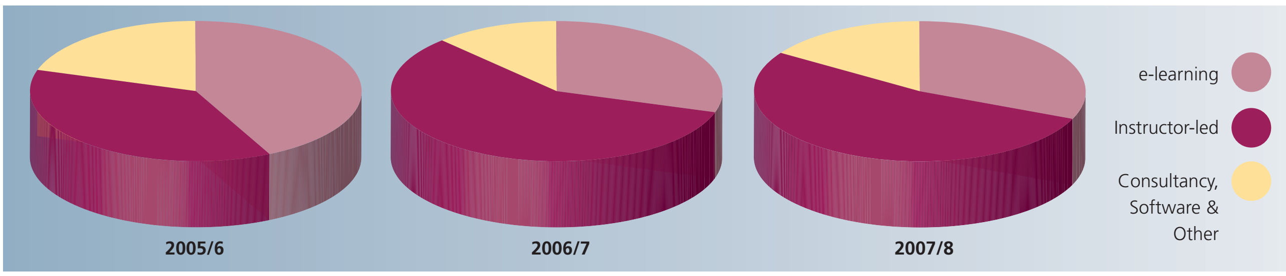
Profit before tax and non-recurring items grew 27.5% to £1.86 million (2007: £1.46 million).

Cash Flow and Net Debt

The quality of our profits can be highlighted by the generation of strong operating cash flows. Cash generated from operating activities for the year was £3.17 million (2007: £1.98 million), representing 156% of operating profit (2007: 126%).

Free cash flow, being cash generated from operating activities less interest, tax, and all capital expenditure, was £2.57 million (2007: £1.52 million), growth of 69%.

Revenues by product type



Business Review

For the year ended 31 March 2008

12.4%

Adjusted diluted earnings per share for the year was 6.61p – an increase of 12.4%

The company announced in February that it had moved to Barclays Bank plc, and secured facilities totalling £6.0 million. These facilities comprised a 4-year term loan of £5.0 million and an invoice finance facility of £1.0 million. The facilities are on improved terms to the previous facilities and the increase in term debt has allowed us to utilise our preferred option to pay the first earn-out payment in respect of the Corporate Training Group fully in cash.

£4.0 million of the term debt was drawn down immediately to make the balance of this payment and to redeem the company's existing term debt. The remaining £1.0 million term debt, and the confidential invoice finance facility, were undrawn at the balance sheet date.

The company's net debt, defined as bank debt plus all deferred consideration for acquisitions less cash, was £5.51 million at 31 March 2008 (At 31 March 2007: £7.38 million). At a multiple of just over two times free cash flow, and given the long visibility on a number of our earnings streams, this is a conservative level of debt.

The company uses an interest rate swap arrangement, details of which are contained in the notes to the accounts, to reduce exposure to future movements in interest rates. Nothing was paid for this arrangement but accounting standards require the company to value the instrument and to take any change in value to the income statement. This resulted in an additional notional charge of £39,000 included in interest payable for the year.

Deferred Consideration

The performance of the Corporate Training Group since its acquisition has been outstanding and all earn-out targets have been comfortably met.

During the year, £2.5 million was paid out in cash representing the first payment of the earn-out. Whilst a significant proportion of this payment could have been made in shares, this would have incurred substantial dilution for shareholders.

The payment of this amount in cash required additional finance as noted above, which took some while to secure. Under the terms of the agreement for the purchase of the Corporate Training Group interest of £117,000 accrued and was paid to the vendors along with the earn-out amount.

Non-Recurring Items

Non-recurring items covered three areas of expenditure for the year.

The Best Practice division underwent a restructuring at the start of the year at a cost of £179,000 in redundancy payments and relocation costs. This cut approximately £340,000 from overheads and laid a stronger foundation for continued growth.

During the second half of the year the company incurred a cost of £74,000 in settling an employment-related claim arising during the year ended 31 March 2007, together with related legal expenses.

Both these costs totalling £253,000 (non-recurring costs for 2007: £93,000) are included in the income statement as administrative expenses. After inclusion of these items, operating profit for the year was £2.03 million (2007: £1.58 million), growth of 28.7%. Operating margin after non-recurring costs was 15.3% (2007: 15.3%).

The company also incurred one-off costs of £111,000 in relation to the refinancing with Barclays Bank. These costs principally comprised the early write-down of fees incurred in securing the previous debt facilities. These costs were being spread across the term of the debt but had to be accelerated when the debt was repaid early.

After inclusion of this cost, profit before tax for the year was £1.49 million (2007: £1.36 million), growth of 9.5%.

Taxation

The taxation charge for the year was £460,000 (2007: £257,000). This represents 31% of pre-tax profits (2007: 19%). The company has previously claimed under the Research and Development tax credits scheme, where the company can claim 150% for both capital and revenue expenditure on projects that qualify under the scheme. This has reduced the tax charge in previous years but fewer projects in 2007/8 were eligible for such relief.

No corporation tax is payable as the company continues to utilise tax losses. At the year end the tax losses carried forward and available to offset against future profits were £294,000. The company shows a deferred tax asset in respect of these losses, and other adjustments, of £77,000.

Net Profit and Dividend

Net profit attributable to equity holders after tax and non-recurring items for the year was £1.03 million (2007: £1.11 million).

A dividend of 0.75 pence per share was paid during the year in respect of the year ended 31 March 2007, and this is shown in the statement of changes in equity. As stated in the Chairman's statement, a recommended final dividend of 1.50p in respect of the year ended 31 March 2008 will be payable in August subject to shareholder approval at the forthcoming AGM.

Earnings Per Share

Basic earnings per share was 5.33p (2007: 6.45p) and fully diluted earnings per share was 5.27p (2007: 6.33p).

The company uses adjusted diluted earnings per share measure to evaluate performance. This measure takes fully diluted earnings per share and adjusts to remove the effect of non-recurring items, both costs and benefits. It also ensures a consistent normalised tax rate is used thus removing the beneficial effect of recognition of tax assets and accelerated research and development tax credits.

Adjusted diluted earnings per share for the year was 6.61p (2007: 5.88p), an increase of 12.4%.

30%

e-learning products accounted for 30% of revenues in the year

Markets – Revenue Streams

As stated at the very start of this review, our strategy remains one of delivering shareholder value through building a strong business providing vocational hard skills training, delivered through innovative and exciting e-learning software together with top quality traditional instructor-led training.

Revenue Mix

Whilst all revenues have grown over the last two years, the proportion of instructor-led training has increased most significantly, in particular due to the acquisition of the Corporate Training Group. Instructor-led training accounted for 59% of revenues last year (2007: 53%), with e-learning making up 30% (2007: 33%). The balance of revenues relates to consultancy, software development, and sales of books and manuals.

We remain committed to the appropriate use of e-learning and instructor-led training across all our subject areas. (see fig.1)

Revenue by Subject

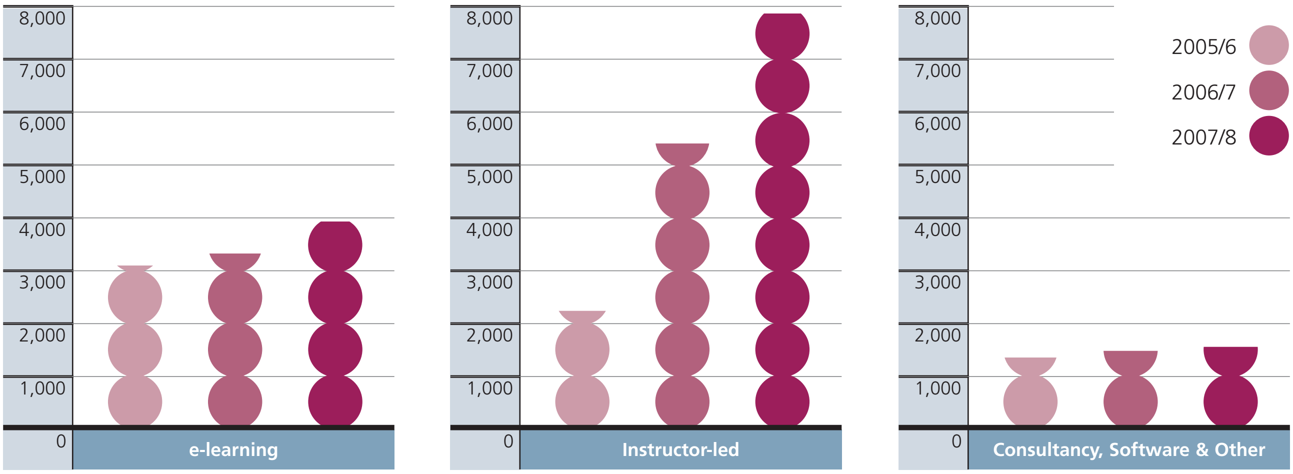
We have also continued to diversify the training we provide across a wider range of subjects both to reduce exposure to any one area and to increase the opportunities. This has been achieved both through acquisitions such as the Corporate Training Group and through the launch of products into new areas such as ITIL®. (see fig.2)

During 2005/6, PRINCE2™ and other project management training accounted for nearly 55% of the company's revenues; in 2007/8 it accounted for just 40% of revenues, despite our sales in this area having shown year on year growth of 15-20%.

The key markets for the company at present are as follows.

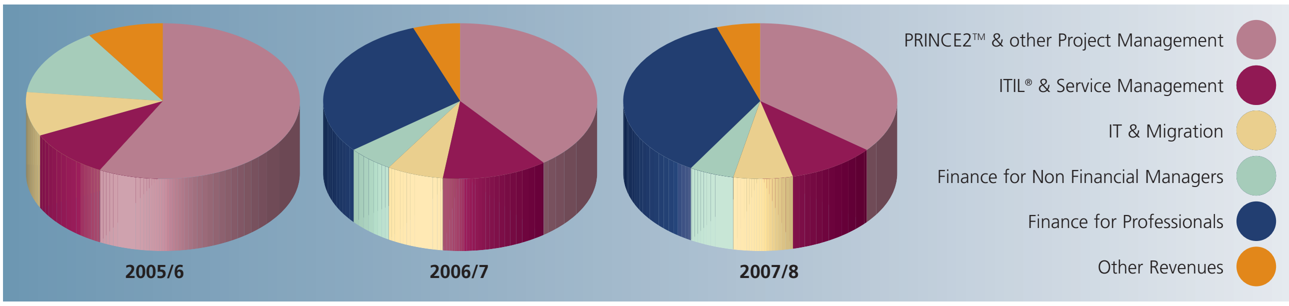
(fig.1)

Revenues by product type



(fig.2)

Revenues by subject



Business Review

For the year ended 31 March 2008

Finance for Professionals

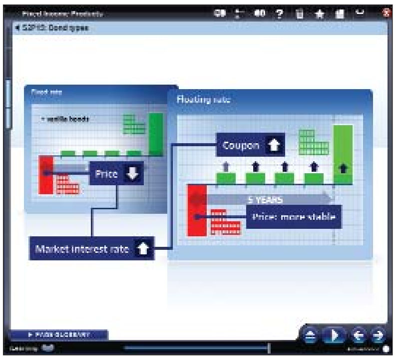
This market, serviced by the Corporate Training Group, accounts for 40% of revenues.

A wide range of subjects is covered including Accounting and Analysis, Corporate Finance, Company Valuation, Financial Modelling, Investment Management, Financial Products and Markets, and Regulation.

We train at various levels from major graduate training programmes right up to managing director level. Customers include a number of major investment banks as well as other financial institutions and some corporates and professional firms.

Revenues in this area are highly visible with extremely high levels of repeat business and bookings usually made many months in advance.

Training has historically been provided almost entirely through traditional instructor-led training, supported by consultancy and reference manuals. A key objective following the acquisition of the Corporate Training Group was to develop software products to complement the offering, and this has now been achieved through the development of our first e-learning products, which we expect to start rolling out in 2008.



Work has also been undertaken on both bespoke software development for key strategic customers in this area as well as electronic reference tools.

Revenues grew 15% year on year in this area and we remain one of the leaders in this marketplace.

PRINCE2™ and other Project Management

A further 40% of group revenues in the year came from PRINCE2™, the project management qualification, and related products and services.

We train to both PRINCE2™ Foundation and PRINCE2™ Practitioner level, as well as in qualifications such as the APM Introductory Certificate in Project Management, Managing Successful Programmes, and general project management.

Training is provided to a wide range of corporate customers spread across the public and private sector. In addition, an increasingly significant revenue stream is being generated from direct consumer and e-commerce sales.

15%

Finance for professionals training revenues increased by 15% in the year

19%

PRINCE2™ and project management training revenues increased by 19% during the year

27%

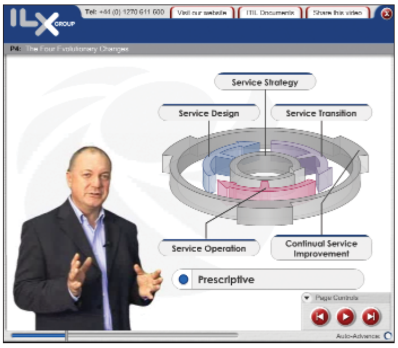
ITIL® related training revenues increased by 27% during the year

Training is provided both by a range of e-learning and distance learning products, as well as public and custom classroom training sessions and a consultancy offering which enables customers both to assess better their training requirements and to ensure that the training delivered results in benefits for the organisation.

The ability to deliver to our level of expertise in each of these three areas is unique in this marketplace, and this has enabled the business to grow market share and move into a dominant position. Revenues in this area grew by 19% against estimated market growth of 5-10%.

ITIL® and Service Management

10% of group revenues in the year came from ITIL®, the IT service management qualification, and related service management training.



As with PRINCE2™ and project management, training is provided to a wide range of customers across public and private sectors, and is delivered through both classroom training and e-learning products.

During the year a major change in the ITIL® qualification from version 2 to version 3 affected all providers of training in this area. This provided us with a major opportunity to gain ground against competitors.

Our ITIL® version 3 products, both classroom and e-learning, were first to market.

In addition, a module highlighting the differences between the two versions was developed and provided free of charge from our website. It remains one of the most visited pages of our extensive range of product and information websites.

The disruption caused by the change to version 3 meant that in the first half of the year sales of ITIL® products and services were down by 10%; however, by the end of the year, the year-on-year sales had grown by 27%.

IT Training and Migration

4% of revenues fall into this area, providing principally web-based, self-service solutions.

These help enterprises maintain productivity through IT Desktop transformation projects, such as the rollout of new operating systems (Windows XP, Vista), or business critical applications (Office 2003, Office 2007, Lotus Notes).

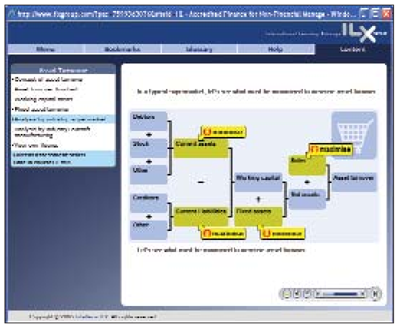
Businesses often have had to contend with the loss of productivity associated with users coming to terms with a new desktop, operating system or new applications, as well as a rapid increase in the frequency of migration related calls to helpdesks.

Our solutions allow "business as usual" minimising the adverse effect of these migrations on business critical projects.

There remains an opportunity for significant growth going forward with the greatest potential in the Microsoft Office 2007 migration space.

Finance for Non-Financial Managers

Finance for non-financial managers accounts for 4% of revenues.



We continue with the provision of customised e-learning solutions for multi-national and global organisations. A number of new customers have been developed over the year, in addition to continuing service provided to the existing customer base.

The opportunity to combine the e-learning products with our own in-house financial training expertise to increase our overall share of the corporate financial training market remains a key area for potential growth in 2008/9 and beyond.

Bespoke Software Development

Bespoke software development accounted for 2% of revenues last year and is undertaken in certain circumstances for key customers or where the development may give rise to other generic product developments. We do not actively seek out such opportunities but nevertheless expect to deliver a small number of projects each year.

Markets – Prospects

Market Outlook

Despite current economic uncertainties, demand for hard skills training remains strong and, whilst it is difficult to precisely establish market size and growth, there are a number of positive indicators.

Recent figures from the Securities & Investment Institute showed that the top 20 investment banks were running their 2008 graduate recruitment programmes at 94% of the 2007 level, which itself was a significant increase on 2006. The figures also showed a modest rise in the graduate intake amongst City-based banks.

This bodes well for continued growth within the Corporate Training Group, which has shown annual growth over the last seven years of between 7% and 43%, and a compound annual growth over that time of 26%.

Figures released in May showed that the UK IT training market grew by 10% in 2007. We are currently listed by IT Skills Research as number 14 in the top 50 providers, up from number 26 last year. Our own research into growth in the PRINCE2™ and ITIL® markets, based on the numbers of exams sat, estimates growth last year of 5-10% in PRINCE2™, which we expect to continue into 2008/9. The growth in the ITIL® market slowed during the year due to the changes from version 2 to version 3, and we expect the market size to remain the same into 2008/9 as the new version and its exams are bedded down.

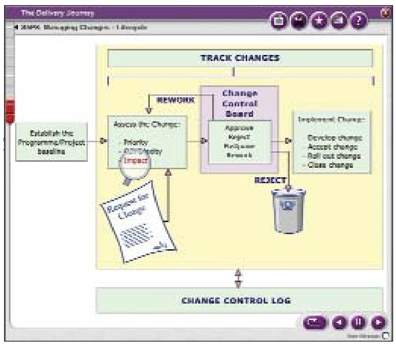
Our underlying organic growth rate of 14% would indicate that in the year ended 31 March 2008 we increased our share of the key markets in which we operate.

Market Positioning

In addition to growth in revenues and market share we have looked to lead the market in terms of our expertise and innovation. This covers both the subject matter we deliver and the delivery itself.

In terms of subject matter:

- A number of our investment banking clients now use financial models we have developed, covering comparable company analysis, precedent transactions, discounted cash flow, mergers, leveraged buy-outs, and rights issues;
- We have used our in depth knowledge of our customer requirements and worked with the accrediting and examination bodies to bring to market new qualifications in which we, and others, can provide accredited training.



An example of this is the development last year of a new Programme and Project Sponsorship qualification. Having been invited two years ago by the Home Office to develop a programme of short briefings for the Senior Responsible Owners (SRO) of Public Sector Programmes and Projects, the company seized the opportunity to address one of the most significant learning gaps in the Best Practice training market. After developing both classroom and e-learning courses, we approached the body that accredits PRINCE2™ and ITIL® and facilitated the development of a new formal qualification.

Having led the design of the programme content, Best Practice Group Managing Director Eddie Kilkelly was appointed as an examiner to help define the syllabus and prepare the new suite of examinations. The resulting new qualification should add value internationally to every business that recognises the value of Best Practice programme and project management. It will be formally launched at the Best Practice Showcase on 24 June 2008.

From a delivery perspective:

- We perform training needs analysis across the planet for our customers to ensure that they can offer internally rigorous and consistent learning appropriately delivered;
- As well as the development of interactive content for delivery via CD or the internet, we continue to lead the way in ensuring that the content is used effectively within our customer organisations.

We believe that the effective use of technology in training lies not only in developing exciting, interactive content, but also in ensuring content is accessible as required and on demand. Considerable research and development has gone into developing ways in which content, both training and information, can be accessible on handheld devices such as mobile phones.

£4.5 million

Revenues booked in advance as at 31 March 2008 were £4.5 million, an increase of 15% over last year

Revenue Visibility

Prior to the acquisition of the Corporate Training Group, the short sales cycle and small transaction values meant that whilst the company experienced strong year on year revenue growth, the forward visibility of that revenue was limited.

The Corporate Training Group enjoys significant visibility of future revenues as a significant number of training programmes are booked some months in advance. At the start of the current financial year the division had in excess of £3.5 million in booked fee income for the year ended 31 March 2009, a slight increase on the figure the previous year.

I am pleased to note that revenue visibility in the Best Practice Group has increased significantly, with booked revenues at the start of the current financial year of approximately £1.0 million, compared to around £400,000 at the same time last year. A significant proportion of this has been paid for in advance and is shown as deferred revenue in the accounts.

This increase in visibility comes about as a result of our increasing success in selling blended solutions, where customers purchase e-learning products in conjunction with future workshop events, and also as a result of our rapidly growing ability to tender for, and win, larger contracts.

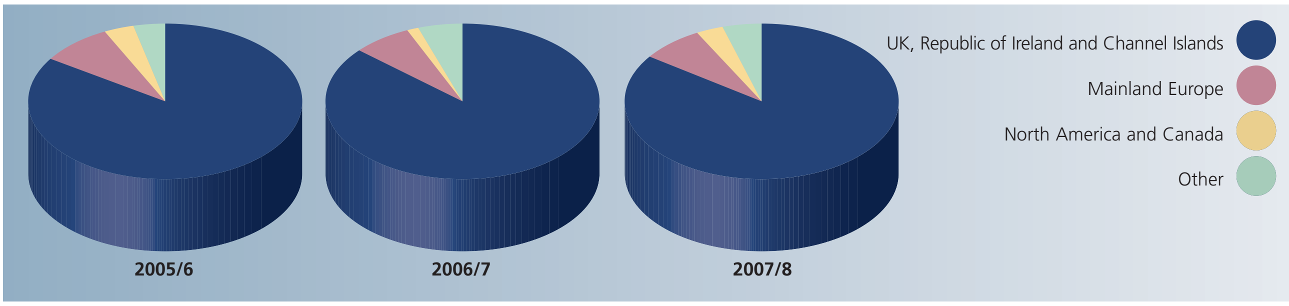
Overseas Markets

Although we have grown our overseas sales during the year we have remained primarily a UK-centric business with just 11% of revenues representing services delivered overseas (2007: 9%). (See fig.1)

The vast majority of our overseas business is currently carried through direct sales from the UK. Opportunities for further overseas expansion through greater use of resellers, local offices, and franchises are being explored and remain an opportunity for the company.

(fig.1)

Overseas markets



£340,000

Restructuring The Best Practice division has cut approximately £340,000 from its annual overheads.

Operations

Best Practice Restructure and Management

The Best Practice division was restructured into one division at the start of the financial year, consolidating the constituent businesses into one operation. The restructuring cut approximately £340,000 from overheads by reducing the number of premises utilised and putting responsibility for all service delivery with the company's office in Theale.

As part of the restructure the ISO9001 accreditation, which was previously restricted to the company's consultancy operations, was successfully implemented across the whole of the Best Practice Group.

Tony Glass, who was brought in at the start of the financial year as managing director of the Best Practice Group, left the business in April 2008. He contributed significantly to the restructuring in the early part of the year and I would like to thank him for his contribution. Eddie Kilkelly, who was previously the division's operations director and has been a key force behind the division's recent success and development, has taken over from Tony as the division's managing director.

Corporate Training Group Resources

The quality of our trainers is key to this area of our business and attracting the best trainers remains a top priority. Historically, the business has continued to hire trainers even in periods of slow growth as this allows us to build momentum for the future. Three additional training staff were taken on during the year and there are further staff scheduled to join in the current year.

Additionally, as mentioned in the Chairman's Statement, Peter Evans, previously managing director and co-founder of the Corporate Training Group, is to take on a new role responsible for strategic business development across both divisions. Peter Scollen is to take over as managing director of the Corporate Training Group.

Sales & Marketing

The Best Practice Group made progress during the year in further developing the sales resources with a number of new hires.

The sales staff are now organised into two teams based in London and Cheshire. In addition, a full overhaul of our e-commerce site was undertaken towards the end of the year. These two initiatives contributed significantly to an excellent final quarter for the division.

The Corporate Training Group relies more on account management than direct sales and we have boosted our resources in this area with an additional hire.

The company has also invested in trade public relations which has significantly raised its profile and presence, with regular articles in both trade journals and local press outlining the benefits we have been able to deliver to our customers.

Summary and Prospects

We expect 2008/9 to be a challenging economic environment. However our business is well placed to be able to thrive in such an environment and both operating divisions have started the year with a great deal of momentum.

As stated at the beginning of this review, our strategy continues to be to build a sizeable training and software company in the hard skills business training market. Our primary focus for 2008/9 is to maintain the growth of the existing businesses, and to ensure that we are best placed to take maximum advantage of further growth opportunities when economic conditions ease.

We look forward to a good year.

Ken Scott
Chief Executive

20 June 2008

Directors

Paul Lever
Chairman and Non-executive Director

Paul joined the board as Chairman in January 2003. Paul's executive career spans a number of Chief Executive positions at Crown Paints, Crown Berger Europe, and Tube Investments – Small Appliance Operations, as well as Executive Chairman of Lionheart plc.

Paul has considerable experience within the personal development and training sector in addition to extensive corporate transaction experience. He was appointed as Non-Executive Chairman in 1992 of BSM Group plc (formerly the British School of Motoring) and saw it through its flotation in 1994, its development into a service related business and its subsequent sale to the RAC in 1998. As Non-Executive Chairman of Oxford Aviation Holdings Ltd, the largest commercial air training school outside the United States, with annual sales of £40 million, he led a private purchase of the company, which was later sold to BBA Group plc.

Ken Scott
Chief Executive

Ken joined ILX Group as its CEO in July 2002 with the mandate to refocus the Company and deliver a new strategy. He has been the architect and driver of the business transformation which has taken place within ILX Group since then.

Ken has a rich background in business leadership and commerce, a great deal of which was gained in financial services. His previous roles include positions as UK country head for Avco Trust (consumer and business financing), CEO of Hamptons Estate Agents, Group Marketing Director of Bristol & West and Regional Director for one-fifth of the UK retail branch network of HSBC.

He is a strong advocate of customer retention activities and of seeking ways to gain long-term competitive advantage. Ken has attended Harvard Business School and INSEAD and is a Fellow of the Chartered Institute of Bankers.

Jon Pickles
Finance Director

Jon has 14 years' experience with the group. He has a degree in Mathematics and Philosophy from London University and is a chartered management accountant. He was appointed Group Financial Controller after the business was floated on AIM as Intellexis plc prior to being appointed to the board as Finance Director in March 2003.

Jon has played a major role in the restructuring of Intellexis plc to ILX Group and in the subsequent acquisitions and growth.

Paul Virik
Non-executive Director

Paul joined the board of directors in January 2007. He brings with him experience that spans 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. His previous positions include Managing Director of Reed Business Publishing, CEO of OAG, and CEO of Butterworths legal publishing.

The directors present their report and the financial statements for the year ended 31 March 2008.

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 Chairman's Statement and the Business Review.

Results and dividends

The results of the group for the year are set out on page 21.
The directors recommend payment of a dividend of 1.50 pence per share, subject to shareholder approval at the annual general meeting on 18 July 2008. This dividend will be paid on 22 August 2008 to shareholders on the register at 1 August 2008. 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 ending 31 March 2009.

Principal shareholders

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

	Ordinary Shares of 10 pence each	Percentage
Barnard Nominees Ltd	2,177,430	11.23
Investec Trust Guernsey Ltd	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
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 18 for details) only on achievement of certain performance criteria.

Authority to purchase own shares

At the annual general meeting of the company held on 20 July 2007 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. 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 £1,000 (2007: £800).

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 2008 was 44 (2007: 44).

Directors and their interests

The present directors are listed on page 14. The interests of the directors (including family interests) in the share capital of the company are as follows.

	Ordinary Shares of 10 pence each At 31 March 2008	At 31 March 2007
P R S Lever	100,100	84,100
K P Scott	208,585	147,585
J A Pickles	159,812	107,812
P Virik	-	-

There were no changes between 31 March 2008 and 20 June 2008.

K P Scott retires by rotation and, being eligible, offers himself for re-election at the forthcoming annual general meeting.

Directors' and officers' liability insurance

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

Auditors

In accordance with S489 of the Companies Act 2006 a resolution proposing that Saffery Champness be reappointed as auditors to the company will be put to the Annual General Meeting.

Disclosure of information to auditors

Each of the directors 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.

Annual general meeting

The resolutions to be proposed at the annual general meeting to be held on 18 July 2008 appear in the Notice of Annual General Meeting on page 44.

This report was approved by the board on 20 June 2008.

On behalf of the board

J A Pickles
Director

20 June 2008

Remuneration Report

For the year ended 31 March 2008

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 £'000	Car allowance £'000	Other benefits £'000	Bonus £'000	Pension contributions £'000	TOTAL £'000
Executive directors						
K P Scott	184	13	26	82	30	335
J A Pickles	99	9	-	48	24	180
Non-executive directors						
P R S Lever	36	-	-	-	-	36
P Virik	25	-	-	-	-	25
	344	22	26	130	54	576

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 2007	Number of shares under option at 31 March 2008	Exercise price	Date of grant
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
	1,235,616	1,235,616		

As at 31 March 2008, 58 employees (including directors) held options (granted between 30 September 2002 and 22 May 2007) over a total of 2,074,615 ordinary shares at an average option price of 85.4p. All options are exercisable between 2 and 10 years from date of grant.

The company's share price on 31 March 2008 was 43.0p (on 31 March 2007: 87.0p).

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 allocated to directors and senior management are as follows:

	Number of shares allocated at 31 March 2007	Allocated during the year	Vested during the year	Number of shares allotted at 31 March 2008
K P Scott	875,439	-	-	875,439
J A Pickles	350,176	-	-	350,176
Other management	624,385	-	-	624,385
	1,850,000	-	-	1,850,000

Shareholder approval

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

Corporate Governance

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 includes 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 year.

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.

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.

Report of the Auditors

We have audited the group and company financial statements (the "financial statements") of ILX Group plc for the year ended 31 March 2008 on pages 21 to 43. These financial statements have been prepared in accordance with the accounting policies set out therein. We have also audited the information in the 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 (IFRSs) as adopted by the European Union.

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 Sections 495 to 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

In addition 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 business 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of affairs of the company and the group as at 31 March 2008 and of the profit for the group for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provision of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2008;
- 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

20 June 2008

Consolidated and Company Income Statement

For the year ended 31 March 2008

	Notes	Year ended 31.3.2008 £'000	Year ended 31.3.2007 £'000
Revenue	3	13,312	10,340
Cost of sales		(6,513)	(4,489)
Gross profit		6,799	5,851
Administrative and distribution expenses excluding depreciation		(4,640)	(4,185)
Earnings before interest, tax and depreciation		2,159	1,666
Depreciation		(127)	(87)
Operating profit	4	2,032	1,579
Interest receivable and similar income	6	16	26
Interest payable and similar charges	7	(554)	(241)
Profit before tax		1,494	1,364
Tax	10	(460)	(257)
Profit for the year attributable to equity shareholders		1,034	1,107
Earnings per share:			
Basic	11	5.33p	6.45p
Diluted	11	5.27p	6.33p

Consolidated Balance Sheet

As at 31 March 2008

	Notes	As at 31.3.2008	As at 31.3.2007
Assets		£'000	£'000
Non-current assets			
Property, plant and equipment	12	206	232
Intangible assets	13	23,129	22,779
Deferred tax asset	10	77	534
Total non-current assets		23,412	23,545
Current assets			
Trade and other receivables	15	3,464	2,661
Cash and cash equivalents		994	843
Total current assets		4,458	3,504
Total assets		27,870	27,049
Current liabilities			
Trade and other payables		(3,249)	(1,743)
Deferred consideration	17	(1,000)	(1,000)
Tax liabilities		(694)	(645)
Bank loans	18	(1,250)	(1,098)
Total current liabilities	16	(6,193)	(4,486)
Non-current liabilities			
Derivative financial instruments	23	(39)	-
Provision for contingent consideration	17	-	(1,000)
Bank loans	18	(2,750)	(2,123)
Total non-current liabilities		(2,789)	(3,123)
Total liabilities		(8,982)	(7,609)
Net assets		18,888	19,440
Equity			
Issued share capital	19	1,939	1,938
Share premium	19	11,804	11,813
Shares to be issued – deferred consideration	17	1,500	3,000
Own shares in trust	19 & 20	(1,825)	(1,825)
Share option reserve	19	303	258
Buyback reserve	19	1,178	1,178
Retained earnings	19	3,989	3,078
Total equity		18,888	19,440

The financial statements were approved by the board of directors and authorised for issue on 20 June 2008.
They were signed on its behalf by:

J A Pickles ______________________ Director

K P Scott ______________________ Director

Company Balance Sheet

As at 31 March 2008

	Notes	As at 31.3.2008 £'000	As at 31.3.2007 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	206	232
Intangible assets	13	1,187	837
Investments	14	21,942	21,942
Deferred tax asset	10	77	534
Total non-current assets		23,412	23,545
Current assets			
Trade and other receivables	15	3,464	2,661
Cash and cash equivalents		994	843
Total current assets		4,458	3,504
Total assets		27,870	27,049
Current liabilities			
Trade and other payables		(3,249)	(1,743)
Deferred consideration	17	(1,000)	(1,000)
Tax liabilities		(694)	(645)
Bank loans	18	(1,250)	(1,098)
Total current liabilities	16	(6,193)	(4,486)
Non-current liabilities			
Derivative financial instruments	23	(39)	-
Provision for contingent consideration	17	-	(1,000)
Bank loans	18	(2,750)	(2,123)
Total non-current liabilities		(2,789)	(3,123)
Total liabilities		(8,982)	(7,609)
Net assets		18,888	19,440
Equity			
Issued share capital	19	1,939	1,938
Share premium	19	11,804	11,813
Shares to be issued – deferred consideration	17	1,500	3,000
Own shares in trust	19 & 20	(1,825)	(1,825)
Share option reserve	19	303	258
Buyback reserve	19	1,178	1,178
Retained earnings	19	3,989	3,078
Total equity		18,888	19,440

The financial statements were approved by the board of directors and authorised for issue on 20 June 2008.
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 2008

	Year ended 31.3.2008 £'000	Year ended 31.3.2007 £'000
Profit from operations	2,032	1,579
Adjustments for:		
Depreciation	127	87
Share option charge	45	63
Movement in trade and other receivables	(796)	457
Movement in trade and other payables	1,759	(204)
Cash generated from operating activities	3,167	1,982
Interest paid	(21)	(25)
Tax paid	(137)	(97)
Net cash generated from operating activities	3,009	1,860
Investing activities		
Interest received	16	26
Proceeds on disposal of property and equipment	7	-
Purchases of property and equipment	(108)	(164)
Expenditure on product development	(350)	(199)
Acquisition of subsidiaries (net of cash acquired)	(2,532)	(5,780)
Net cash used by investing activities	(2,967)	(6,117)
Financing activities		
Post-completion dividends paid	-	(82)
Increase in borrowings	780	2,400
Repayment of finance lease obligations	-	(10)
Net proceeds of share issue	(8)	2,478
Interest and refinancing costs paid	(540)	(236)
Dividend paid	(123)	(96)
Net cash from financing activities	109	4,454
Net change in cash and cash equivalents	151	197
Cash and cash equivalents at start of year	843	646
Cash and cash equivalents at end of year	994	843

Consolidated and Company Statement of Changes in Equity

For the year ended 31 March 2008

	Year ended 31.3.2008 £'000	Year ended 31.3.2007 £'000
Balance at start of year	19,440	12,919
Profit for the year	1,034	1,107
Dividends paid	(123)	(96)
Issue of shares to trust	-	(743)
Issue of shares	-	655
Options exercised	1	-
Options granted	45	63
Deferred consideration	(1,500)	970
Premium on issue of shares	-	4,732
Costs relating to share issue	(9)	(167)
Balance at end of year	18,888	19,440

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 20 June 2008.

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 Section 408 of the Companies Act 2006 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 of conditions 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 as modified by financial assets and financial liabilities (including derivative financial instruments) at fair value through the income statement.

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 projects is recognised in accordance with the percentage completed for each project. Revenue from such projects chargeable on a time and materials basis is recognised when the work is performed.

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

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

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 vesting period.

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. It is considered to have an indefinite useful economic life as there are no legal, regulatory, contractual, or other limitations on its life. Goodwill is therefore capitalised and is subject to annual impairment reviews in accordance with applicable accounting standards.

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.

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 considered to have an indefinite economic life and is subject to regular impairment reviews, based on the continued sales and profitability of the products developed. It is stated at cost less any accumulated impairment losses. Any permanent impairment taken during the year is shown under amortisation on the income statement.

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.

Depreciation

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

Fixtures, fittings and equipment – 4 years
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.

Defined contribution pension scheme

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

Leases and hire purchase contracts

The company has no assets financed through finance leases.

Other leases are treated as operating leases. Annual rentals are charged to the income statement on a straight line basis over the term of the lease.

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.

Interest

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

Financial instruments

The directors consider the company to have financial instruments, as defined under IFRS7, in the following categories:

Loans and receivables

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

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 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.

Financial liabilities measured at fair value through the income statement

The company uses derivative financial instruments to reduce exposure to interest rate risk. Certain derivative instruments, while providing effective economic hedges, do not qualify for hedge accounting. Changes in the fair value of any such derivative instruments are recognised immediately in the income statement.

Other financial liabilities measured at amortised cost

These include accruals, trade payables, and term debt.

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

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

Future changes to accounting policies

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

Standard	*Description*	*Effective (periods beginning)*
IAS 1 (revised)	Presentation of Financial Statements	1 January 2009
IFRS 8	Operating Segments	1 January 2009
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 14	The limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction	1 January 2008

Whilst these standards may affect disclosures in future financial statements, implementation is not expected to have a significant effect on the company's results or balance sheet.

2. Financial instruments – risk management

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

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

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

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

- Trade receivables
- Cash at bank
- Trade and other payables
- Borrowings
- Derivative financial instruments

It is, and has been throughout the year under review, the company's policy that no trading in financial instruments shall be undertaken. The company does, however, manage interest rate risk as detailed below.

Credit risk

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

The total exposure to credit risk lies within trade receivables and accrued revenue. The majority of these balances are with blue-chip companies. The risk is spread over a wide range of approximately 500 customers with an average balance of just over £6,000. The largest balance at year end comprised 12% of the total trade receivable balance. Balances aged 60 days or over comprised 12% of the total receivables.

The historic default rate of accrued revenue and trade receivables has been negligible and at the reporting date the directors do not expect any losses from bad debts other than where specific provision has been made.

Liquidity risk

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

It is the company's policy to ensure that it will always have sufficient cash to allow it to meet its liabilities when they fall due.

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

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

Interest rate risk

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

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

The company's exposure to interest rate risk arises principally from its term debt. The company has entered into an interest rate swap agreement with Barclays Capital.

This has the effect of fixing the interest paid on term debt. Future changes in LIBOR will affect the carrying value of the swap and this will be reflected as an asset or liability on the balance sheet with any change in value taken to the income statement.

Details of the swap agreement are contained in Note 23 to these accounts.

Exchange rate risk

All assets and liabilities are denominated in Sterling. Transactions in Euros and Dollars are translated at the exchange rate ruling at the date of the transaction. The company did not carry out transactions in any other currency during the year.

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

No hedging of this risk is undertaken as the amounts denominated in currencies other than sterling comprise in all cases less than 5% by value of the total transactions undertaken by the company. Details of the exchange gain or loss for the year are included in Note 4 to the accounts.

Capital risk

Capital comprises all components of equity including share capital, share premium, buyback reserve, and retained earnings.

The company seeks to maintain a capital structure that safeguards the company's ability to continue as a going concern and ensures sufficient resources are available for the company's growth.

Net debt, defined as bank debt plus all deferred consideration for acquisitions, less cash, was £5.51 million at 31 March 2008 (2007: £7.38 million).

3. 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).

For the year ended 31 March 2008	UK, Republic of Ireland and Channel Islands £'000	Mainland Europe £'000	North America and Canada £'000	Other £'000	Total £'000
Segment revenue	11,798	968	228	318	13,312
Segment result	6,027	494	116	162	6,799
Central costs					(4,767)
Operating profit					2,032

For the year ended 31 March 2007	UK, Republic of Ireland and Channel Islands £'000	Mainland Europe £'000	North America and Canada £'000	Other £'000	Total £'000
Segment revenue	9,408	611	63	258	10,340
Segment result	5,323	346	36	146	5,851
Central costs					(4,272)
Operating profit					1,579

All assets and liabilities are maintained and managed centrally.

4. Operating profit

Operating profit is stated after charging:

	Year ended 31.3.2008 £'000	Year ended 31.3.2007 £'000
Depreciation	127	87
Exchange (gains) / losses	(2)	15
Operating lease rentals - land and buildings	95	99

Fees receivable by the group's auditors:

Audit of financial statements	42	42
Other services relating to taxation	12	7
Services relating to corporate finance transactions	9	18
Other services	2	3
	65	70

5. Non-recurring costs

During the year the company incurred non-recurring costs as follows:

	Year ended 31.3.2008 £'000	Year ended 31.3.2007 £'000
Included within administrative expenses		
Restructuring costs	179	93
Other non-trading costs	74	-
	253	93
Included within interest payable	-	-
Refinancing costs	111	-

The restructuring costs relate to the fundamental reorganisation of the elements of the Best Practice division into one single operating division. The costs principally comprise redundancy payments and office relocation costs.

The other non-trading costs relate to the out of court settlement, and related legal expenses, of an employment dispute arising during the year ended 31 March 2007.

The refinancing costs relate to the early settlement of the company's debt finance with HSBC. The costs principally comprise arrangement fees which would have been spread over the remaining life of the loans had they not been settled early.

The restructuring and other non-trading costs are included within administrative expenses on the income statement. The refinancing costs are included within interest payable on the income statement.

6. Interest receivable and similar income

	Year ended 31.3.2008 £'000	Year ended 31.3.2007 £'000
Bank Interest	16	26

7. Interest payable and similar charges

	Year ended 31.3.2008 £'000	Year ended 31.3.2007 £'000
On bank loans and overdrafts	246	212
Other interest	117	-
Mark to market of derivative financial instrument	39	-
Arrangement fees and refinancing costs	152	29
	554	241

Other interest relates to interest on deferred consideration which became payable on 30 June 2007 but was paid in instalments between 25 September 2007 and 26 February 2008.

8. Employees' and directors' remuneration

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

	Year ended 31.3.2008 Number	Year ended 31.3.2007 Number
Development and delivery	30	27
Administration and management	20	20
Sales and marketing	25	23
	75	70

Their total remuneration was:

	Year ended 31.3.2008 £'000	Year ended 31.3.2007 £'000
Wages and salaries	5,905	4,258
Social security costs	711	489
Pension costs	268	174
Share based payments	45	63
	6,929	4,984

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

	Year ended 31.3.2008 £'000	Year ended 31.3.2007 £'000
Cost of sales	3,638	1,711
Administrative expenses	2,996	3,062
Product development capital expenditure	287	175
Other capital expenditure	8	36
	6,929	4,984

Directors' emoluments can be analysed as follows:

	Year ended 31.3.2008 £'000	Year ended 31.3.2007 £'000
Remuneration and other emoluments	522	449
Pension contributions	54	50
	576	499
	£'000	£'000
Highest paid director	335	294

There are two directors to whom retirement benefits are accruing under a money purchase scheme (2007: 2).

Key person insurance policies at a total value of £2,500,000 (2007: £4,500,000) are in place over the lives of 5 staff, including the 2 executive directors.

A detailed analysis of directors' remuneration is provided on pages 17 and 18.

9. Pension costs

The company operates a defined contribution pension scheme in respect of the directors and employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company which amounted to £60,000 (2007: £98,000) plus contributions made directly to directors' and employees' personal pension schemes which amounted to £208,000 (2007: £76,000).

10. Tax

	Year ended 31.3.2008 £'000	Year ended 31.3.2007 £'000
Current tax charge	3	2
Deferred tax charge	457	255
Tax expense	460	257
Factors affecting the tax charge for the year		
Profit before tax	1,494	1,364
Profit before tax multiplied by standard rate of UK corporation tax of 30% (2007: 30%)	448	409
Effects of:		
Non-deductible expenses	17	9
Capital allowances in excess of depreciation	11	(5)
Product development adjustment	(52)	(60)
Share option adjustment	14	19
Schedule DIII income	-	5
Tax losses utilised	(433)	(372)
Adjustment for tax rate	(2)	
Provision for withholding taxes	-	(3)
Deferred tax asset reduced	457	255
Tax charge for period	460	257

Unrelieved tax losses of £294,000 remain available to offset against future taxable profits.

A deferred tax asset balance of £77,000 (2007: £534,000) 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.

11. Earnings per share

Earnings per share is calculated by dividing profit attributable to shareholders of £1,034,000 (2007: £1,107,000) by the weighted average number of shares in issue during the year.

Diluted earnings per share is adjusted for outstanding share options and the average option price, using an average interest saving of 8.0% (2007: 8.0%).

To allow shareholders to gain a better understanding of the underlying trading performance of the company, an adjusted earnings per share and adjusted diluted earnings per share has been calculated using an adjusted profit after taxation before post-taxation non-recurring costs.

As at the year end a number of share options had exercise prices higher than the average share price for the year. In accordance with IAS 33, the company has excluded these shares in arriving at diluted earnings per share and adjusted diluted earnings per share. Such share options were not excluded in the previous year, however the effect is not material to the diluted earnings per share figures, and therefore the comparatives have not been restated. If restated, the diluted earnings per share for the year ended 31 March 2007 would have been 6.38 pence per share. There would be no change to adjusted diluted earnings per share.

	Year ended 31.3.2008 £'000	Year ended 31.3.2007 £'000
Post tax profit for the period	1,034	1,107
After tax interest on outstanding options multiplied by exercise price	17	108
Profit for diluted earnings per share	1,051	1,215
	£'000	£'000
Post tax profit for the period	1,034	1,107
Add back actual tax charge	460	257
Strip out non-recurring items	364	93
Normalised tax charge	(557)	(437)
Profit for adjusted earnings per share	1,301	1,020
	£'000	£'000
Profit for adjusted earnings per share	1,301	1,020
After tax interest on outstanding options multiplied by exercise price	17	108
Profit for adjusted diluted earnings per share	1,318	1,128
	Number	Number
Weighted average shares	19,390,598	17,179,200
Outstanding share options	557,125	2,008,615
Weighted average shares for diluted earnings per share	19,947,723	19,187,815
Basic earnings per share	5.33p	6.45p
Diluted earnings per share	5.27p	6.33p
Adjusted earnings per share	6.71p	5.94p
Adjusted diluted earnings per share	6.61p	5.88p

12. Property, plant and equipment

Cost	Motor vehicles £'000	Fixtures, fitting and equipment £'000	Computer equipment & software £'000	Total £'000
At 31 March 2006	12	57	142	211
Additions	-	43	144	187
Disposals	-	(6)	(22)	(28)
At 31 March 2007	12	94	264	370
Additions	-	49	59	108
Disposals	(12)	(12)	(48)	(72)
At 31 March 2008	-	131	275	406
Depreciation				
At 31 March 2006	-	21	58	79
Charge for the year	3	16	68	87
Disposals	-	(6)	(22)	(28)
At 31 March 2007	3	31	104	138
Charge for the year	2	35	90	127
Disposals	(5)	(12)	(48)	(65)
At 31 March 2008	-	54	146	200
Net Book Value				
At 31 March 2008	-	77	129	206
At 31 March 2007	9	63	160	232
At 31 March 2006	12	36	84	132

13. Intangible fixed assets

Group Cost	Goodwill £'000	Acquired customer relationships £'000	Product development and intellectual property £'000	Total £'000
At 31 March 2006	12,665	-	661	13,326
Additions	4,916	6,974	804	12,694
Write-off of contingent consideration	(2,300)	-	-	(2,300)
At 31 March 2007	15,281	6,974	1,465	23,720
Additions	-	-	350	350
Disposals	-	-	-	-
At 31 March 2008	15,281	6,974	1,815	24,070
Amortisation				
At 31 March 2006	907	-	34	941
At 31 March 2007	907	-	34	941
At 31 March 2008	907	-	34	941
Net Book Value				
At 31 March 2008	14,374	6,974	1,781	23,129
At 31 March 2007	14,374	6,974	1,431	22,779
At 31 March 2006	11,758	-	627	12,385

Company Cost	Goodwill £'000	Product development and intellectual property £'000	Total £'000
At 31 March 2006	11	661	672
Additions	-	199	199
At 31 March 2007	11	860	871
Additions	-	350	350
At 31 March 2008	11	1,210	1,221
Amortisation			
At 31 March 2006	-	34	34
At 31 March 2007	-	34	34
At 31 March 2008	-	34	34
Net Book Value			
At 31 March 2008	11	1,176	1,187
At 31 March 2007	11	826	837
At 31 March 2006	11	627	638

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

The aggregate amount of research and development recognised as an expense during the year was £7,000 (2007: £11,000).

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

	Financial training products and services £'000	Best Practice training and consultancy products and services (excluding IT) £'000	IT training and consultancy products and services £'000	Total £'000
Goodwill arising on acquisition of:				
Intellexis International Ltd	2,590			2,590
Key Skills Ltd		2,200		2,200
Computa-Friendly Ltd		368		368
Mindscope Ltd		1,495		1,495
Mount Lane Training & Implementation Solutions Ltd			2,352	2,352
Techpractice Ltd (purchase of elements of the trade)		11		11
Customer Projects Ltd		442		442
Corporate Training Group Ltd	4,916			4,916
	7,506	4,516	2,352	14,374

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%.

14. Investments

	Shares in group undertakings (at cost) £'000
Cost	
At 31 March 2006	11,748
Additions	12,494
Disposals / Adjustments	(2,300)
At 31 March 2007 and 31 March 2008	21,942

The company has the following subsidiary undertakings:

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

These companies have all prepared accounts to 31 March 2008.

15. Trade and other receivables

	At 31.3.2008 £'000	At 31.3.2007 £'000
Trade receivables	3,009	2,338
Other receivables	-	6
Prepayments	282	238
Accrued revenue	173	79
	3,464	2,661

16. Trade and other payables

	At 31.3.2008 £'000	At 31.3.2007 £'000
HSBC 10-year term loan (see note 18)	-	25
HSBC 7-year term loan (see note 18)	-	121
HSBC 3-year term loan (see note 18)	-	952
Barclays 4-year term loan (see note 18)	1,250	-
Trade payables	678	586
Corporation tax	-	136
Withholding tax	-	24
Other taxes and social security costs	694	485
Other creditors	-	2
Deferred consideration (see note 17)	1,000	1,000
Accruals	1,648	739
Deferred revenue	923	416
	6,193	4,486

17. Deferred and contingent consideration

	At 31.3.2008 £'000	At 31.3.2007 £'000
Current liabilities: Deferred consideration		
Acquisition of Corporate Training Group Ltd	1,000	1,000
	1,000	1,000
Non-current liabilities: Contingent consideration		
Acquisition of Corporate Training Group Ltd	-	1,000
	-	1,000
Equity: Deferred consideration		
Acquisition of Corporate Training Group Ltd	1,500	1,500
	1,500	1,500
Equity: Contingent consideration		
Acquisition of Corporate Training Group Ltd	-	1,500
	-	1,500

The deferred consideration relating to Corporate Training Group Limited is payable on 30 June 2008. The first £1 million is payable in 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.

18. Bank loans and facilities

	At 31.3.2008 £'000	At 31.3.2007 £'000
Bank loan amounts included in non-current liabilities		
HSBC 10-year term loan	-	123
HSBC 7-year term loan	-	406
HSBC 3-year term loan	-	1,594
Barclays 4-year term loan	2,750	-
	2,750	2,123
Total bank loans		
Repayable in one year or less (note 16)	1,250	1,098
Repayable between one and two years	1,250	1,098
Repayable between two and five years	1,500	1,024
Repayable in five years or more	-	-
	4,000	3,220

The HSBC loans were repaid in full on 26 February 2008.

The company has an additional £1.0 million of term debt available for draw down to part finance deferred consideration payments (see Note 17). The company also has a confidential invoice finance facility, also currently undrawn, of up to £1.0 million.

The Barclays loan and additional facilities are secured by a Debenture granted by the company in favour of Barclays Bank plc dated 18 February 2008, which includes a Fixed Charge over all present freehold and leasehold property; a First Fixed Charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and a First Floating Charge over all assets and undertakings both present and future.

The carrying amount of financial assets pledged as collateral under this Debenture as at 31 March 2008 was £4,458,000.

The Barclays 4-year term loan has an interest rate of 1.5% plus LIBOR.

19. Share capital and reserves

	At 31.3.2008 £'000	At 31.3.2007 £'000
Authorised equity:		
Ordinary shares of 10p each	5,000	5,000
Allotted, called up and fully paid equity:		
Ordinary shares of 10p each	1,939	1,938

Details of movement on reserves are as follows:

Group	Called up share capital £'000	Share premium account £'000	Deferred consider-ation £'000	Own shares in trust £'000	Share option reserve £'000	Buyback reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 March 2006	1,283	7,248	2,030	(1,082)	199	1,178	2,063	12,919
Profit for the year	-	-	-	-	-	-	1,107	1,107
Dividend Paid	-	-	-	-	-	-	(96)	(96)
Issue of shares to trust	-	-	-	(743)	-	-	-	(743)
Issue of shares	655	-	-	-	-	-	-	655
Options exercised	-	-	-	-	(4)	-	4	-
Options granted	-	-	-	-	63	-	-	63
Deferred consideration	-	-	970	-	-	-	-	970
Premium on issue of shares	-	4,732	-	-	-	-	-	4,732
Costs relating to share issue	-	(167)	-	-	-	-	-	(167)
Balance at 31 March 2007	1,938	11,813	3,000	(1,825)	258	1,178	3,078	19,440
Profit for the year	-	-	-	-	-	-	1,034	1,034
Dividend Paid	-	-	-	-	-	-	(123)	(123)
Options exercised	1	-	-	-	-	-	-	1
Options granted	-	-	-	-	45	-	-	45
Deferred consideration	-	-	(1,500)	-	-	-	-	(1,500)
Costs relating to share issue	-	(9)	-	-	-	-	-	(9)
Balance at 31 March 2008	1,939	11,804	1,500	(1,825)	303	1,178	3,989	18,888

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.

Deferred consideration
This reserve records the elements of deferred and 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 2008, 58 employees (including directors) held options (granted between 30 September 2002 and 22 May 2007) over a total of 2,074,615 (2007: 2,008,615) ordinary shares at an average exercise price of 85.4p (2007: 95.7p), as follows:

Date of Grant	Number of shares under option at 31 March 2007	Granted during the year	Exercised during the year	Forfeited during the year	Number of shares under option at 31 March 2008	Exercise Price	Expiry Date
30-Sep-02	140,500	-	-	-	140,500	110p	30-Sep-12
09-Dec-02	50,000	-	-	(20,000)	30,000	110p	09-Dec-12
07-Jan-03	10,000	-	-	-	10,000	140p	07-Jan-13
01-Feb-04	69,500	-	(5,000)	-	64,500	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	117,500	-	-	(75,500)	42,000	90p	24-Dec-14
13-Apr-05	67,800	-	-	-	67,800	100p	13-Apr-15
15-Jul-05	66,250	-	-	(18,125)	48,125	90p	15-Jul-15
01-Oct-05	91,875	-	-	(10,000)	81,875	90p	01-Oct-15
23-Nov-05	202,860	-	-	-	202,860	100p	23-Nov-15
01-Dec-05	37,500	-	-	(10,000)	27,500	100p	01-Dec-15
12-Jun-06	105,000	-	-	(90,000)	15,000	90p	12-Jun-16
22-Sep-06	417,580	-	-	-	417,580	99p	22-Sep-16
15-Nov-06	267,500	-	-	(262,500)	5,000	90p	15-Nov-16
22-May-07	-	582,125	-	(25,000)	557,125	53p	22-May-17
	2,008,615	582,125	(5,000)	(511,125)	2,074,615	-	-

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 2007	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options exercisable at 31 March 2008	Options outstanding (including those exercisable) at 31 March 2008
Number of shares under option	2,008,615	582,125	(5,000)	(511,125)	1,079,910	2,074,615
Weighted average exercise price	95.7p	53.0p	70.0p	89.2p	96.8p	85.4p

The weighted average time to expiry of the share options outstanding at 31 March 2008 was 7.67 years (2007: 8.36 years). Details of individual expiry dates are shown above. For those share options outstanding but not exercisable at 31 March 2008, the weighted average time prior to the options becoming exercisable was 0.84 years (2007: 1.12 years).

All options are exercisable between 2 and 10 years from date of grant. Details of directors' share options can be found on page 17.
The company's share price on 31 March 2008 was 43.0p (2007: 87.0p).

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 £45,000 (2007: £63,000). 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	Granted in year ended 31 March 2008
Average share price at grant	111.7p	70.0p	95.4p	97.0p	98.6p	53.0p
Average exercise price	111.7p	70.0p	95.4p	97.0p	98.6p	53.0p
Expected volatility	35%	35%	27%	27%	15%	40%
Expected life	3.5 years	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%	1.3%
Risk-free rate of return	4.5%	4.5%	4.5%	4.5%	5.0%	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 17 to 18 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 £304,000 (2007: £222,000). As at the year end there were a total of 10,000 share options outstanding for these individuals (2007: 125,000).

The company leases an office premises used by its Corporate Training Group Division from a partnership which includes a member of key management as defined by IAS 24 and other employees of the company. During the year the company paid £15,000 for 12 months' rental of this premises (2007: £10,000 for 8 months' rental). Future commitments under the lease are included in those disclosed in Note 24.

22. Ultimate parent undertaking and controlling interest

There is no ultimate controlling party.

23. Derivative financial instruments

The company has taken out a 4-year Interest Rate Swap Agreement with Barclays Capital, from 26 February 2008 to 29 February 2012, over an amortising notional principal of £5,000,000. Under this agreement the company pays 5.39% per annum on the principal and receives 3 month LIBOR.

No premium was paid to enter into the Swap Agreement which was valued by Barclays Capital as a liability of £39,000 at 31 March 08.

24. Operating leases

At 31 March 2008 the group had minimum commitments under non-cancellable operating leases as set out below:

	Land and buildings 31.3.2008 £'000	Land and buildings 31.3.2007 £'000
Due within one year	92	89
Due in second to fifth year	73	129
Total minimum lease payments	165	218

The group leases four 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 the 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 2007 was paid on 15 August 2007. This dividend is reflected in these financial statements.

As stated in the directors' report, the directors recommend payment of a final dividend of 1.50 pence per share in respect of the year ended 31 March 2008, subject to shareholder approval at the annual general meeting on 18 July 2008. The shares held in trust under the company's Medium Term Incentive Plan will waive their entitlement to this dividend. This dividend, amounting to £263,000, will be paid on 22 August 2008 to shareholders on the register at 1 August 2008. The ordinary shares will become ex-dividend on 30 July 2008. 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 2009.

26. Capital commitments

There were no capital commitments at the end of the year (2007: £0).

Notice of Annual General Meeting

18 July 2008

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 18 July 2008 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 2008 together with the independent auditors' report thereon.
2. To receive the report to the shareholders on directors' remuneration for the year ended 31 March 2008.
3. To re-elect K P Scott, who retires by rotation, as a director of the company.
4. To re-appoint Saffery Champness as auditors of the company and to authorise the directors to fix their remuneration.
5. To declare a final dividend of 1.50 pence per ordinary share for the financial year ended 31 March 2008 (See note 9).

SPECIAL BUSINESS

6. 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.

7. 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 15 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.

8. 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

20 June 2008

NOTES

1. As a member, you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the Meeting. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share. A form of proxy is enclosed.
2. To appoint more than one proxy, additional proxy forms may be obtained by contacting the Company's registrars, Capita Registrars, on telephone number 0871 664 0300 (calls cost 10p per minute plus network extras) or you may photocopy the form of proxy. On each proxy form, please enter the number of shares in relation to which that proxy is authorised to act on your behalf. The total number of shares entered on all the proxy forms you submit must not exceed the number of shares you hold in the Company. All forms must be signed and should be returned together in the same envelope.
3. To be valid, any proxy form or other instrument of proxy and any power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to Capita Registrars, The Registry, Proxy Department, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to arrive not less than forty eight hours before the time fixed for the Meeting (excluding weekends and public holidays).
4. The return of a completed proxy form, other instrument of proxy will not prevent you attending the Meeting and voting in person if you wish to do so.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his discretion.
6. In the case of joint holders, the signature of any one joint holder is sufficient. If more than one joint holder tenders a vote in person or by proxy, the vote of the person whose name stands first in the register will be accepted to the exclusion of the votes of the other joint holders.
7. In accordance with Regulation 41 of the Uncertified Securities Regulations 2001, to have the right to attend and vote at the Meeting a member must first have his or her name entered in the Company's register of members by not later than forty eight hours before the time fixed for the Meeting (or, in the event that the Meeting is adjourned, forty eight hours before the time of the adjourned Meeting). Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting referred to above.
8. 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 the director's service contracts with the Company;
   (b) the register of directors' interests in the share capital of the Company
9. The final dividend is proposed to be paid out to all ordinary shareholders listed on the Company's register of members on 1 August 2008.

Form of Proxy

For Annual General Meeting

Please complete in BLOCK CAPITALS

I/We

(NAME IN FULL – BLOCK CAPITALS, PLEASE)

of

(ADDRESS 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 18 July 2008 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**	**Withheld**
1. To receive and adopt the report of the directors and the audited accounts for the financial year ended 31 March 2008.	☐	☐	☐
2. To receive the report to the shareholders on directors' remuneration for the year ended 31 March 2008.	☐	☐	☐
3. To re-elect K P Scott as a director of the company.	☐	☐	☐
4. To re-appoint Saffery Champness as auditors of the company and to authorise the directors to fix their remuneration.	☐	☐	☐
5. To declare a final dividend of 1.50 pence per ordinary share for the financial year ended 31 March 2008.	☐	☐	☐
6. To authorise the company to make market purchases of its own shares.	☐	☐	☐
7. To authorise the directors to allot shares under Section 80 of the Companies Act 1985.	☐	☐	☐
8. 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.

Signature: Dated: 2008

NOTES:

1. A proxy need not be a member of the Company but must attend the meeting to represent you. If you wish your proxy to speak on your behalf at the Meeting, you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share.

2. To appoint more than one proxy, additional proxy forms may be obtained by contacting the Company's registrars, Capita Registrars, on telephone number 0871 664 0300 (calls cost 10p per minute plus network extras) or you may photocopy the form of proxy. On each proxy form, please enter the number of shares in relation to which that proxy is authorised to act on your behalf. The total number of shares entered on all the proxy forms you submit must not exceed the number of shares you hold in the Company. All forms must be signed and should be returned together in the same envelope.

3. If no number of shares is entered, the proxy will be authorised to act on your behalf in relation to your entire shareholding in the Company. To appoint more than one proxy, additional proxy forms may be obtained by contacting the Company's registrars, Capita Registrars, on telephone number 0871 664 0300 (calls cost 10p per minute plus network extras) or you may photocopy this form.On each proxy form, please enter the number of shares in relation to which that proxy is authorised to act on your behalf. The total number of shares entered on all the proxy forms you submit must not exceed the number of shares you hold in the Company. All forms must be signed and should be returned together in the same envelope.

4. To direct your proxy how to vote on the resolutions, please mark the appropriate box with an 'X'. To abstain from voting on a resolution, select the relevant "Vote Withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his discretion.

5. In the case of a Corporation, this Form of Proxy must be under seal or signed by a duly authorised officer or attorney.

6. To be valid, this Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney, must be deposited at the offices of the Company's registrars, Capita Registrars, The Registry, Proxy Department, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to be received not later than 48 hours before the time appointed for the Meeting.

7. In the case of joint holders, the signature of any one joint holder is sufficient. If more than one joint holder tenders a vote in person or by proxy, the vote of the person whose name stands first in the register will be accepted to the exclusion of the votes of the other joint holders.

8. Completion of this Form of Proxy will not prevent you from attending the Meeting and voting in person should you so wish (whereupon your proxy appointment will automatically be terminated).

9. You may not use any electronic address provided in this Form of Proxy to communicate with the Company for any purposes other than those expressly stated.

Third fold and tuck in

BUSINESS REPLY SERVICE
Licence No MB122

1

Capita Registrars
Proxy Dept.
PO Box 25
Beckenham
Kent
BR3 4BR

First Fold

Second fold

For further information contact:
ILX Group plc, 115 Hammersmith Road, London, W14 0QH, UK
Tel **+44 (0)20 7371 4444** Fax +44 (0)20 7371 6556
Email info@ilxgroup.com

Company No. 3525870

www.ilxgroup.com