Leading the Way in Learning

Annual Report & Financial Accounts 2010

Vision

Our vision is to transform the way the world learns

Our aim is to make learning fun and effective.

We do this through the development of a range of software products which include interactive multimedia e-learning, games, and simulations. These are delivered as distance learning, as on-line learning, on hand-held devices such as the iPhone, and as a complement to more traditional tutor-led events.

Interactive revision apps launched for iPhone

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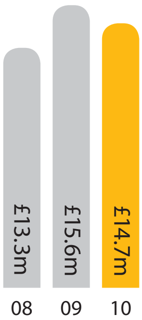
Highlights

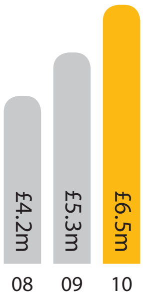
£14.7 million

Revenue
(2009: 15.6 million)



+23%

Growth in software sales
(2010: £6.5 million,
2009: £5.3 million)

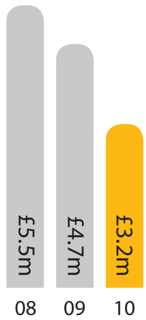


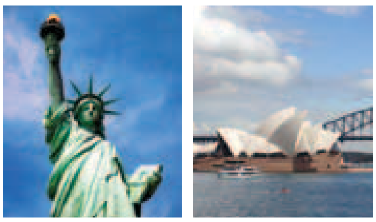
£1.1 million

Profit before tax and exceptional items
(2009: £1.7 million)

£3.2 million

Net debt reduced
(2009: £4.7 million)





Trading subsidiaries now established in New York and Sydney

ILX now global market leader in PRINCE2®

Growth of business driven by innovative and market leading e-learning products

Excellent year for Best Practice, which increased revenues and operating margins and is now the biggest contributor to group profits

Annualised cost savings of £1.3 million achieved from October 2009

Who we are →

ILX Group is an AIM-quoted company delivering technology-led products and services to the training market. These products and services include e-learning, classroom training, and consultancy. It focuses on the technical skills areas of project management, service management, and finance.

Originally listed on AIM in October 2000, the company has been under current management since July 2002 and has grown significantly year-on-year through both organic growth and a series of acquisitions.

What we believe →

Our values shape everything we do at ILX, both corporately and as individual employees.

Passion

- We bring enthusiasm, energy and belief to any task that we do
- Our customers can expect products and service of the highest quality
- We hire employees who love what they do
- We think positively

Making a difference

- We produce a measurable, positive outcome
- We challenge the status quo to develop and produce innovative products that improve the experiences of our customers
- Our employees are empowered to experiment in and develop their individual areas of responsibility as they see fit, and will go that extra mile to ensure goals are met

Teamwork

- None of us is as smart as all of us
- We look to develop long-term relationships with customers, where we consider ourselves part of their team working towards their goals
- Employees form strong relationships based on trust and respect, and ideas are shared and discussed freely
- We recognise that individual performance and achievement is often only possible with the support and assistance of colleagues

Ownership

- We take collective responsibility and accountability
- We are responsive to the needs of customers and colleagues alike, and take pride in our environment, our team and our achievements

What we do →

Our strategy is to build a strong and sustainable technology-led learning business, focusing on subjects and markets where demand is expected to be strong across the economic cycle.

Over the next five years we will:

- Build on our position as the global market leader in the PRINCE2® project management qualification by focusing on innovative product development and customer retention
- Leverage our proprietary technology to drive significant international expansion, focusing initially on PRINCE2® and project management where we can disrupt established markets
- Develop our strong capability in other markets for Finance, Service Management, and Software Testing to build market leading positions
- Focus on increasing the number of learners worldwide using ILX technology

A strong, sustainable technology-led learning business

Transforming the way the world learns

What is PRINCE2®?

Project management is the discipline of planning, organising and managing resources to bring about the successful completion of project goals – within the specified constraints of time, cost and quality.

Today, project management is arguably the single most prevalent activity in organisations, whether in the private or public sector, a multinational company or a charity. The reason for this is simple; modern organisations operate in a fast-moving, often global business market where they face constant technological, legislative and competitive challenges. Projects are constantly being set up in order to address those various challenges in a controlled way.

PRINCE2® is the single most used project management approach in the world and PRINCE2® project managers and those working on projects must be qualified. Organisations like ILX Group provide the training to prepare individuals for the various qualifying examinations.

Organisations that have adopted PRINCE2® (and thereby require the training) see it as a requirement rather than an option. Our success in providing PRINCE2® training is based in its ability to offer a highly flexible approach to how the training is delivered. Our world-class software products together with our highly effective classroom training have given us a significant competitive advantage both in the UK and internationally.

The Group has grown substantially over the last few years, increasing turnover tenfold

Paul Lever
Chairman

The Group has grown substantially over the last few years, increasing turnover tenfold from £1.4 million for the year ended 31 March 2003 to £14.7 million for the year just ended. It has grown from a loss-making business to one making substantial profits, and has increased staff numbers from 20 to 91.

This has been achieved through both acquisitive and organic growth, funded through bank debt, new share issues and deferred consideration for acquisitions.

More recently, the Group has gone through a period of consolidation during which the acquired businesses have fully integrated into two trading divisions. Our Best Practice division, which provides e-learning software and classroom training across various accredited subjects in project and service management, has developed into a highly profitable business with a reputation built around its expertise in e-learning technology, and with exciting opportunities opening up internationally. Our Financial Training division, particularly the CTG revenues with their substantial exposure to the training budgets within UK investment banks, has suffered but remained profitable, before exceptional items, and with a reduced cost base has potential to recover quickly as revenues grow.

Across both divisions, an increasing proportion of our revenues is derived from the sale of licences to e-learning software products, which are not only used stand-alone but also in conjunction with more traditional classroom events. It is clear that the Group's unique strength lies in this area and the development of software products and new technologies in this space will provide the principal focus for growth going forward.

Financial results

Revenue for the year was £14.7 million (2009: £15.6 million), a decrease of 5.6%. Operating profit before exceptional items was £1.45 million (2009: £2.09 million) and underlying profit before taxation and exceptional items was £1.07 million (2009: £1.70 million), a fall of 37%. Accordingly, adjusted diluted earnings per share fell to 3.75p (2009: 6.04p).

Given the difficulties experienced by the Financial Training division it has been decided to write down the value of intangible assets acquired with the Group's purchase of the CTG business by £2.29 million.

Whilst the results show a fall in revenues and profitability from the previous year, they were in line with market expectations and represent a creditable result. Furthermore, the Best Practice division has delivered exciting growth that gives the Board confidence for the future. These results are explained in fuller detail in the Finance Director's review.

Fundraising

In January this year, we raised an additional £0.93 million after expenses from a placing of new shares. These funds were used to give the Group additional headroom as it repays its debt and to provide funds for the next stage of growth of the business. I would like to thank all existing and new shareholders who took part in the placing.

Dividend

Your Board is aware of the importance of maintaining an annual dividend but is also committed in the short term to reducing the Group's net debt. Accordingly, last year, we introduced a scrip dividend scheme under which shareholders were given the opportunity to elect to receive new shares in the Company instead of a cash dividend. Under this scheme a dividend of 1.50 pence per share was paid in respect of the year ended 31 March 2009, with elections to receive the scrip issue received representing 12.6% of the Company's shareholder base.

We will continue this policy and will recommend a maintained dividend of 1.50 pence per share, subject to shareholders' approval at the Company's Annual General Meeting. Shareholders who wish to elect for the scrip issue should consult the notes in the Notice of Annual General Meeting at the back of this document or visit www.ilxgroup.com/dividend.

The dividend will be paid on 29 October 2010 to shareholders on the register at 20 August 2010, and the shares will become ex-dividend on 18 August 2010. Elections for the scrip issue need to be made by 20 September 2010.

Outlook

We are still in a period of challenging economic conditions; nevertheless I believe that the quality of our products, our international opportunities, and the commitment of our people will allow us to take a significant step next year towards our ambitions to grow the business substantially over the next five year period. We have in place the team to achieve this by taking advantage of the opportunities available, particularly overseas, and by building on our technological lead.

Once again I would like to thank management and all staff. I would like to thank Best Practice staff for their contribution to an outstanding result for that division, and our Finance Training staff for their loyalty and commitment during what has been a difficult year. I would also like to thank those in the new International division who have been prepared to spend large amounts of time travelling and, in some cases, move abroad in order to develop the exciting opportunities we see emerging.

Paul Lever
Chairman

24 June 2010

Best Practice division has delivered exciting growth

The Group's core strength is its software and technology

Ken Scott
Chief Executive

62% of gross profit comes from software products

A technology business

It is now almost eight years since I joined ILX Group and given all that has changed in this time, it seemed appropriate to step back and to look firstly at the progress the Group has made since that time and secondly to focus on the Group's strategy and the exciting developments that will define our future.

Back in July 2002 I joined an e-learning business. At that time the Company delivered turnover of £1.4 million compared with £14.7 million in the year just ended. That is a growth rate of 40% per annum or put another way, a doubling of turnover every 2 years. In this same period we went from serious losses to profitability and in the difficult year just ended, have made an adjusted pre-tax profit of £1.1 million. We have acquired six companies in this time and while they accounted for about half of the total expansion in revenues, the rest came from organic growth. Although some of the acquisitions were classroom training companies, in recent years it has become increasingly clear that the Group's core strength is re-emerging as its software and technology, due both to a general move away from classroom training and in particular to the technological lead that we have developed. It takes just a cursory look at our top line to see the evidence for this.

In the year to 31 March 2010 revenues attributable to the Group's e-learning software products accounted for 44% of Group revenues (2009: 34%) and 62% of gross profit (2009: 49%). All of these revenues come from the Company's proprietary software products for which it completely owns the IPR.

In the past 3 years we have spent just over £1 million in the development of our software products in areas such as;

- Greater use of software simulations and games within the product range
- Launch of additional products covering new subject areas including Financial Mathematics, Asset Management, ISO20000, Software Testing, and PRINCE2® Practitioner
- Launch of stand-alone game applications such as PRINCE2® Snakes and Ladders designed to help students revise for exams by playing games
- Launch of iPhone and iPad compliant versions of the products

In the traditional training space, some of these developments have been viewed by some as attention-grabbing but you only have to look at the way our world is moving inexorably towards technology infused activities. Children and young adults already adopt this approach as their natural preferred way to learn. Results so far from these developments have been very encouraging with significant increases in market share.

In addition, the Group has also focused on the utilisation of technology within a more traditional "classroom" environment. This has taken place in the following key areas:

- The use of software simulations and applications both in the classroom as well as before and after classroom events, thus adding to effectiveness

- The development of technology allowing a workshop, including an exam, to be taken remotely with students accessing a combination of e-learning, live and recorded video feeds and interaction with the tutor and other students

The recent launch of our PRINCE2®Live product, together with the ILX Group games now available from the Apple iPhone Apps Store, are a clear move away from the more conventional "CBT" or "e-learning" into simulations and game-based learning.

It is now the Group's stated strategy to place the development of new software learning applications and the expansion of software sales as the primary drivers for future growth. Over the next few years we expect our software licence revenues to continue to grow relative to overall revenues.

Strategy and vision

A year ago it was clear to the Board that we faced some pressing challenges. Overall the business was performing well but set against a difficult macro economic backdrop, the Finance division was being severely challenged by the large fall in graduate recruitment in the investment banking community. At the same time, Best Practice had dramatically grown its PRINCE2® market share and today it is the global market leader in PRINCE2® training with a share of almost 12% in the worldwide market.

As the year progressed, the investment banks began to return to profit but without any real sign of an upturn in graduate recruitment. That upturn still looks some time away. However, the overriding macro issue which has emerged around Europe is the extent of European government debt. Specifically in the UK, the magnitude of this debt and the risk that the UK economy could continue to be flat or suffer a double dip recession has increasingly affected our thinking. We recognised that real local growth in such an environment can only come from market share gains and we are working hard to achieve this, particularly in the PRINCE2® market where we are so strong. Outside of the UK is a different matter as many areas around the world are more vibrant and are showing good signs of recovery. In addition, PRINCE2® itself is starting to show signs of accelerated growth internationally, particularly in areas such as Australia and New Zealand.

The strategy we have adopted is a recognition of both the challenges within the UK and the international opportunities that exist. We see the next period as an invitation to consolidate and increase our market share in the UK particularly across our Best Practice division, while at the same time using our market leadership in PRINCE2® to drive growth internationally.

£1 million spent in the development of our software products

Interactive simulations used both in our e-learning and in the classroom

We will use our market leadership in PRINCE2® to grow globally

e-learning can be provided on CD or via web portals

Four months ago we officially established a division to realise our international ambitions, initially centred around PRINCE2®. International revenues were up by 30% year on year and at a time when the UK economy is set for austerity, we believe our focus on international expansion is both timely and appropriate. Martyn Kinch, who joined ILX Group over six years ago when his company was acquired, is now the executive leading our International division. ILX Group owns the domain www.prince2.com and this website has over the years proved to be a very powerful receiver for in-bound intelligence about what is going on in different parts of the world with regard to PRINCE2® awareness and demand.

It is on the back of such intelligence that we initially built market positions in various locations like Australia, South Africa, the Emirates and Holland without having any physical presence. Each geographic area has been identified measured by the traffic received on the www.prince2.com website. Earlier this year and because the case became compelling, we have established a subsidiary company with a staffed office in Sydney, Australia to service the Australian and New Zealand markets. In addition we opened an office in Amsterdam as a base for the Benelux countries; both fast emerging areas for PRINCE2®.

Our approach in each location where we operate whether remotely or directly is to disrupt the local markets leveraging our technology to achieve a competitive advantage. ILX Group is still the only player in this market to deploy world-class e-learning software together with highly effective classroom training and successfully combine the two in a market that is dominated still by classroom training providers. This strategy is working well in all the locations in which we are active and in the next year, we expect our international expansion to accelerate. The Group's technological lead position in this market, together with its actual market lead, means it is very well placed to capitalise on the growing use of PRINCE2® globally.

Values

For some in business, any reference to values can be perceived as irrelevant at best or at worse, a sign that management has lost its way. Personally, I do not accept these views. I strongly believe that a team, which consciously adopts a set of guiding principles, will be inherently stronger and will perform better as a team than one which has no such foundation, particularly when the going gets tough.

The values the senior team unanimously adopted to act as our bedrock are Teamwork, Making a Difference, Ownership and Passion.

- Teamwork because we recognise its importance and see the risks of acting alone with the consequential disruption this often causes.
- Making a difference because we have all experienced environments where activity alone can easily become a substitute for real change.
- Ownership in recognition that we and our people all have a responsibility to ensure goals are achieved and issues get dealt with effectively.

- Passion is the word that describes our approach to getting things done.

These core principles are already proving their potency as we execute our strategy for growth.

Financial results

As set out in more detail in the Finance Director's Review, the results for the year reflect a combination of an excellent year for the Best Practice division and a difficult, but nevertheless profitable, year for the Finance division.

Revenues for the year were £14.7 million (2009: £15.6 million), delivering a profit before tax and exceptional items of £1.07 million (2009: £1.70 million) and adjusted diluted earnings per share of 3.75p (2009: 6.04p). Cash generated from operations was £2.03 million (2009: £1.82 million); net debt at the year end was £3.16 million.

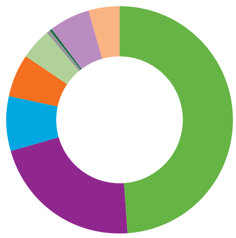
During the year, the Group raised £0.93 million after costs from an additional placing of shares. This had two purposes; to provide additional finance for growth and to help reduce the Group's level of debt.

The Group is committed to the payment of an annual dividend, which is offered with a scrip alternative in order to maintain a balance between maintaining the yield on the shares and allowing the Group to reduce net debt.

Markets and risks

ILX Group operates across the globe and over a very wide range of industry sectors, covering a number of specific hard skill requirements for organisations. Over the last three years we have dealt with over 5,000 customers in almost 100 countries.

Our revenues by subject, and by delivery method, for the year were as follows.



Revenues by subject

	Year ended 31 March 2010				Year ended 31 March 2009			
	e-learning £'000	Other £'000	Total £'000	%	e-learning £'000	Other £'000	Total £'000	%
PRINCE2®	4,004	3,189	7,193	48.9	3,119	3,347	6,466	41.5
Finance	547	2,638	3,185	21.7	369	4,544	4,913	31.5
ITIL & ISO20000	848	333	1,181	8.0	781	393	1,174	7.5
MSP	213	656	869	5.9	162	613	775	5.0
APM	388	279	667	4.5	212	185	397	2.6
Microsoft	100	–	100	0.7	163	–	163	1.0
Software testing	8	–	8	0.1	–	–	–	0.0
Multi-subject portals	318	533	851	5.8	286	540	826	5.3
Other revenues	47	602	649	4.4	177	691	868	5.6
	6,473	8,230	14,703	100.0	5,269	10,313	15,582	100.0
	44.0%	56.0%	100.0%		33.8%	66.2%	100.0%	

Job cuts provide an impetus for training requirements

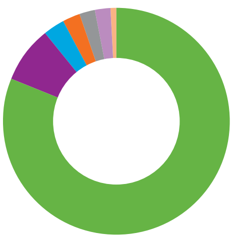
Almost half of our revenues for the year derived from PRINCE2®. Our market leading position in this area gives us a strong competitive position particularly with our international expansion. Our aim is to exploit this position globally whilst at the same time building up our revenues in other subjects to similar levels.

It has been and remains our strategy to focus on hard-skills subjects where the knowledge or qualification is essential to the performance of the job or the contract, thus ensuring that demand for our products remains high even when training budgets are cut. In fact, we have often seen our revenues increase during times of economic hardship as our interactive e-learning software provides the ability to deliver the same result often at substantially reduced cost.

With the establishment of the International division we expect revenues from areas outside the UK to expand substantially faster than UK revenues over the next few years. In the last year we have seen rapid growth in Australasia and with the establishment of our Sydney base we expect to see strong gains here in particular in the current year.

We have a very broad range of customers of all sizes and across many industries. The table below splits out our revenues attributable to some key sectors.

Revenues by geographical area



	Year ended 31 March 2010		Year ended 31 March 2009	
	£'000	%	£'000	%
UK & Ireland	**11,944**	**81.2**	12,945	83.1
Europe & Scandinavia	**1,205**	**8.2**	1,272	8.1
Americas	**435**	**3.0**	517	3.3
Australasia	**362**	**2.5**	78	0.5
Middle East	**341**	**2.3**	219	1.4
Africa	**310**	**2.1**	305	2.0
Asia	**106**	**0.7**	246	1.6
	14,703	**100.0**	15,582	100.0

Revenues by some key sectors

	Year ended 31 March 2010		Year ended 31 March 2009	
	£'000	%	£'000	%
Banks & Financial Services	**2,604**	**17.7**	4,963	31.8
UK Public Sector	**2,860**	**19.4**	2,630	16.9
Consumer	**2,258**	**15.4**	2,119	13.6
International Government Bodies	**795**	**5.4**	470	3.0
Private Sector	**6,186**	**42.1**	5,400	34.7
	14,703	**100.0**	15,582	100.0

Our revenue from Banks & Financial services is worldwide but with a concentration of revenue with some of the larger investment banks with bases in London. This sector has been going through unprecedented difficulties although there are signs of recovery.

In the current economic climate a reduction in UK Government spending is clearly on its way. Whilst this accounts for 19% of revenues, these are spread widely over a very great number of individual customers and budgets – we are not heavily reliant on any single government department. In the last financial year the number of public sector customers spending more than £1,000 totalled almost 300. The largest customers were the Environment Agency (£250,000), and Home Office (£220,000), with the average spend being around £9,500 per government user.

Additionally, we have noticed that where cost cuts translate into job losses this provides a double impetus for training requirements; a re-skilling of those made redundant (whether on their own initiative or as part of a package) and a skilling up of those reduced numbers in the workforce of whom more is now expected.

So, whilst we do appreciate that there is a risk from a general reduction in UK Government spending, I hope I have also set out some of the key reasons for our belief that this could in fact present more opportunities than it does threats.

Our revenue from the private sector covers a wide range of vertical markets from charities and universities through to large corporates in construction, manufacturing, telecoms, and professional services.

The role of PRINCE2®

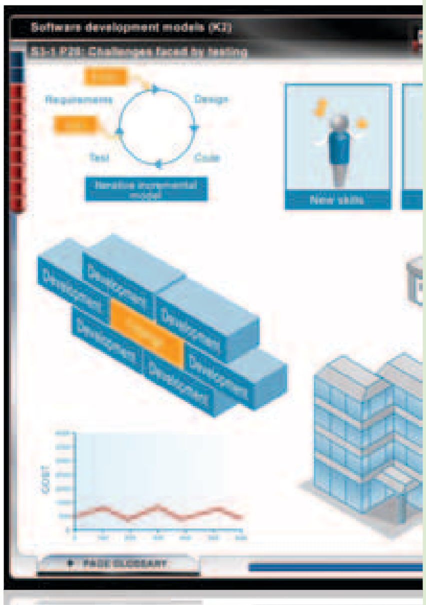
There appear to be some misconceptions around just what PRINCE2® is and what its role is in organisations.

PRINCE2® is the single most used project management approach in the world and PRINCE2® project managers and those working on projects must be qualified. Organisations like ILX Group provide the training to prepare individuals for the various qualifying examinations. Project management is the discipline of planning, organising and managing resources to bring about the successful completion of project goals – within the specified constraints of time, cost and quality.

Today project management is arguably the single most prevalent activity in organisations, whether in the private or public sector, a multinational company or a charity. The reason for this is simple; modern organisations operate in a fast-moving, often global business market where they face constant technological, legislative and competitive challenges. Projects are constantly being set up in order to address those various challenges in a controlled way.

PRINCE2® was originally developed in the late 1980s by the UK Government's Central Computer and Telecommunications Agency (CCTA) as a standard for IT project management. Soon, organisations were applying PRINCE to a much wider range of needs. In response, the UK Office

PRINCE2® is the single most used project management approach



Products covering new subjects launched in the year

Organisations see PRINCE2® as a requirement rather than an option

of Government Commerce (OGC) released PRINCE2® in 1996 as a generic project management method. Much of the success of PRINCE2® is seeded in this early history. The original PRINCE model was robust enough to be applied to a range of needs, and PRINCE2® built upon those strengths. The backing of the UK Government was also important. As Government suppliers started using PRINCE2® to deliver public sector projects, the model spread to the private sector and became increasingly popular. In 2006, work commenced on updating PRINCE2® for the new millennium and "PRINCE2® 2009" was launched in mid-2009. PRINCE2® 2009 remains faithful to PRINCE2® core principles but makes the earlier model even more adaptable, simpler and easier to integrate with other OGC project management methods. PRINCE2® is now a de facto standard for project management in the UK, and is used in more than 50 other countries worldwide.

Organisations that have adopted PRINCE2® (and thereby require the training) see it as a requirement rather than an option. Our success in providing PRINCE2® training is based in its ability to offer a highly flexible approach to how the training is delivered. Our world-class software products together with our highly effective classroom training have given us a significant competitive advantage both in the UK and Internationally.

In addition, our e-learning can dramatically reduce the costs associated with training (both the actual cost of purchase and the cost of travel and time out of the office) whilst providing in many cases better results. PRINCE2® is itself all about controlling projects and therefore, in part, controlling costs. In the UK, as government and private organisations cut costs in training budgets, our e-learning offer gives ILX Group a massive competitive advantage.

Corporate Training Group (CTG)

CTG, which now makes up the larger share of our Finance division, was acquired in July 2006. For the first two years, while the newly formed Best Practice division was consolidating, it provided the lion's share of profit contribution to the Group.

From the beginning of 2009, the disruptions within the global investment banking industry began to affect the CTG business as training budgets were squeezed with a consequent impact on both revenues and margins. In the year just ended, revenues were just £2.8 million, a fall of 40% from the previous year.

However, significant costs were also removed from the business in the second half of the year, which included the departure of Peter Evans together with a number of the senior CTG team. Peter was a main board member and the founder of CTG.

Even though the investment banking community is returning to large profits, the recruitment of graduates remains depressed. In the wider context of the Group, Best Practice activities (both UK and international) are the dominant providers of both revenue and profit contribution.

In this context, however, we have taken the decision to write down the value of intangibles acquired with CTG by £2.29 million. We will continue to need time and space to return CTG to healthy profits, and depending on the outcomes for the current year we may need to make further write-downs in the future.

People

ILX Group now employs just over 90 people and I would like to thank them all for their commitment and sheer determination to succeed, particularly in these difficult times.

The management team within ILX Group is very strong and very committed. We work well as a team and it is the strength of this team that forms the foundation upon which we have been able to build the business.

Eddie Kilkelly, Chief Operating Officer is responsible for our business operations across the UK. This includes Best Practice and Finance divisions. Eddie joined ILX Group from Parity Training in 2005 and has been the key change agent in leading Best Practice division to become the great performance vehicle it is today.

Martyn Kinch, Vice President, International division has been with ILX Group since he sold Key Skills to the Company in 2004. He is now taking our Best Practice lead and growing our market share internationally.

David Willis is our Chief Technical Officer, responsible for both the development of our technology platforms and for their upkeep. David has been with the Company since 1990, when he joined after graduating with a degree in electronic engineering.

I would like to thank all our staff for their hard work and determination in what has been a challenging but successful year.

Ken Scott
Chief Executive

24 June 2010

I would like to thank our employees for their commitment

Innovations team formed to experiment with and develop new ideas

The results were in line with market expectations and represent a strong result in the context of a challenging year

Jon Pickles
FInance Director

Best Practice operating profit grew 45% to £2.02 million

Trading Results

The Company delivered revenues of £14.7 million (2009: £15.6 million) and operating profit (before exceptional items) of £1.45 million (2009: £2.09 million). Whilst these figures represent a fall of 6% and 31% respectively on last year's numbers, the results were in line with market expectations and represent a strong result in the context of the difficult year experienced by the Company's Finance division.

The Best Practice division had a strong year. Revenues grew by 9% to £11.38 million (2009: £10.42 million) but with an increased proportion of e-learning revenues in the division, which comprised 53% of revenues (2009: 47%), gross profit increased by 14%.

The savings generated through fully integrating the former Desktop division within Best Practice, together with tight cost control, ensured that Best Practice overheads grew by just 2% year on year. This allowed the division to produce an operating profit (before exceptional items) of £2.02 million (2009: £1.39 million), an increase of 45% and an increase in operating margin to 18% (2009: 13%).

The Finance division contributed revenues of £3.33 million (2009: £5.17 million) and an operating profit (before exceptional items) of £0.44 million (2009: £1.66 million). The fall in revenues can be attributed to the substantially reduced fee income generated by the division's CTG brand, principally from core UK investment banking clients, which fell by 41% to £2.82 million (2009: £4.81 million). E-learning revenues in the division, which represent 15% of revenues (2009: 7%), grew by 41% to £0.49 million (2009: £0.34 million).

We have responded to this downturn in revenues within the Finance division by removing over £1.0m in annualised fixed costs from the business, effective from October 2009. This ensured that the division remained profitable in 2009/10 with a 22% reduction in fixed costs over the year. 2010/11 will see a further 30% reduction in fixed costs as the division benefits from a full year of the savings. This should ensure that the division's operating margin of 13% (2009: 32%) can recover as it returns to growth.

Unrecharged central costs, comprising the costs of the Board, advisors, and other AIM-related expenditure, increased by 6% to £1.01 million (2009: £0.95 million). The increase was due to Peter Evans joining the Board and relinquishing his previous role as Managing Director of CTG. Peter left the business during the year and his position on the Board is not expected to be replaced, giving rise to a saving for 2010/11.

This split by division is disclosed in the notes to the accounts as required by IFRS8.

The combined operating profit (before exceptional items) of £1.45 million (2009: £2.09 million) represents an operating margin of 10% (2009: 13%).

International expansion

International revenues grew by 4% during the year, driven principally by the Best Practice division which saw its international sales increase by 30% to £1.8 million. We have sold into 100 countries worldwide and, as highlighted in note 3 to the accounts, almost 20% of our revenues now come from outside the UK. In particular, sales in Australasia increased almost 5 fold to £0.36 million (2009: £0.08 million), driven by the increasing demand for PRINCE2® in Australia and New Zealand and our specific targeting of that market.

We took the decision to capitalise on this growing opportunity by forming an International Division within the business to focus principally on international sales of the Best Practice e-learning software and, in particular, PRINCE2®. At present the division is focused entirely on sales and marketing, with all operations and finance support handled from the centre.

As part of this expansion, the Group's New York subsidiary, ILX Group Inc, started trading during the year and a further subsidiary, ILX Group Pty Ltd, has been formed in Australia and started trading on April 1 2010, to service the Australasian markets directly.

Finance costs

The Group incurred finance costs of £0.38 million (2009: £0.39 million) during the year. The Group enjoyed a partial holiday from capital repayments on term debt during the year, which resulted in increased fees and interest rates; however, with all outstanding consideration on previous acquisitions now paid, no further interest cost was incurred in respect to acquisitions (2009: £0.04 million).

Exceptional items

As detailed in the notes to the financial statements, it is the Group's policy to present as exceptional items those material items of income and expenses which, because of the nature or the expected infrequency of the events giving rise to them, merit separate presentation. This allows a better understanding of trading performance both for the year and the prior period. These items are highlighted on the face of the consolidated statement of comprehensive income and detailed in the notes to the financial statements.

The Group incurred restructuring costs in the year of £0.36 million (2009: nil). These were incurred in achieving the complete integration of the Desktop division within Best Practice, and in achieving the substantial cost savings within the Finance division, including steps taken to enforce restrictive covenants to protect the Group's interests with respect to these savings. The annualised savings achieved from these changes were in excess of £1.3 million.

Best Practice International sales grew by 30% to £1.8 million

Finance Training operating profit fell to £0.4 million

Strong working capital management during the year

These restructuring costs were offset by a credit of £0.08 million (2009: charge of £0.17 million) in relation to the annual revaluation of the interest rate swap contract. This credit is, in line with prior years, treated as an exceptional item. This is due to the fact that it is an accounting charge rather than a cash expense, and that the annual charges or credits, which over the full term of the instrument will cancel each other out, are determined purely by LIBOR rates at the time of striking the accounts.

Accounting for the value of intangible assets acquired with CTG and sitting within the Finance division relies to a great extent on future estimates of the trading performance of certain aspects of that business. We have taken the decision to write down, this year, £2.29 million of the £6.97 million value placed on the acquired customer relationships; depending on the performance of CTG revenues in general and the acquired customer relationships in particular we cannot rule out the possibility of further write downs in future years.

Exceptional items in the previous year were exceptional bad debt provisions of £0.18 million in relation to the collapse of two large banking clients, and a goodwill impairment charge of £2.36 million.

Profit before tax

Profit before tax and exceptional items was £1.07 million (2009: £1.70 million), as set out in the Financial Highlights section. Whilst this represents a fall of 37%, as noted earlier this result was in line with management and market expectations.

After exceptional items the Group showed a loss before tax of £1.50 million (2009: loss of £1.01 million).

Taxation

The tax charge for the year was £0.22 million. This includes the benefit of research and development tax credits claimed for the 2008/9 tax year. The Group intends to make a further claim for the 2009/10 tax year in due course.

Earnings per share

Adjusted earnings per share, before exceptional items and applying a normalised tax charge of 28%, were 3.78p (2009: 6.31p). Basic loss per share was 8.45p (2009: loss per share of 7.35p).

Adjusted diluted earnings per share was 3.75p (2009: 6.04p). Diluted loss per share was 8.35p (2009: loss per share of 6.97p).

Cash flow and net debt

Cash generated from operating activities was £2.03 million (2009: £1.82 million). This represents 140% of operating profit before exceptional items (2009: 87% of operating profit before exceptional items). This figure to some extent reflects timing differences in payments made around the respective year end dates; however it is also indicative of strong working capital management, the increasing non-cash charges in respect of share options, and an increasing level of deferred revenues.

During the year, the Group enjoyed a partial holiday from capital repayments on its term debt and also raised £0.93 million, after costs, in additional equity finance. This was required to strengthen the balance sheet and allow

Cash generated from operating activities was £2.03 million the Group to accelerate its growth plans, particularly in development of new software products and international sales.

Net debt, defined as all bank debt, less cash at bank, was £3.16 million (2009: £4.69 million). This represents 2.2 times operating profit before exceptional items (2009: 2.2 times), and comprised £3.53 million in term debt, repayable over a three year period; £0.48 million in invoice finance drawn down, less £0.84 million in cash balances.

The term debt bears interest at a rate of 5.0% above LIBOR. An agreement is in place whereby the rate will reduce to 3.7% above LIBOR should the ratio of gross debt to operating profit, measured quarterly on a 12-month rolling basis, reduce to 1.5 or below.

In addition to the term debt, the Group operates a confidential invoice finance arrangement which provides a facility capped at £0.70 million.

Interest rate and currency risk

The Group entered into an interest rate swap agreement with Barclays Bank in February 2008, to hedge its exposure to interest rate movements in respect of its term loan. This agreement effectively fixes LIBOR for the period of the loan to 5.7%.

8.9% of the Group's turnover for the year was invoiced in 5 separate foreign currencies: US Dollars (4.2%), Euros (3.2%), Australian Dollars (1.0%), South African Rand (0.4%), and New Zealand Dollars (0.1%). At the year end, £0.58 million of assets and £0.02 million of liabilities were denominated in these currencies. No currency hedging arrangements were considered necessary for the year as prices were generally set in sterling and translated to currency at prevailing rates.

Having raised additional equity finance during the year, the Group moved all currency invoicing out of the invoice finance agreement in order to benefit from better rates as and when currency is sold and to allow more efficient offsetting of currency income and expenditure.

Dividend

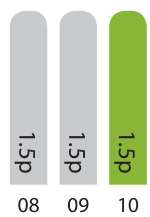
We commenced a dividend programme in 2006 which has returned more than £0.7 million to shareholders to date. As noted in the Chairman's statement, the Board is aware of the importance to our shareholders of maintaining an annual dividend but is also committed in the short term to reducing the Group's net debt.

In 2009 we introduced a scrip dividend scheme under which shareholders were given the opportunity to elect to receive new shares in the Company instead of a cash dividend. A dividend of 1.50 pence per share was paid in respect of the year ended 31 March 2009, with elections to receive the scrip issue totalling 12.6% of ordinary shares in issue.

This dividend of 1.50 pence per share and the scrip alternative will be maintained with respect to the year ended 31 March 2010.

Jon Pickles
Finance Director

24 June 2010



Dividend maintained at 1.5p per share

Board of Directors

Paul Lever

Ken Scott

Jon Pickles

Paul Virik

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.

Jon Pickles

Finance Director

Jon has 17 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 plc and in the subsequent acquisitions and growth.

Ken Scott

Chief Executive

Ken joined ILX Group as its Chief Executive 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), Chief Executive 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.

Paul Virik

Non-executive Director

Paul joined the board of Directors in January 2009. 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, Chief Executive of OAG, and Chief Executive of Butterworths legal publishing.

Directors' Report for the year ended 31 March 2010

The Directors present their report and the financial statements for the year ended 31 March 2010.

Principal activity and business review

The principal activity of the Group during the year was as providers of educational software products and training services. A full review of trading and future developments is presented in the Chairman's Statement, the Chief Executive's Review and the Finance Director's Review.

Results and dividends

The results of the Group for the year are set out on page 26. The Directors recommend payment of a dividend of 1.50 pence per share, subject to shareholder approval at the Annual General Meeting on 24 September 2010. This dividend will be paid on 29 October 2010 to shareholders on the register at 20 August 2010. A scrip alternative will be offered. 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 2011.

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	%
Barnard Nominees Ltd	2,177,430	9.24
Octopus Capital for Enterprise Fund	2,000,000	8.49
Investec Trust Guernsey	1,930,891	8.19
Williams de Broë Ltd	1,106,138	4.69
Brewin Dolphin (Giltspur Nominees)	1,076,022	4.57
Park Row Group plc	1,030,652	4.37
ViCTory Venture Capital Trust	991,600	4.21

The investment by Investec Trust Guernsey Limited represents 8.19% of the total called up share capital. The shares held by this trust are available to satisfy certain share options issued under the Company's share option scheme on vesting and exercise.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Report on pages 6 to 13. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Director's Report on pages 14 to 17.

In addition, the notes to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Employment policies

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

Authority to purchase own shares

At the Annual General Meeting of the Company held on 25 September 2009 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 on 24 September 2010. 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 Group made charitable donations during the year of £1,000 (2009: £1,000).

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 2010 was 59 (at 31 March 2009: 52).

Directors and their interests

The present Directors are listed on page 18. 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 2010	At 31 March 2009
P R S Lever	130,569	125,100
K P Scott	379,328	208,585
J A Pickles	322,536	159,812
P Evans*	n/a	515,000
P Virik	–	–

*Resigned 17 September 2009

There were no changes between 31 March 2010 and 24 June 2010.

P R S Lever and P Virik retire by rotation and, being eligible, offer themselves 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

Saffery Champness have expressed their willingness to remain in office as auditors of the Company. In accordance with S489 of the Companies Act 2006 a resolution proposing that 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 24 September 2010 appear in the Notice of Annual General Meeting on pages 56 to 57.

This report was approved by the board on 24 June 2010.

On behalf of the board

Jon Pickles
Finance Director

24 June 2010

Remuneration Report for the year ended 31 March 2010

Remuneration policy

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

Directors' remuneration

Details of the remuneration of the Directors for the financial year are set out below:

	Salary & fees £'000	Car allowance £'000	Other benefits £'000	Bonus £'000	Pension contri-butions £'000	Total £'000
Executive Directors						
K P Scott	195	7	36	20	20	279
J A Pickles	113	9	1	–	40	163
P Evans*	64	6	–	23	8	100
Non-executive Directors						
P R S Lever	38	–	–	–	–	38
P Virik	26	–	–	–	–	26
	436	22	37	43	68	606

*Until date of resignation (17 September 2009)

Share options

The Company grants options under an HM Revenue and Customs 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 2009	Granted/(lapsed) during the year	Number of shares under option at 31 March 2010	Exercise price	Date of grant
K P Scott	875,000	–	875,000	0p	28-Nov-08
J A Pickles	350,000	–	350,000	0p	28-Nov-08
P Evans	167,000	(167,000)	–	0p	30-Dec-08
P Evans	10,000	(10,000)	–	23p	30-Dec-08
	1,402,000	(177,000)	1,225,000		

As at 31 March 2010, 47 employees (including Directors) held options (granted between 9 December 2002 and 30 October 2009) over a total of 2,106,250 ordinary shares at an average option price of 15.6p. All options are exercisable between 2 and 10 years from date of grant.

The Company's share price on 31 March 2010 was 20.3p (on 31 March 2009: 19.0p).

Bonus scheme for executive Directors

On 5 July 2010 the Company awarded 290,000 additional share options to K P Scott and 210,000 to J A Pickles. These options were granted in lieu of cash bonuses due in previous years up to and including the year ended 31 March 2010 which were waived by the Directors. The options, which have a zero exercise price, will vest over a 2-year period.

For the year ended 31 March 2011 and for future years, the Company has put in place a bonus scheme for executive Directors and management which is based on meeting market expectations and challenging profit growth targets.

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

As a Company listed on the Alternative Investment Market (AIM) of the London Stock Exchange, the Company is not required to comply with the Combined Code. However, the Directors have adopted the code as best practice and seek to comply with the code ensuring that its policies and procedures provide high standards of corporate governance.

The Board

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

Executive Directors
K P Scott (Chief Executive)
J A Pickles (Finance Director)
P Evans* (Business Development Director)

*Resigned 17 September 2009

Non-executive Directors
P R S Lever (Chairman)
P Virik

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

There is a clear division of responsibilities between the Chairman, who is responsible for running the Board, and the Chief Executive who has authority and responsibility for running the Group's business and implementing the Group's strategy to achieve the overall objectives. The Executive Directors, together with the Group's management team, regularly hold formal meetings.

P R S Lever is the senior independent non-executive Director, P Virik is an independent non-executive Director. The non-executive Directors bring an independent judgement to the management of the Group. They are free from any business or other relationships which could interfere with the exercise of their judgement. Each non-executive Director has sufficient time to carry out his duties for the Group.

The Board considers its current structure is appropriate for the scale of the business and to enable the Group to be managed effectively.

The Group does not have an internal audit department, although the need for one is reviewed from time to time by the Audit Committee.

All non-executive Directors are subject to reappointment by the shareholders at the Annual General Meeting at intervals of no more than three years.

Committees

The Board is supported by specialised committees ensuring that appropriate governance procedures are followed. 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 board has not established a nomination committee as it regards the approval and appointment of Directors (whether executive or non-executive) as a matter for consideration by the whole board.

Audit Committee

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

Remuneration Committee

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

Internal control

The 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 Group's system is designed to provide the Directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The key procedures that have been established and which are designed to provide effective internal control are as follows:

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

Relations with Shareholders

The Group places a high level of importance on communicating with its shareholders and welcomes and encourages such dialogue within the constraints of the Stock Exchange guidelines. The Group works closely with its brokers and financial PR advisors to maintain an active dialogue with institutional and private shareholders and analysts through a planned programme of investor relations carried out during the year.

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

Directors' Responsibilities

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 the Group and of the profit or loss of the Company and 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 confirm that they have complied with these requirements in preparing the financial statements.

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

The Directors are responsible for the maintenance of the Group website, www.ilxgroup.com.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Members

We have audited the Group and Company financial statements on pages 26 to 55, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Cash Flow Statement, the Statement of Changes in Equity, and the Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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.

Respective responsibilities of Directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Group and the Company as at 31 March 2010 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

David Lemon
Senior Statutory Auditor

for and on behalf of

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

24 June 2010

Consolidated Statement of Comprehensive Income for the year ended 31 March 2010

	Notes	Underlying £'000	Exceptional £'000	Year ended 31 March 2010 Total £'000	Underlying £'000	Exceptional £'000	Year ended 31 March 2009 Total £'000
Revenue	3	14,703	–	14,703	15,582	–	15,582
Cost of sales		(7,827)	–	(7,827)	(7,954)	–	(7,954)
Gross profit		6,876	–	6,876	7,628	–	7,628
Administrative and distribution expenses		(5,310)	(359)	(5,669)	(5,408)	(176)	(5,584)
Earnings before interest, tax and depreciation		1,566	(359)	1,207	2,220	(176)	2,044
Depreciation		(114)	–	(114)	(127)	–	(127)
Impairment		–	(2,290)	(2,290)	–	(2,360)	(2,360)
Operating profit/(loss)	4	1,452	(2,649)	(1,197)	2,093	(2,536)	(443)
Finance income	6	1	–	1	16	–	16
Finance costs	7	(385)	85	(300)	(409)	(170)	(579)
Profit/(loss) before tax		1,068	(2,564)	(1,496)	1,700	(2,706)	(1,006)
Tax expense	10			(224)			(420)
Loss for the year attributable to equity shareholders				(1,720)			(1,426)
Other comprehensive income				–			–
Total comprehensive income				(1,720)			(1,426)
Earnings/(loss) per share:							
Basic	11			(8.45p)			(7.35p)
Diluted	11			(8.35p)			(6.97p)

The Group's policy on exceptional items and more detail on these items are contained in notes 1 and 5 to the Financial Statements.

The notes on pages 32 to 55 form part of the Financial Statements.

Consolidated Statement of Financial Position as at 31 March 2010

	Notes	As at 31 March 2010 £'000	As at 31 March 2009 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	135	184
Intangible assets	13	19,496	21,006
Total non-current assets		19,631	21,190
Current assets			
Trade and other receivables	15	2,916	3,191
Cash and cash equivalents		838	96
Total current assets		3,754	3,287
Total assets		23,385	24,477
Current liabilities			
Trade and other payables		(3,044)	(2,778)
Contingent consideration	17	(35)	–
Tax liabilities		(1,077)	(946)
Bank loans and overdrafts	18	(1,757)	(1,287)
Total current liabilities	16	(5,913)	(5,011)
Non-current liabilities			
Derivative financial instruments	23	(125)	(210)
Contingent consideration	17	(300)	–
Bank loans	18	(2,243)	(3,500)
Total non-current liabilities		(2,668)	(3,710)
Total liabilities		(8,581)	(8,721)
Net assets		14,804	15,756
Equity			
Issued share capital	19	2,357	1,939
Share premium	19	12,341	11,802
Own shares in trust	19 & 20	(1,852)	(1,825)
Share option reserve	19	204	115
Buyback reserve	19	–	1,178
Retained earnings	19	1,754	2,547
Total equity		14,804	15,756

The notes on pages 32 to 55 form part of the Financial Statements.

The Financial Statements were approved by the board of Directors and authorised for issue on 24 June 2010. They were signed on its behalf by:

Jon Pickles
Director

Ken Scott
Director

Company Statement of Financial Position as at 31 March 2010

	Notes	As at 31 March 2010 £'000	As at 31 March 2009 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	135	184
Intangible assets	13	2,197	1,417
Investments	14	17,299	19,589
Total non-current assets		19,631	21,190
Current assets			
Trade and other receivables	15	2,956	3,205
Cash and cash equivalents		808	82
Total current assets		3,764	3,287
Total assets		23,395	24,477
Current liabilities			
Trade and other payables		(3,044)	(2,778)
Contingent consideration	17	(35)	–
Tax liabilities		(1,077)	(946)
Bank loans and overdrafts	18	(1,757)	(1,287)
Total current liabilities	16	(5,913)	(5,011)
Non-current liabilities			
Derivative financial instruments	23	(125)	(210)
Contingent consideration	17	(300)	–
Bank loans	18	(2,243)	(3,500)
Total non-current liabilities		(2,668)	(3,710)
Total liabilities		(8,581)	(8,721)
Net assets		14,814	15,756
Equity			
Issued share capital	19	2,357	1,939
Share premium	19	12,341	11,802
Own shares in trust	19 & 20	(1,852)	(1,825)
Share option reserve	19	204	115
Buyback reserve	19	–	1,178
Retained earnings	19	1,764	2,547
Total equity		14,814	15,756

The notes on pages 32 to 55 form part of the Financial Statements.

The Financial Statements were approved by the board of Directors and authorised for issue on 24 June 2010. They were signed on its behalf by:

Jon Pickles **Ken Scott**
Director **Director**

Consolidated Cash Flow Statement for the year ended 31 March 2010

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Loss from operations	(1,197)	(443)
Adjustments for:		
Depreciation	114	127
Impairment	2,290	2,360
Share option charge	101	59
Movement in trade and other receivables	291	238
Movement in trade and other payables	429	(522)
Cash generated from operating activities	2,028	1,819
Tax paid	(274)	(14)
Net cash generated from operating activities	1,754	1,805
Investing activities		
Interest received	1	16
Proceeds on disposal of property and equipment	1	–
Purchases of property and equipment	(66)	(105)
Expenditure on product development	(441)	(230)
Acquisition of subsidiaries (net of cash acquired)	(4)	(2,518)
Net cash used by investing activities	(509)	(2,837)
Financing activities		
(Decrease)/increase in borrowings	(667)	192
Net proceeds of share issue	930	(2)
Interest and refinancing costs paid	(383)	(388)
Dividend paid	(263)	(263)
Net cash from financing activities	(383)	(461)
Net change in cash and cash equivalents	862	(1,493)
Cash and cash equivalents at start of year	(499)	994
Cash and cash equivalents at end of year	363	(499)
Cash and cash equivalents represented by:		
Bank overdraft	(475)	(595)
Cash at bank	838	96
	363	(499)

The notes on pages 32 to 55 form part of the Financial Statements.

Company Cash Flow Statement for the year ended 31 March 2010

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Loss from operations	(1,185)	(443)
Adjustments for:		
Depreciation	114	127
Impairment	2,290	2,360
Share option charge	101	59
Movement in trade and other receivables	265	224
Movement in trade and other payables	429	(522)
Cash generated from operating activities	2,014	1,805
Tax paid	(274)	(14)
Net cash generated from operating activities	1,740	1,791
Investing activities		
Interest received	1	16
Proceeds on disposal of property and equipment	1	–
Purchases of property and equipment	(66)	(105)
Expenditure on product development	(441)	(230)
Acquisition of subsidiaries (net of cash acquired)	(6)	(2,518)
Net cash used by investing activities	(511)	(2,837)
Financing activities		
(Decrease)/increase in borrowings	(667)	192
Net proceeds of share issue	930	(2)
Interest and refinancing costs paid	(383)	(388)
Dividend paid	(263)	(263)
Net cash from financing activities	(383)	(461)
Net change in cash and cash equivalents	846	(1,507)
Cash and cash equivalents at start of year	(513)	994
Cash and cash equivalents at end of year	333	(513)
Cash and cash equivalents represented by:		
Bank overdraft	(475)	(595)
Cash at bank	808	82
	333	(513)

The notes on pages 32 to 55 form part of the Financial Statements.

Statement of Changes in Equity for the year ended 31 March 2010

Group	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Balance at start of year	15,756	18,888
Comprehensive income	(1,720)	(1,426)
Transactions with owners		
Dividends paid	(263)	(263)
Options granted	101	59
Deferred consideration	–	(1,500)
Share issue	1,018	–
Scrip issue	10	–
Costs relating to share issue	(98)	(2)
Balance at end of year	14,804	15,756

Company	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Balance at start of year	15,756	18,888
Comprehensive income	(1,710)	(1,426)
Transactions with owners		
Dividends paid	(263)	(263)
Options granted	101	59
Deferred consideration	–	(1,500)
Share issue	1,018	–
Scrip issue	10	–
Costs relating to share issue	(98)	(2)
Balance at end of year	14,814	15,756

The notes on pages 32 to 55 form part of the Financial Statements.

Notes to the Financial Statements for the year ended 31 March 2010

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 24 June 2010.

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

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

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 blended software and workshop products is recognised based on expected levels of take-up of the workshop element, where those levels can be reliably estimated.

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.

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

In the consolidated accounts, the assets and liabilities of foreign subsidiaries are translated at the rates of exchange ruling at the balance sheet date. The trading results of foreign subsidiaries are translated using the exchange rate ruling at the date of the transactions. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign exchange reserve.

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.

Impairment
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash-generating units. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

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.

1 **Basis of preparation and significant accounting policies** continued

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.

Exceptional items

The Group presents as exceptional items those material items of income and expenses which, because of the nature or the expected infrequency of the events giving rise to them, merit separate presentation. This allows a better understanding of trading performance both for the year and the prior period. These items are highlighted on the face of the consolidated statement of comprehensive income and detailed in the notes to the financial statements.

Depreciation

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

Fixtures, fittings and equipment – 4 years
Computer equipment – 3 years

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 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.

Company profit

The Group profit for the financial year includes a loss after tax of £1,710,000 relating to the Company. No separate Company statement of comprehensive income has been presented, in accordance with Section 408 of the Companies Act 2006.

Interest

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

Financial instruments

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

Loans and receivables

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

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

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 Group 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 statement of comprehensive income.

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 on or after)
IFRS 3	Business combinations (revised January 2008)	1 July 2009
IFRIC 17	Distributions of non-cash assets to Owners	1 July 2009
IFRIC 18	Transfers of assets from customers	1 July 2009
IAS 17	Classification of leases of land and buildings	1 January 2010
IAS 36	Unit of accounting for goodwill impairment test	1 January 2010
IAS 38	Measuring the fair value of an intangible asset acquired in a Business combination	1 January 2010
IAS 39	Cash flow hedge accounting	1 January 2010

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

2 Financial instruments – risk management

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

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

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

The principal financial instruments used by the Group 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 Group's policy that no trading in financial instruments shall be undertaken. The Group does, however, manage interest rate risk as detailed below.

Credit risk

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

The 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 650 customers with an average balance of just over £4,000. The largest balance at year end comprised 2% of the total trade receivable balance. Balances aged 60 days or over comprised 18% of the total receivables.

The historic default rate of accrued revenue and trade receivables, other than as specifically highlighted in note 5 to these accounts, 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 Group's management of working capital. It is the risk that the Group may encounter difficulty in meeting its financial obligations as they fall due.

It is the Group'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 Group's bankers.

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

Interest rate risk

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

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

The Group's exposure to interest rate risk arises principally from its term debt. The Group 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, American Dollars, Australian Dollars, New Zealand Dollars, and South African Rand are translated at the exchange rate ruling at the date of the transaction. The Group 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 Group. 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 Group seeks to maintain a capital structure that safeguards the Group's ability to continue as a going concern and ensures sufficient resources are available for the Group's growth.

The Group's net debt, defined as bank debt less cash, was £3.16 million at 31 March 2010 (At 31 March 2009: £4.69 million).

3 Segment reporting

In accordance with IFRS8, the Group now presents its segmental analysis in terms of its two operating divisions, Best Practice and Finance, as opposed to one segment of supply of training and consultancy solutions. The analysis of revenue and profit by division for the period, and restated for prior periods, is as follows:

	Year ended 31 March 2010		Year ended 31 March 2009	
	Revenue £'000	Profit £'000	Revenue £'000	Profit £'000
Best Practice division	11,375	2,020	10,417	1,390
Finance division	3,328	442	5,165	1,656
Unrecharged central costs	–	(1,010)	–	(953)
Continuing operations	14,703	1,452	15,582	2,093
Interest		(384)		(393)
Underlying profit before tax		1,068		1,700
Exceptional items		(2,564)		(2,706)
Taxation		(224)		(420)
Retained loss		(1,720)		(1,426)

3 Segment reporting continued

Exceptional items include an impairment charge of £2,290,000 relating to acquired customer relationships belonging to the Finance division (2009: £2,360,000 related to goodwill belonging to the Best Practice division).

In addition, revenues by geographic region were as follows:

	Year ended 31 March 2010		Year ended 31 March 2009	
	£'000	%	£'000	%
UK & Ireland	11,944	81.2	12,944	83.1
Europe & Scandinavia	1,205	8.2	1,272	8.2
Americas	435	3.0	517	3.3
Australasia	362	2.5	78	0.5
Middle East	341	2.3	219	1.4
Africa	310	2.1	305	2.0
Asia	106	0.7	246	1.6
	14,703	100.0	15,582	100.0

4 Operating profit

Operating profit is stated after charging:

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Depreciation	114	127
Impairment	2,290	2,360
Exchange losses/(gains)	25	(15)
Operating lease rentals – land and buildings	116	126
Operating lease rentals – other	7	–
Fees receivable by the group's auditors		
Audit of financial statements	39	36
Other services relating to taxation	5	21
Corporate finance and other advisory services	17	18
	61	75

5 Exceptional items

The Group's policy on presenting exceptional items is set out in note 1. During the year the Group incurred exceptional items as follows:

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Included within administrative expenses		
Restructuring costs	356	–
Exceptional bad debt provisions	–	176
Loss on disposal of fixed assets	3	–
	359	176
Included within operating profit		
Impairment of intangibles	2,290	2,360
Included within interest payable		
Financing costs	(85)	170

The financing costs relate to the revaluation of the Group's interest rate swap agreement (see note 23).

6 Finance income

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Bank interest	1	16

7 Finance costs

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
On bank loans and overdrafts	340	331
Other interest	–	43
Mark to market of derivative financial instrument	(85)	170
Arrangement fees and refinancing costs	45	35
	300	579

8 Employees' and Directors' remuneration

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

Group and company	Year ended 31 March 2010 Number	Year ended 31 March 2009 Number
Development and delivery	38	39
Administration and management	21	20
Sales and marketing	32	32
	91	91

Their total remuneration was:

Group and company	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Wages and salaries	6,056	6,139
Social security costs	710	721
Pension costs	272	271
Share-based payments	101	59
	7,139	7,190

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

Group and company	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Cost of sales	3,484	3,578
Administrative expenses	3,327	3,388
Product development capital expenditure	313	199
Other capital expenditure	15	25
	7,139	7,190

Directors' emoluments can be analysed as follows:

Group and company	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Remuneration and other emoluments	538	567
Pension contributions	68	24
	606	591

	£'000	£'000
Highest paid Director	279	350

There are two Directors to whom retirement benefits are accruing under a money purchase scheme (2009: three).

Key person insurance policies at a total value of £2.0 million (2009: £2.5 million) are in place over the lives of four staff, including the two executive Directors.

A detailed analysis of Directors' remuneration is provided on page 21.

9 Pension costs

The Group 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 Group which amounted to £114,000 (2009: £91,000) plus contributions payable directly to Directors' and employees' personal pension schemes which amounted to £219,000 (2009: £180,000).

10 Tax expense

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
UK current tax expense	283	343
Adjustment in respect of prior periods	(59)	–
Deferred tax expense	–	77
Tax expense	224	420
Factors affecting the tax charge for the year		
Profit/(loss) before tax	(1,496)	(1,006)
Profit/(loss) before tax multiplied by standard rate of UK corporation tax of 28% (2009: 28%)	(419)	(282)
Effects of:		
Non-deductible expenses	19	23
Depreciation in excess of Capital allowances	8	5
Impairment	641	659
Share option adjustment	28	17
Tax losses utilised	–	(83)
Provisions adjustment	3	4
Unutilised foreign tax losses	3	–
Adjustment in respect of prior periods	(59)	–
Deferred tax asset reduced	–	77
Tax charge for period	224	420

Notes to the Financial Statements for the year ended 31 March 2010 continued

11 Earnings/(loss) per share

Earnings/(loss) per share is calculated by dividing profit attributable to shareholders 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% (2009: 8.0%).

To allow shareholders to gain a better understanding of the underlying trading performance of the Group, an adjusted earnings per share and adjusted diluted earnings per share has been calculated using an adjusted profit after taxation before exceptional items.

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Post tax profit/(loss) for the period	(1,720)	(1,426)
After tax interest on outstanding options multiplied by exercise price	2	6
Profit/(loss) for diluted earnings per share	(1,718)	(1,420)

	£'000	£'000
Post tax profit/(loss) for the period	(1,720)	(1,426)
Add back actual tax charge	224	420
Strip out exceptional items	2,564	2,706
Normalised tax charge	(299)	(476)
Profit for adjusted earnings per share	769	1,224

	£'000	£'000
Profit for adjusted earnings per share	769	1,224
After tax interest on outstanding options multiplied by exercise price	2	6
Profit for adjusted diluted earnings per share	771	1,230

	Number	Number
Weighted average shares	20,360,949	19,390,762
Outstanding share options	211,500	972,750
Weighted average shares for diluted earnings per share	20,572,449	20,363,512

Basic earnings per share	(8.45p)	(7.35p)
Diluted earnings per share	(8.35p)	(6.97p)
Adjusted earnings per share	3.78p	6.31p
Adjusted diluted earnings per share	3.75p	6.04p

12 Property, plant and equipment

Cost	Fixtures, fittings and equipment £'000	Computer equipment & software £'000	Total £'000
At 31 March 2008	131	275	406
Additions	22	83	105
Disposals	(19)	(75)	(94)
At 31 March 2009	134	283	417
Additions	19	47	66
Disposals	(21)	(58)	(79)
At 31 March 2010	132	272	404
Depreciation			
At 31 March 2008	54	146	200
Charge for the year	34	94	128
Disposals	(19)	(76)	(95)
At 31 March 2009	69	164	233
Charge for the year	34	77	111
Disposals	(18)	(57)	(75)
At 31 March 2010	85	184	269
Net Book Value			
At 31 March 2010	47	88	135
At 31 March 2009	65	119	184
At 31 March 2008	77	129	206

13 Intangible fixed assets

Group	Goodwill £'000	Acquired customer relationships £'000	Product development and intellectual property £'000	Total £'000
Cost				
At 31 March 2008	15,281	6,974	1,815	24,070
Additions	7	–	230	237
At 31 March 2009	15,288	6,974	2,045	24,307
Additions	4	–	776	780
Disposals	–	–	–	–
At 31 March 2010	15,292	6,974	2,821	25,087
Impairment				
At 31 March 2008	907	–	34	941
Charge for the year	2,360	–	–	2,360
At 31 March 2009	3,267	–	34	3,301
Charge for the year	–	2,290	–	2,290
At 31 March 2010	3,267	2,290	34	5,591
Net Book Value				
At 31 March 2010	12,025	4,684	2,787	19,496
At 31 March 2009	12,021	6,974	2,011	21,006
At 31 March 2008	14,374	6,974	1,781	23,129

Company	**Goodwill £'000**	**Product development and intellectual property £'000**	**Total £'000**
Cost			
At 31 March 2008	11	1,210	1,221
Additions	–	230	230
At 31 March 2009	11	1,440	1,451
Additions	4	776	780
At 31 March 2010	15	2,216	2,231
Impairment			
At 31 March 2008	–	34	34
Charge for the year	–	–	–
At 31 March 2009	–	34	34
Charge for the year	–	–	–
At 31 March 2010	–	34	34
Net Book Value			
At 31 March 2010	15	2,182	2,197
At 31 March 2009	11	1,406	1,417
At 31 March 2008	11	1,176	1,187

13 Intangible fixed assets continued

Impairment

All intangible assets are shown at historical cost less accumulated impairment.

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

	Financial training products and services £'000	Best Practice training and consultancy products and services (excluding IT) £'000	Total £'000
Goodwill arising on consolidation			
Intellexis International Ltd	2,590	–	2,590
Key Skills Ltd	–	2,200	2,200
Computa-Friendly Ltd	–	368	368
Mindscope Ltd	–	1,494	1,494
Techpractice Ltd (purchase of elements of the trade)	–	11	11
Customer Projects Ltd	–	442	442
Corporate Training Group Ltd	4,916	–	4,916
ILX Group Inc (establishment)	–	1	1
ILX Group Pty Ltd (establishment)	–	3	3
	7,506	4,519	12,025
Other intangibles			
Customer relationships	4,684	–	4,684
Product development and intellectual property	920	1,867	2,787
	5,604	1,867	7,471
	13,110	6,386	19,496

The carried forward goodwill and other intangible asset balances have been tested by comparing the total value of all intangible assets within each cash generating unit with value in use, being the net present value of future cash flows expected from that cash generating unit.

Assumptions

The key assumptions used for each cash generating unit are set out below. As both divisions are well established and operating in well established and defined markets with no obvious limitation on economic life, the Directors consider that it is appropriate to look at future cash flows for a period of greater than five years when considering the carrying value of intangibles.

Where revenue growth assumptions have been used these reflect past experience and future budgeted expectations.

Financial Training

This cash generating unit has been valued on the assumption that revenues increase by 3% in line with current budgets and thereafter at 15% per annum for the next 4 years, then remain constant in perpetuity. Operating margins are assumed to gradually revert to historical levels of 35% based on the increased revenues. A discount rate of 10% has been used.

Best Practice Training
This cash generating unit has been valued on the assumption that revenues grow at 20% in line with current budgets and thereafter International revenues grow at 20% and UK revenues at 10% for the next 4 years, with margins in line with current results, then remaining constant in perpetuity. A discount rate of 10% has also been used.

Sensitivity
The Directors have also considered the sensitivity of the calculations to changes in the assumptions used.

Within the Best Practice Training CGU, further impairment would be required only if the future projections were sensitised to show a declining financial performance from the 2009/10 results.

Within the Finance Training CGU, impairment of the total intangible assets assigned to this cash generating unit would start to be impaired if the projected growth rates of 15% were reduced below 6%. The total recoverable amount currently exceeds the carrying amount by £4.39 million.

Customer Relationships
Customer relationships are shown at historical cost less accumulated impairment.

The customers are all large and well established institutions. The products and services provided cover generic subjects which are not subject to significant change and the relationship with the customers are held by the team rather than any one individual. Accordingly, the Directors consider these relationships to have an indefinite economic life and therefore the value is subjected to annual impairment testing rather than being amortised over the economic life of the asset.

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 the same inputs and assumptions as those made for the relevant revenues within the assumptions for goodwill relating to Financial Training.

Those values have then been further individually discounted by rates of between 33% and 50% due to the significant nature of changes in the team that took place during the financial year, together with the current economic factors specifically affecting the financial sector.

This valuation resulted in an impairment charge of £2.29 million (2009: nil) in respect of the year just ended.

Product Development and Intellectual Property
Product Development and Intellectual Property are shown at historical cost less accumulated impairment.

The products and property concerned cover subjects which are not subject to significant change and which are used by a wide range of customers. Almost all product areas have shown consistent or increasing sales since launch. Accordingly, the Directors consider these assets to have an indefinite economic life and therefore the value is subjected to annual impairment testing rather than being amortised over the economic life of the asset.

The historical cost of the products is compared against the annual sales and gross profits generated from these products. Annual gross profit was approximately 2.5 times the total carrying value of these products. None of the individual products have been discontinued or have shown a substantial fall in sales.

Accordingly, the Directors believe no impairment is necessary in respect of the year just ended.

In addition to the development costs capitalised during the year, the aggregate amount of research and development recognised as an expense during the year was £10,000 (2009: £6,000).

Goodwill
Goodwill is shown at historical cost less accumulated impairment.

Goodwill is tested for impairment by calculating the difference between the net present value of future cash flows expected from each cash generating unit and the value of the separately identifiable intangible assets attached to each cash generating unit.

Based on the assumptions and calculations outlined above, the difference is greater than the current carrying value of goodwill for both cash generating units and hence no impairment is necessary in respect of the year just ended.

14 Investments

Cost	Shares in group undertakings (at cost) £'000
At 31 March 2008	21,942
Additions	–
Disposals/Adjustments	(2,353)
At 31 March 2009	19,589
Additions	–
Disposals/Adjustments	(2,290)
At 31 March 2010	17,299

The Directors have taken the decision to write down the value of the investment in the Corporate Training Group Ltd by the same amount as the impairment charge taken for the year in respect of customer relationships acquired with that company, as set out in note 13.

The Company has the following subsidiary undertakings:

Name	Principal Activity	Holding	Registered
ILX Group Inc	Trading	100%	USA
ILX Group Pty Ltd	Trading	100%	Australia
ILX Connexions Ltd	Non-trading	100%	England & Wales
ILX Key Skills Ltd	Non-trading	100%	England & Wales
ILX Learning Ltd	Non-trading	100%	England & Wales
ILX Mindscope Ltd	Non-trading	100%	England & Wales
ILX Publishing Ltd	Non-trading	100%	England & Wales
ILX Software Ltd	Non-trading	100%	England & Wales
ILX Solutions Ltd	Non-trading	100%	England & Wales
ILX Training Ltd	Non-trading	100%	England & Wales
Computa-Friendly Ltd	Non-trading	100%	England & Wales
Corporate Training Solutions Ltd	Non-trading	100%	England & Wales
CTG Exam Training Ltd	Non-trading	100%	England & Wales
Customer Projects Ltd	Non-trading	100%	England & Wales
Intellexis International Ltd	Non-trading	100%	England & Wales
Intellexis Ltd	Non-trading	100%	England & Wales
Key Skills Ltd	Non-trading	100%	England & Wales
Mindscope Ltd	Non-trading	100%	England & Wales
Mount Lane Training & Implementation Solutions Ltd	Non-trading	100%	England & Wales
The Corporate Training Group Ltd	Non-trading	100%	England & Wales

The two trading subsidiaries, ILX Group Inc and ILX Group Pty Ltd, have been formed for the purpose of conducting the Group's business in New York and Australasia respectively.

All these companies have all prepared accounts to 31 March 2010.

15 Trade and other receivables

Group	At 31 March 2010 £'000	At 31 March 2009 £'000
Trade receivables	2,521	2,703
Other receivables	2	6
Prepayments	375	346
Accrued revenue	18	136
	2,916	3,191

Company	At 31 March 2010 £'000	At 31 March 2009 £'000
Trade receivables	2,521	2,703
Other receivables	2	6
Amounts owed by Group undertakings	40	14
Prepayments	375	346
Accrued revenue	18	136
	2,956	3,205

16 Trade and other payables

	At 31 March 2010 £'000	At 31 March 2009 £'000
Barclays 4-year term loan (see note 18)	1,282	692
Bank overdraft	475	595
Trade payables	1,326	1,114
Corporation tax	279	329
Other taxes and social security costs	798	617
Contingent consideration (see note 17)	35	–
Accruals	575	586
Deferred revenue	1,143	1,078
	5,913	5,011

The Group has a confidential invoice finance facility with Barclays Bank plc. The facility is capped at £700,000 and allows the Company to draw down 75% of amounts outstanding to customers subject to various reserves in relation principally to overseas debts, aged debts, and deferred revenue.

17 Deferred and contingent consideration

	At 31 March 2010 £'000	At 31 March 2009 £'000
Current liabilities: Contingent consideration		
Acquisition of rights to software products	35	–
	35	–
Non-current liabilities: Contingent consideration		
Acquisition of rights to software products	300	–
	300	–

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

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

18 Bank loans and facilities

	At 31 March 2010 £'000	At 31 March 2009 £'000
Bank loan amounts included in non-current liabilities		
Barclays 4-year term loan	2,243	3,500
	2,243	3,500
Total bank loans		
Repayable in one year or less (note 16)	1,282	692
Repayable between one and two years	1,282	1,250
Repayable between two and five years	961	2,250
Repayable in five years or more	–	–
	3,525	4,192

The Barclays loan and additional facilities are secured by a Debenture granted by the Group 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 2010 was £3,754,000.

The Barclays term loan has an interest rate of 5.0% plus LIBOR.

The Group has additional facilities with Barclays Bank plc as stated in note 16.

19 Share capital and reserves

	As at 31 March 2010 £'000	As at 31 March 2009 £'000
Authorised equity		
Ordinary shares of 10p each	5,000	5,000
Allotted, called up and fully paid equity		
Ordinary shares of 10p each	2,357	1,939

Details of movement on reserves are as follows:

Group	Called up share capital £'000	Share premium account £'000	Deferred consid-eration £'000	Own shares in trust £'000	Share option reserve £'000	Buyback reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 March 2008	1,939	11,804	1,500	(1,825)	303	1,178	3,989	18,888
Profit for the year	–	–	–	–	–	–	(1,426)	(1,426)
Dividend paid	–	–	–	–	–	–	(263)	(263)
Options granted	–	–	–	–	59	–	–	59
Options lapsed and waived	–	–	–	–	(247)	–	247	–
Deferred consideration	–	–	(1,500)	–	–	–	–	(1,500)
Costs relating to share issue	–	(2)	–	–	–	–	–	(2)
Balance at 31 March 2009	1,939	11,802	–	(1,825)	115	1,178	2,547	15,756
Profit for the year	–	–	–	–	–	–	(1,720)	(1,720)
Transfer between reserves	–	–	–	–	–	(1,178)	1,178	–
Dividend paid	–	–	–	–	–	–	(263)	(263)
Options granted	–	–	–	–	101	–	–	101
Options lapsed and waived	–	–	–	–	(12)	–	12	–
Share Issue	407	611	–	–	–	–	–	1,018
Scrip Issue	11	26	–	(27)	–	–	–	10
Costs relating to share issue	–	(98)	–	–	–	–	–	(98)
Balance at 31 March 2010	2,357	12,341	–	(1,852)	204	–	1,754	14,804

19 Share capital and reserves continued

Company	Called up share capital £'000	Share premium account £'000	Deferred consid-eration £'000	Own shares in trust £'000	Share option reserve £'000	Buyback reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 March 2008	1,939	11,804	1,500	(1,825)	303	1,178	3,989	18,888
Profit for the year	–	–	–	–	–	–	(1,426)	(1,426)
Dividend paid	–	–	–	–	–	–	(263)	(263)
Options granted	–	–	–	–	59	–	–	59
Options lapsed and waived	–	–	–	–	(247)	–	247	–
Deferred consideration	–	–	(1,500)	–	–	–	–	(1,500)
Costs relating to share issue	–	(2)	–	–	–	–	–	(2)
Balance at 31 March 2009	1,939	11,802	–	(1,825)	115	1,178	2,547	15,756
Profit for the year	–	–	–	–	–	–	(1,710)	(1,710)
Transfer between reserves	–	–	–	–	–	(1,178)	1,178	–
Dividend paid	–	–	–	–	–	–	(263)	(263)
Options granted	–	–	–	–	101	–	–	101
Options lapsed and waived	–	–	–	–	(12)	–	12	–
Share Issue	407	611	–	–	–	–	–	1,018
Scrip Issue	11	26	–	(27)	–	–	–	10
Costs relating to share issue	–	(98)	–	–	–	–	–	(98)
Balance at 31 March 2010	2,357	12,341	–	(1,852)	204	–	1,764	14,814

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. There was no deferred consideration of this kind during the year ended 31 March 2010.

Own shares in trust
This reserve records the purchase cost of shares by Investec Trust held in the Group's medium term incentive plan trust. Further details are contained in note 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. The creditors at that time having been fully satisfied, there is no on-going requirement for this reserve and the balance has therefore been transferred to distributable reserves.

20 Share options and own shares in trust

Share options

As at 31 March 2010, 47 employees (including Directors) held options (granted between 9 December 2002 and 30 October 2009) over a total of 2,106,250 (2009: 3,288,250) ordinary shares at an average exercise price of 15.6p (2009: 13.8p), as follows:

Date of grant	Number of shares under option at 31 March 2009	Granted during the year	Forfeited during the year	Number of shares under option at 31 March 2010	Exercise Price	Expiry Date
09-Dec-02	5,000	–	–	5,000	110p	09-Dec-12
01-Feb-04	55,500	–	–	55,500	70p	01-Feb-14
24-Dec-04	42,000	–	–	42,000	90p	24-Dec-14
15-Jul-05	48,125	–	–	48,125	90p	15-Jul-15
01-Oct-05	81,875	–	–	81,875	90p	01-Oct-15
01-Dec-05	27,500	–	(20,000)	7,500	100p	01-Dec-15
12-Jun-06	15,000	–	–	15,000	90p	12-Jun-16
15-Nov-06	5,000	–	(5,000)	–	90p	15-Nov-16
22-May-07	185,500	–	(68,000)	117,500	53p	22-May-17
28-Nov-08	1,225,000	–	–	1,225,000	0p	28-Nov-18
30-Dec-08	167,000	–	(167,000)	–	0p	30-Dec-18
30-Dec-08	10,000	–	(10,000)	–	23p	30-Dec-18
30-Jan-09	538,500	–	(327,000)	211,500	20p	30-Jan-19
30-Jan-09	548,250	–	(501,000)	47,250	0p	30-Jan-19
30-Jan-09	334,000	–	(334,000)	–	0p	30-Jan-19
31-Oct-09	–	10,000	–	10,000	35p	31-Oct-19
31-Oct-09	–	240,000	–	240,000	0p	31-Oct-19
	3,288,250	250,000	(1,432,000)	2,106,250		

No options were exercised during the year.

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 2009	Options granted during the year	Options forfeited during the year	Options exercisable 31 March 2010	Options outstanding (including those exercisable) at 31 March 2010
Number of shares under option	3,288,250	250,000	(1,432,000)	372,500	2,106,250
Weighted average exercise price	13.8p	1.4p	9.0p	75.8p	15.6p

The weighted average time to expiry of the share options outstanding at 31 March 2010 was 8.27 years (2009: 9.35 years). Details of individual expiry dates are shown above. For those share options outstanding but not exercisable at 31 March 2010, the weighted average time prior to the options becoming exercisable was 0.96 years (2009: 1.88 years).

All options are exercisable either between 2 and 10 years or 3 and 10 years from date of grant. Details of Directors' share options can be found on page 21. The Company's share price on 31 March 2010 was 20.3p (on 31 March 2009: 19.0p).

20 Share options and own shares in trust continued

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 £101,000 (2009: £59,000). 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 2006	Granted in year ended 31 March 2007	Granted in year ended 31 March 2008	Granted in year ended 31 March 2009	Granted in year ended 31 March 2010
Average share price at grant	90.5p	90.0p	53.0p	22.5p	35.0p
Average exercise price	90.5p	90.0p	53.0p	2.9p	1.4p
Expected volatility	27%	15%	40%	48%	62%
Expected life	3.5 years	3.5 years	3.5 years	3.5 years	3.5 years
Expected dividend yield	1.0%	1.0%	1.3%	5.2%	5.4%
Risk-free rate of return	4.5%	5.0%	5.0%	5.0%	1.0%

Own shares in trust

The Company holds 1,930,891 of its own ordinary shares in a trust, administered by Investec Trust Guernsey Ltd. The shares are held in trust and represent 8.2% of the total called up share capital. They will be utilised as required to satisfy share options granted to Directors and other senior management on vesting and exercise.

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.

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 £523,000 (2009: £250,000). As at the year end there were a total of 477,250 share options outstanding for these individuals (2009: 15,000).

The Company leased office premises owned by partnership which included Peter Evans and other employees of the Company. During the year the Company paid £10,000 for rental of this premises (2009: £20,000). This lease ceased on 30 September 2009 and hence there are no future commitments.

The Company also leased office premises owned by Heather Kinch, the spouse of a member of the executive management team. During the year the Company paid £18,000 for rental of this premises (2009: £18,000).

In January 2009 the Company purchased the full intellectual property rights to certain software products from TrainingByteSize Ltd, a company controlled by Martyn Kinch, who subsequently joined the executive management team. The total amount payable under the agreement is £400,000, with £65,000 paid up front and the remaining £335,000 contingent upon future sales of the products over a 4 year period. The contingent consideration is disclosed in note 17.

Directors and key management received dividends totalling £8,000 during the year.

22 Ultimate parent undertaking and controlling interest

There is no ultimate controlling party.

23 Derivative financial instruments

The Group has 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 Group pays 5.39% per annum on the principal and receives 3 month LIBOR.

No premium was paid to enter into the Swap Agreement and no amount will be payable on maturity. The Swap Agreement was valued by Barclays Capital as a liability of £125,000 at 31 March 2010 (2009: £210,000).

24 Operating leases

At 31 March 2010 the Group had minimum commitments under non-cancellable operating leases as set out below:

	Land and buildings 31 March 2010 £'000	Land and buildings 31 March 2009 £'000
Due within one year	18	73
Due in second to fifth year	58	37
Total minimum lease payments	76	110

The Group leases three 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 1.50 pence per share in respect of the year ended 31 March 2009 was paid on 30 October 2009. This dividend is reflected in these financial statements. A scrip alternative was offered and 12.6% of the ordinary shareholders elected to receive the scrip alternative.

As stated in the Directors' report, the directors recommend payment of a dividend of 1.50 pence per share, subject to shareholder approval at the Annual General Meeting on 24 September 2010. This dividend will be paid on 29 October 2010 to shareholders on the register at 20 August 2010. The shares will therefore become ex-dividend on 18 August 2010. A scrip alternative will be offered, at the average share price for the period 18 August to 24 August inclusive. Shareholders who elected to receive the scrip alternative in 2009 will receive the scrip alternative for 2010 automatically. Shareholders who wish to elect to receive the scrip alternative will need to obtain a mandate form from the company and return it to the registrars no later than 10am on 20 September 2010.

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 2011.

26 Capital commitments

There were no capital commitments at the end of the year (2009: £0).

Notice of Annual General Meeting

Notice is hereby given that the 2010 Annual General Meeting (the "Meeting") of ILX Group plc (the "Company") will be held at the offices of Maclay Murray and Spens LLP, 12th Floor, One London Wall, London, EC2Y 5AB on 24 September 2010 at 10.00 a.m. for the following purposes:

Ordinary Business

1. To receive the report of the Directors and financial statements for the year ended 31 March 2010 together with the independent auditors' report thereon.

2. To approve the report to the shareholders on Directors' remuneration for the year ended 31 March 2010 (advisory vote).

3. To declare a final dividend of 1.50 pence per ordinary share for the financial year ended 31 March 2010.

4. To re-elect Paul Lever, who retires by rotation, as a Director of the Company.

5. To re-elect Paul Virik, who retires by rotation, as a Director of the Company.

6. To re-appoint Saffery Champness as auditors of the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider, and if thought fit, pass the following resolutions which will be proposed as ordinary resolutions in the case of resolutions 7 and 8 and as special resolutions in the case of resolutions 9 and 10.

7. THAT, for a period of five years from the date of this resolution, the Directors be generally and unconditionally authorised pursuant to Article 121 of the articles of association of the Company, with the rights and powers set out in such Article, to offer the holders of ordinary shares of 10 pence each in the capital of the Company ("Ordinary Shares") the right to elect to receive Ordinary Shares credited as fully paid instead of cash in respect of the dividend declared pursuant to Resolution 3 and any other dividend declared during the period starting on the date of this resolution and ending at the beginning of the fifth Annual General Meeting of the Company following the date of this resolution.

8. THAT, in substitution for any existing authority under section 551 of the Companies Act 2006 (the "Act") but without prejudice to the exercise of any such authority prior to the date of this resolution, the directors of the Company be generally and unconditionally authorised for the purposes of that section to allot shares in the Company and to grant rights ("relevant rights") to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal amount of £780,000 (being approximately one third of the issued share capital at 24 June 2010), such authorisation (unless previously renewed, revoked or varied by the Company in general meeting) to expire at midnight on 23 December 2011 or, if earlier, at the conclusion of the next Annual General Meeting of the Company, save that the Company may at any time before the expiry of this authorisation make an offer or enter into an agreement which would or might require shares to be allotted or relevant rights to be granted after the expiry of this authorisation and the directors of the Company may allot or grant relevant rights in pursuance of any such offer or agreement as if the authorisation conferred hereby had not expired.

9. THAT subject to the passing of resolution numbered 8 above ("Section 551 Resolution") and in substitution for any existing authority under sections 570 and 573 of the Act but without prejudice to the exercise of any such authority prior to the date of this resolution, the directors of the Company be empowered in accordance with those sections to allot equity securities (within the meaning of section 560 (1), (2) and (3) of the Act) pursuant to the Section 551 Resolution or by way of a sale of treasury shares, in each case as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to:

   (a) the allotment of equity securities (otherwise than pursuant to sub-paragraphs (b), (c) and (d) below) up to an aggregate nominal amount of £350,000 (being approximately 15% of the issued share capital at 24 June 2010);

(b) the allotment of equity securities in connection with an offer to all holders of Ordinary Shares in proportion (as nearly as may be) to the respective numbers of Ordinary Shares held by them (but subject to such exclusions, limits or restrictions or other arrangements as the directors of the Company may consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in or under the laws of any territory, or the requirements of any regulatory body or any stock exchange in any territory or otherwise howsoever);

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

(d) the allotment of Ordinary Shares pursuant to resolution 7; and

such power shall expire at midnight on 23 December 2011 or, if earlier, at the conclusion of the next Annual General Meeting of the Company, but so that this power shall enable the Company to make an offer or agreement before such expiry which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of any such offer or agreement as if such expiry had not occurred.

10. THAT, the Company be generally and unconditionally authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of any of its own Ordinary Shares and to cancel or hold in treasury such shares provided that:

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

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

(c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall not be more than an amount equal to 5 per cent. above the average market value of the Ordinary Shares for the five business days immediately preceding the date on which the Ordinary Share is contracted to be purchased;

(d) the authority hereby conferred shall expire at midnight on 23 December 2011 or, if earlier, at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed, revoked or varied prior to such time by the Company in general meeting; and

(e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

By order of the Board

Jon Pickles
Director

24 June 2010

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

Notice of Annual General Meeting continued

Notes:

1. As a member, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the Meeting. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share.

2. A form of proxy is enclosed. To be valid, your proxy form and any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority should be sent to Capita Registrars, PXS, 34 Beckenham Road, Beckenham BR3 4TU so as to arrive no later than 10.00 am on 22 September 2010.

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

4. CREST members who wish to appoint a proxy or proxies through the CREST Electronic Proxy Appointment Service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited ("EUI") and must contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID RA10) by 10.00 a.m. on 22 September 2010. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

5. CREST members and, where applicable, their CREST sponsors or voting services provider(s) should note that EUI does not make available special procedures in EUI for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

7. In accordance with Regulation 41 of the 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 no later than 10.00 am on 22 September 2010 or, if the Meeting is adjourned, at 10.00 a.m. on the day two days prior to the adjourned meeting. Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting.

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

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

Explanatory Notes to The Notice of Annual General Meeting

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 24 June 2010.

Directors report and accounts (resolution 1)

The directors are required by the Companies Act 2006 (the "Act") to present to the meeting the directors' and auditors' reports and the audited accounts for the year ended 31 March 2010. The report of the directors and the audited accounts have been approved by the directors, and the report of the auditors has been approved by the auditors, and a copy of each of these documents may be found in the annual report and accounts.

Remuneration report (resolution 2)

This resolution will provide shareholders with the opportunity to comment on remuneration matters and policy although shareholders should note that in accordance with the regulations the vote will be advisory in nature.

Declaration of Dividend (resolution 3)

The Directors are recommending a dividend of 1.50 pence per ordinary share for the financial year ended 31 March 2010, which will be paid on 29 October 2010 to shareholders on the register at close of business on 20 August 2010. As further explained below, shareholders are being offered the opportunity to elect to receive new ordinary shares instead of cash dividends if they wish.

Re-election of directors (resolutions 4 and 5)

The Company's articles of association provide any Director who has not been appointed or re-appointed at either of the Company's last two Annual General Meetings should retire. Accordingly, Paul Lever and Paul Virik are retiring and offering themselves for re-election under this provision.

Biographical details of all of the directors are set out on page 18 of the annual report and accounts.

Appointment and remuneration of auditors (resolution 6)

This resolution proposes the re-appointment of Saffery Champness as the auditors of the Company and, in accordance with standard practice, gives authority to the directors of the Company to determine their remuneration.

Scrip dividend alternative (resolution 7)

The Directors obtained at the Annual General Meeting of the Company held on 25 September 2009 (the "September 2009 Meeting") the authority to introduce a scheme whereby shareholders would be offered the opportunity to elect to receive new ordinary shares in the Company instead of cash dividends if they so wish (the "Scrip Dividend Scheme"). The Directors wish to continue to be able to offer shareholders the opportunity to participate in the Scrip Dividend Scheme. Accordingly, the approval of shareholders is sought at the Meeting to authorise the Directors to offer the Scrip Dividend Scheme in respect of the dividend to be declared at the Meeting and all future final or interim dividends for a period of up to five years, if on each occasion they decide that it is in the Company's interests to do so.

Subject to the passing of resolutions 3 and 7, shareholders who wish to participate in the Scrip Dividend Scheme and who have already completed and returned a scrip dividend mandate form need not take any further action as your election will apply to all future dividends declared by the Company where a scrip dividend alternative is offered. However, if you have previously completed and returned the scrip dividend mandate form but no longer wish to participate in the Scrip Dividend Scheme you must give notice in writing to the Company's Registrars, Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, to be received no later than 20 business days before 29 October 2010, being the dividend payment date.

Shareholders who wish to participate in the Scrip Dividend Scheme but have not previously completed the scrip dividend mandate form should telephone the Company's Registrars, Capita Registrars, on 0871 664 0300 to arrange for a personalised scrip dividend mandate form to be posted. (Calls cost 10 pence per minute plus network extras, lines are open 8:30am to 5:30pm Monday to Friday).

Shareholders who hold their shares in CREST can only participate in the Scrip Dividend Scheme by use of the CREST Dividend Election Input Message in accordance with the CREST Reference Manual. Any scrip dividend mandate forms or other forms of instruction received from CREST holders will not be accepted.

Further details of the Scrip Dividend Scheme, including the terms and conditions of the scheme, are available from the Company's website (www.ilxgroup.com/dividend) or requested in hard copy from the Company by telephoning 020 7371 4444.

Explanatory Notes to The Notice of Annual General Meeting continued

Scrip dividend alternative (resolution 7) continued

Whether or not you decide to participate in the Scrip Dividend Scheme will depend upon your own circumstances and, in particular, the tax effect of such action. If you are in any doubt as to the action you should take, you are strongly advised to seek advice from an independent financial adviser.

Authority to allot shares (resolution 8)

This resolution will be proposed as an ordinary resolution.

Resolution 8 renews a similar authority approved by shareholders at the general meeting of the Company held on 7 January 2010 (the "January 2010 Meeting"). The Company's directors may only allot shares or grant rights to subscribe for, or convert any security into, shares if authorised to do so by shareholders. The authority conferred on the directors at the January 2010 Meeting under section 551 of the Act to allot shares expires on the date of the Meeting. Accordingly, this resolution seeks to grant a new authority under that section to authorise the directors to allot shares (including treasury shares) in the Company or grant rights to subscribe for, or convert any security into, shares in the Company.

Resolution 8 will, if passed, authorise the directors to allot shares or grant rights to subscribe for, or to convert any security into, such shares in the Company up to a maximum nominal amount of £780,000. This amount represents approximately one-third of the Company's existing issued ordinary share capital as at 24 June 2010 (being the latest practicable date prior to publication of this Notice).

The authority sought under resolution 8 will expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2011 or 15 months from the passing of the resolution.

Disapplication of pre-emption rights (resolution 9)

This resolution will be proposed as a special resolution.

Under section 561(1) of the Act, if the directors wish to allot ordinary shares, or grant rights to subscribe for, or convert securities into, ordinary shares, or sell treasury shares for cash they must in the first instance offer them to existing shareholders in proportion to their holdings. There may be occasions, however, when the directors need the flexibility to finance business opportunities by the issue of shares without a pre-emptive offer to existing shareholders. This cannot be done under the Act unless the shareholders have first waived their pre-emption rights.

Resolution 9 asks the shareholders to do this and, apart from the allotments of shares in relation to the Company's share options schemes, the Scrip Dividend Scheme, or any other pre-emptive offer concerning equity securities, the authority contained in this resolution will be limited to the issue of shares for cash up to an aggregate nominal value of £350,000 (which includes the sale on a non pre-emptive basis of any shares held in treasury), which represents approximately 15 per cent. of the Company's issued ordinary share capital as at 24 June 2010.

The directors believe that an authority to issue 15 per cent. of the Company's issued share capital for cash without first offering the securities to existing holders is in the best interests of the Company and its shareholders as it will give the Company flexibility to allot further shares, if required, without the expense of an open offer and at short notice. The authority would only be exercised if the directors believe that to do so would be in the best interests of the Company and its shareholders as a whole.

The authority sought under resolution 9 will expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2011 or 15 months from the passing of the resolution.

Authority to buy back shares (resolution 10)

Your Board continues to believe that optimising the capital structure of the Company is in the best interests of shareholders and is accordingly seeking a renewal of its existing general authority granted at the last Annual General Meeting to purchase its own shares. The practice of companies purchasing their own shares is considered to be a useful mechanism in increasing capital efficiency for the benefit of remaining Shareholders. Any such purchase of ordinary shares will, however, only be effected by your Directors if it is considered by them to be in the best interests of shareholders generally, and if to do so would be likely to result in an increase in earnings per share.

Resolution 10, (which will be proposed as a special resolution), accordingly seeks authority from Shareholders to buy back up to approximately 14.99 per cent. of the Company's issued share capital.

Any such repurchases would be at prices to be determined by the Directors, although the terms of the resolution provide that such prices may not exceed 105 per cent of the average of the closing middle market quotations for such ordinary shares published by the London Stock Exchange for the previous five business days and must not be less than 10 pence per ordinary share (being the nominal value of an ordinary share). The authority will expire at the conclusion of the Annual General Meeting to be held in 2011 or 15 months from the passing of resolution 10 (whichever is the earlier).

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