2011 Annual Report

Transforming the way people learn

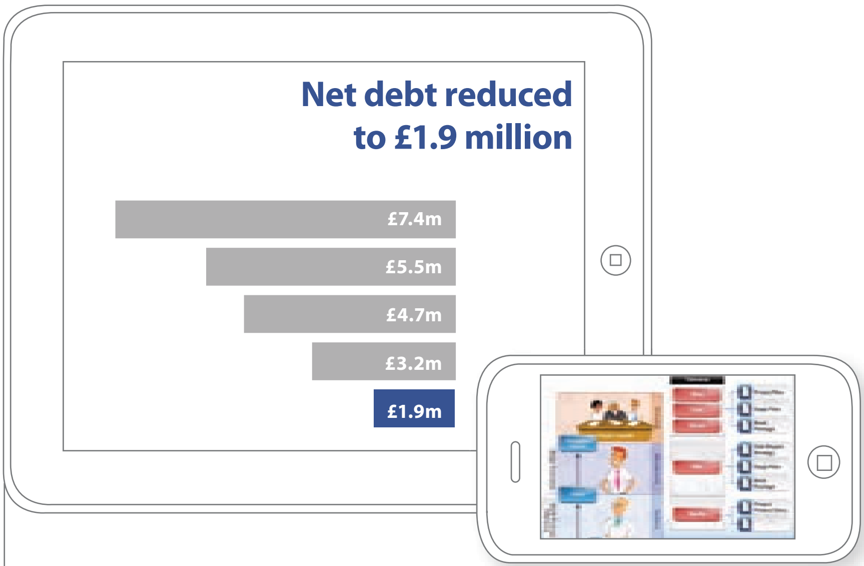
CLASSROOM | E-LEARNING | MOBILE | CONSULTING | GLOBAL

Our vision is to transform the way the world learns

ILX Group creates engaging learning experiences, which are delivered to consumers and corporate clients across the world.

We create both formal and informal learning products, including interactive multimedia e-learning, games, simulations and mobile apps, as well as employ innovative software applications and other technology in the classroom.

Our Performance



+88%

Profit before tax
£1.42 million
(continuing operations)

+54%

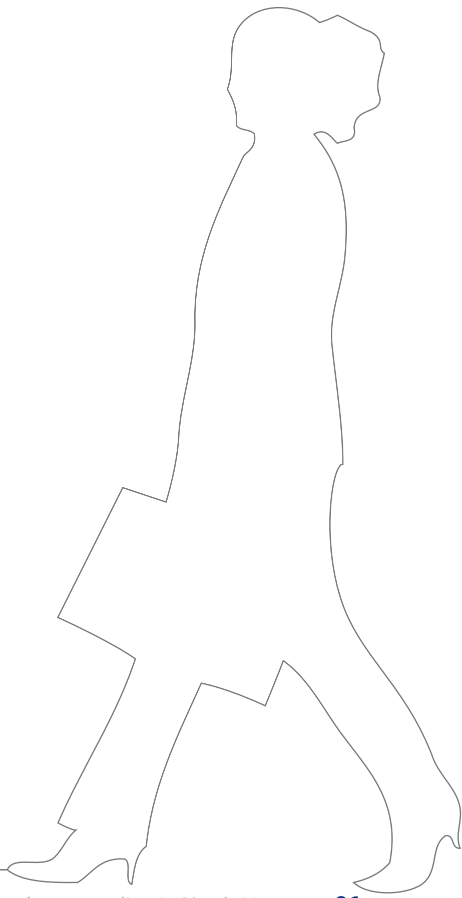
Fully diluted earnings
per share 4.06p
(continuing operations)

Corporate Highlights

- Strong growth in International revenues, particularly Australia and Middle East
- UK revenues remain robust with increased profitability
- ILX Group reclassified as a software business
- Octopus Capital for Enterprise increases holding to 20%
- ILX Group remains global market leader in PRINCE2®
- Board strengthened by the addition of Chris Allner and Eddie Kilkelly
- Financial classroom training business (CTG) closed during the year

Financial Highlights

- Profit before tax (from continuing operations) £1.42 million (2010: £0.76 million)
- Revenue of £12.89 million (2010: £11.87 million)
- Software revenues comprise over 50% of Group revenues
- Strong operating cash flow
- Net debt reduced to £1.89 million (2010: £3.16 million)
- Fully diluted earnings per share from continuing operations 4.06p (2010: 2.64p)
- Dividend reinstated at 1.50p per share with scrip alternative
- Additional equity placing raising £900,000 at 26.5p per share



Our Approach

Learning habits are changing within both the consumer and corporate environment as the inexorable migration towards digital technology encroaches on our daily lives. As an organisation, our commitment is to ensure we constantly review the shifting patterns of how people learn and continue to focus on delivering first class solutions for learners and organisations worldwide.

Our key competitive advantage is our flexible 'hybrid' approach that allows us to deliver e-learning, mobile, social, and classroom learning, together with consulting services, or any combination of these. We are very aware that individuals and organisations migrate from their preferred learning styles only when they are ready. This flexibility ensures that we secure customer relationships at all points in this learning migration.

The other important aspect of our success is the strength of our senior team. We work extremely well together and are aligned to a consistent and productive set of values. Our commitment to these values is what drives the organisation to provide superior solutions for our customers.

Our Values and People

Our core set of values, illustrated by the words and experience of a selection of employees from across the Group, are set out below:

PASSION

"The people at ILX Group inspire real passion within me as a creative, the team I work with are so talented – we always push the boundaries of how technology can keep our solutions ahead of the game!"

– Glyn Davies, Product Development Manager

MAKING A DIFFERENCE

"The last 18 months have been an amazing demonstration of how we can make a difference at ILX Group by increasing market adoption of e-learning and firmly establishing a leadership position in new markets"

– Michelle Phillips, Country Manager Australia

TEAMWORK

"Helping to manage a results driven team whilst maintaining a fun environment is key. We know with real teamwork anything is possible!"

– Claire Smith International Business Manager

OWNERSHIP

"ILX Group is definitely about ownership! Right down to the individual. My Line Manager saw attributes in me that I didn't and convinced me to try sales. Nearly one year later and I'm still loving it!"

– Amelia Haste, Consumer Training Advisor

Our Strategy

We have a clear strategy for the growth of the Group in the medium-term.

Entry into new markets

- Continue our current approach of entering markets with a pre-defined market opportunity
- Build our consumer focus to create innovative new products and offerings as an entry point

Development of existing markets

- Secure local sales, training and consulting presence in high growth territories
- Investment in marketing and PR to firmly establish ourselves in these markets

Significant focus on technology

- Continue to invest in our R&D function to ensure our products remain best of breed
- Deliver our commitment to providing formal and informal learning experiences for our learners

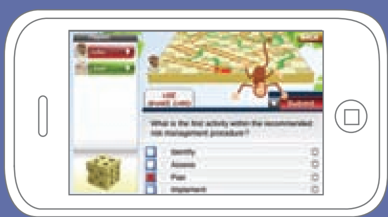
Our flexible 'hybrid' approach means organisations can stay with ILX Group as they migrate through new and varied learning styles

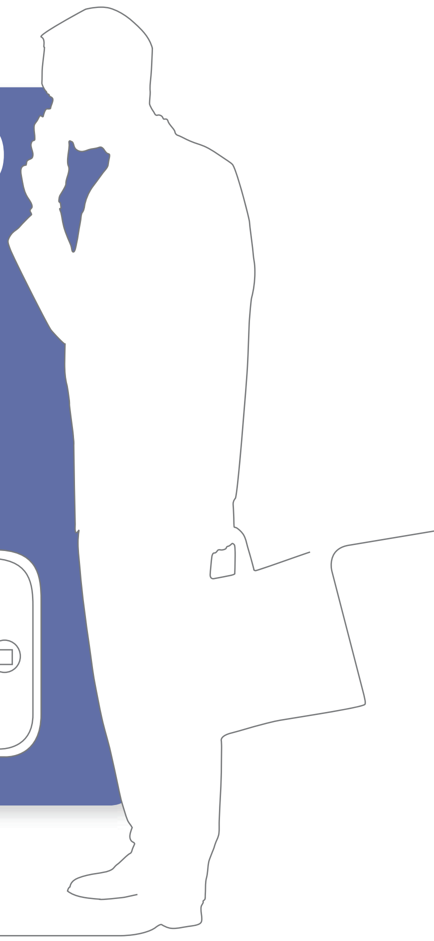
Operational Highlights

- Secured largest ever consulting contract with UK Central Government to Mentor Senior Responsible Owners leading large scale Programmes and Projects.
- Secured largest ever Best Practice corporate e-learning licence valued at £145,000 for three years.
- First to market with new APMP for PRINCE2 Practitioners Qualification.
- First to market with Management of Risk (M_o_R)® and Management of Value (MoV)™.

£145,000

Secured largest ever Best Practice corporate e-learning licence valued at £145,000 for three years.





Our Global Footprint

ILX Group delivers learning products and services in over 100 countries across 5,000 organisations worldwide. Currently our principal areas of activity are the UK, Australia, New Zealand, Scandinavia, Western Europe, Oman, South Africa and the USA.

Our emphasis on international growth has really accelerated over the last two years which have seen ILX Group firmly established as a global leader in Best Practice learning solutions. Our success in new markets has seen our market leading position in PRINCE2 increase even further.

In each of our chosen markets we provide our full service offering of consumer, corporate learning solutions and high quality consulting services.

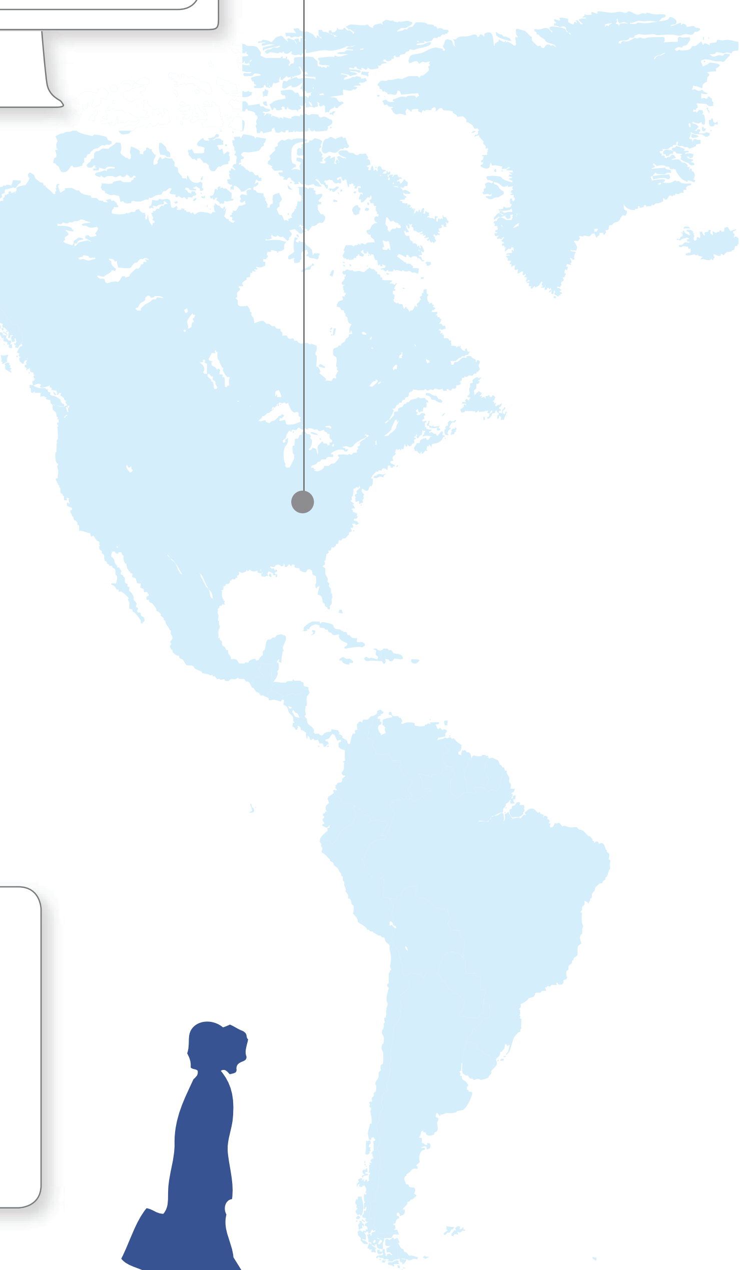
We expect to further increase our market penetration in each of these existing territories as well as to continue to increase our geographic footprint.

+70%

International revenues grew by 70% in 2011

USA

Key new market focus for 2011/12, building on small presence established to date



30%

of revenues now outside the UK

Our international growth has really accelerated over the last two years

SCANDINAVIA
Subsidiary established in Copenhagen post year end to capitalise on Danish Government adoption of PRINCE2

WESTERN EUROPE
In addition to a number of key clients for Finance e-learning, a key new market focus for 2011/12 to be led by the Copenhagen office

OMAN
Successfully establishing ILX Group as a leading global consulting player within the area of Best Practice

AUSTRALIA
Local subsidiary successfully established, with over AUS$2million in e-learning sales generated in the first year

UK
Remains our largest market delivering 70% of revenues in 2010/11, with increased profitability despite austerity conditions

SOUTH AFRICA
Investment in mobile learning products and services to meet local preferences and requirements

NEW ZEALAND
Post year end contract win with New Zealand Defence Force. A key new market focus for 2011/12

Our Products

ILX Group is a global leader in Project Management, IT Service Management, Business Financial Literacy and Implementation Consulting.

We are specialists in PRINCE2, ITIL®, MSP®, PPS and APM, as well as providing further accredited learning solutions within the area of Best Practice.

Our learning is differentiated by the innovative use of technology both within our formal learning products and the constant development of informal learning support tools such as games, apps, demos and live webinars to provide superior learning services to our clients and learners alike.

Whether it's e-learning, mobile or classroom our products are all enabled through the use of innovative technology

How we deliver

Technology in the classroom

Within a classroom environment we know the power technology brings to increasing delegate interaction and creating really engaging and memorable learning experiences.

From live delegate surveys and Q&A sessions through remote voting systems to multi-player interactive informal gaming tools we strive to make every learning session as effective and fun as possible.

Our Services

ILX Consulting helps learners and organisations use project management methods to achieve optimum workflow, organisational efficiency and a solid platform from which to achieve future growth.

From maturity assessments and organisational health checks, through ITIL, MSP and PRINCE2 implementation, to programme and project performance management, ILX Consulting has consistently delivered tangible improvements in capability, productivity and customer satisfaction to a wide range of businesses and organisations.

To date, over 1 million people have qualified in PRINCE2 and related Portfolio, Programme and Project Management (P3M) Best Practices. Organisations are increasingly discovering the benefits of continued support for their accredited staff alongside structured and comprehensive organisation-wide implementation of the methods involved.

ILX Group helps organisations all over the world recognise not just the potential of the individual but also organisational business capability

How we deliver

Accreditation for your organisation through P3M3®

ILX Consulting helps organisations all over the world to obtain an external accreditation which recognises not just the capability of the individual but more importantly the maturity of the organisation as a whole.

The benefits of partnering with ILX Consulting to develop your Project Management capabilities and gain P3M3 accreditation include:

Increased organisational efficiency

- Improve your productivity and reduce delivery times
- Achieve greater time and cost predictability
- Enhance employee morale

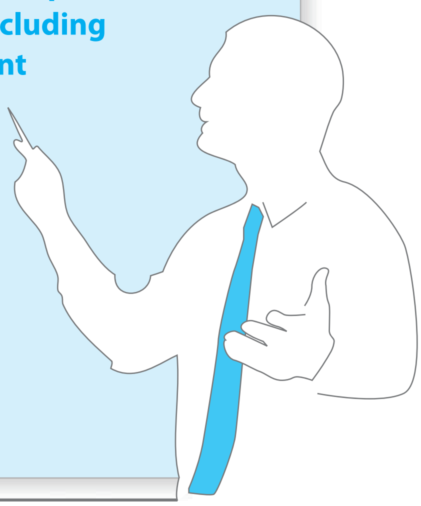
Measurable return on investment (ROI)

- See demonstrable achievements from your investment
- Maximise organisational benefits
- Reduce defects, leading to higher-quality outcomes and a lower cost of quality
- Improve customer satisfaction

Future business capability assurance

- Develop an objective understanding of your strengths and weaknesses
- Create a roadmap for continual progression and improvement
- Plan future P3M infrastructure investment with confidence

ILX Consulting offers a similar service across other disciplines under the umbrella of improved business capability including IT Service Management as measured against the ISO20000 international standard.



Chairman's Statement

Paul Lever
Chairman

We are now a more focused business which has flourished and delivered significant growth

I am pleased to present the results for the year ended 31 March 2011.

The year has been a defining one for the Group. Whilst the closure of CTG represented a setback, this left a more focused business which has flourished and delivered significant growth in operating profit, driven mainly by growth in software sales and international expansion.

The Company's CTG division, delivering financial classroom training to the UK investment banking sector, delivered three years of strong financial performance post acquisition, but the performance declined significantly thereafter. It was therefore with regret that we announced in our October 2010 trading update that the division was to be closed from December of that year.

This has had the effect of galvanising and strengthening management's focus on the core business. This has further developed the reputation of ILX Group, both in the UK and internationally, as a major player in the e-learning technology space, not only in the project and service management fields currently served, but also as an innovative e-learning software developer in its own right. Revenues from software licences now exceed 50% of Group revenues, which has resulted in the Group's London Stock Exchange sector reclassification from Business Training to Software, with effect from 20 June 2011.

Whilst the Group continues to offer both software and classroom-based learning to customers, the software led solutions remain the core of the Group's growth strategy. Our software and technology provides a highly efficient and effective set of tools for our customers to accredit themselves, or their staff, delivering excellent value for money and an enjoyable user experience. This is of great importance, particularly in the cost constrained environment of the current economic climate.

Financial results

In accordance with International Accounting Standards, items relating to the CTG business are presented separately on the face of the consolidated statement of comprehensive income, as loss from discontinued operations, which provides users of the accounts with a clearer picture of the performance of the continuing business.

Revenue for the year was £12.89 million (2010: £11.87 million), an increase of 9%. Operating profit was £1.73 million (2010: £1.06 million), an increase of 64% and an improvement in operating margin. Profit before taxation was £1.42 million (2010: £0.76 million), an increase of 88%. Diluted earnings per share, from continuing operations, increased by 54% to 4.06p (2010: 2.64p).

The loss from discontinued operations was £10.48 million (2010: £2.26 million), principally comprising write-downs of goodwill and other intangible assets acquired with CTG of £10.35 million (2010: £2.29 million).

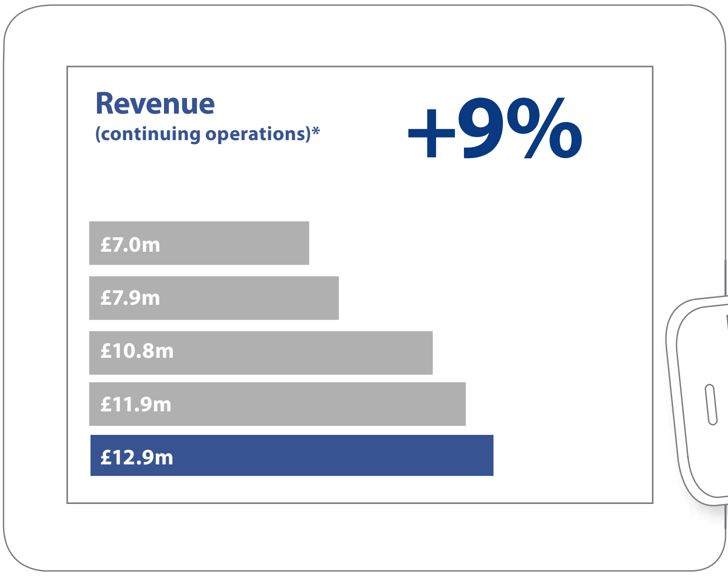
Net debt was reduced during the year by £1.27 million to £1.89 million (2010: £3.16 million), strengthening the Group's balance sheet.

These results are explained in fuller detail in the Finance Review.

Dividend and capital restructure

Your Board continues to believe that, whilst there are substantial opportunities for growth, an annual dividend is nevertheless an important part of our plan to deliver long-term shareholder value. Accordingly, in 2006, the Group commenced a dividend payment of 0.75p per share which was doubled to 1.5p per share in 2008. Additionally, in 2009, a scrip alternative was introduced allowing investors the opportunity to take their dividend in shares rather than cash. This option was taken up by 12.6% of the Company's shareholder base.

On 13 August 2010, the Group announced that it was in discussions with its bankers to refinance its term debt and invoice finance facility, and this refinance was put in place by 30 September 2010. This was required to address cash flow issues arising from



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both the unsuitability of the bank's invoice finance facility for international trade and also the continued decline in CTG, which had in previous years delivered substantial operating cash flow in the first half of the year. Regrettably, this necessary refinance required the cancellation of our dividend for the year ended 31 March 2010.

In addition, the impairment charges arising from the closure of CTG, whilst not affecting the Group's cash position, gave rise to a loss in the Company's distributable reserves. This in turn required the Company to apply to the Court to effect a capital restructure before further dividends could be declared. Permission to effect the restructure was granted in March 2011.

This action has allowed the Board to re-instate the dividend, which we have chosen to do at the 1.5p per share level, whilst at the same time maintaining the scrip option. 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. The Directors confirm their intention to take up their entitlements to the scrip option.

The dividend will be paid on 14 October 2011 to shareholders on the register on 5 August 2011, and the shares will therefore become ex-dividend on 3 August 2011. Elections for the scrip issue need to be made by 16 September 2011.

Fundraising and Board appointments

Further to the refinancing, the Group raised a further £0.90 million through the placing of 3,396,228 shares at 26.5p to the Octopus Capital for Enterprise Fund. This cash was used to reduce the most expensive tranche of the Group's debt and also to fund international growth.

This investment took Octopus' shareholding in the Group to 20%. Following this, Chris Allner of Octopus Ventures was appointed to the Board as a Non-Executive Director on 30 November 2010.

In addition, Eddie Kilkelly, Chief Operating Officer, joined the Board as an Executive Director on 9 February 2011. Eddie joined the Group in 2006 as Operations Director, progressing to Sales Director and then Managing Director of Best Practice before becoming Chief Operating Officer.

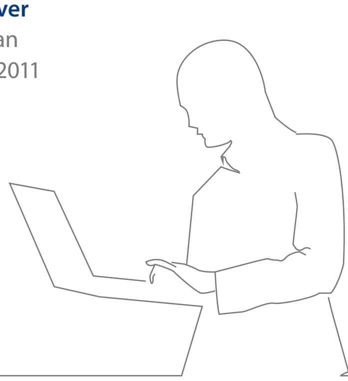
I am delighted to welcome both to the Board, thanking them for their contributions to date and looking forward to their input and experience as the Group expands.

Outlook

The last two years have been amongst the most difficult economic conditions in living memory, and yet ILX Group has delivered significant expansion internationally whilst maintaining our domestic position. The UK remains a challenging market but one where our products and approach are well placed to thrive. Internationally the opportunities for growth are very significant and the challenge for us will be the effective management of this growth. We have made significant strides in the year just ended and look forward to a period of sustained organic growth in the medium-term.

Once again I would like to thank management and all staff. Our International division deserves congratulations for an exceptional performance; our UK and operations teams deserve praise for increasing profitability in testing market conditions; and recognition to our technology team is due for their contribution to maintaining the creativity and innovation within our e-learning solutions.

Paul Lever
Chairman
22 July 2011



Business Review

Ken Scott
Chief Executive Officer

The Group met its market expectations and has delivered growth in profit before tax of over 80%

I am delighted with the results for the year ended 31 March 2011. The Group experienced its fair share of challenges with the closure of CTG, and a necessary refinancing of bank debt. However, the Group met its market expectations despite these setbacks and has delivered growth in profit before tax of over 80%.

A technology business

Last year, I highlighted that the Group's origins had been in e-learning and although some of the subsequent expansion had come through classroom training, our core strength as a software and technology provider was re-emerging. With our recent change in sector from Business Training to Software, it is worth both reinforcing and further explaining this point.

The way people learn is becoming more and more subjective with great variances in styles and methods of learning, driven by cultural and territorial nuances as well as individual customer and business preference for learning. At ILX Group, we aim to provide the best quality learning in a form driven by customer demand. The economic advantages of e-learning, together with the way technology now infuses all aspects of our lives, clearly points to increasing demand for software products, and this is borne out by the fact that the majority of our learners, and over 50% of our revenues, now come from software sales.

This trend is accelerating with the advent of new technology in social media, smart phones, and tablets. Working and communicating whilst on the move is becoming an accepted and increasingly important part of our lives. The ability to learn whilst on the move is now another key attraction of e-learning, in addition to the accepted benefits of learning at the users' own pace, in their own time, and without the need for travel.

There remains considerable demand for learning in more traditional classroom settings, and we will continue to provide this to customers; not just because of the profit it generates but also because it is the real experience in the classroom that feeds back into ensuring our e-learning products are both fun and effective. Additionally, the use of technology within the classroom itself provides many opportunities for innovation as well as a key differentiator in what is a competitive marketplace.

However, our proprietary software gives more to ILX Group as a technology business than merely a competitive edge. The scalability of software sales, and the minimal infrastructure required for expansion, has been key to our ability to expand rapidly. By way of example, in the space of 12 months we have been able, from a standing start, to take a substantial share of the Australian PRINCE2 market, driven principally by e-learning sales direct to consumers in a market previously covered almost entirely by classroom training.

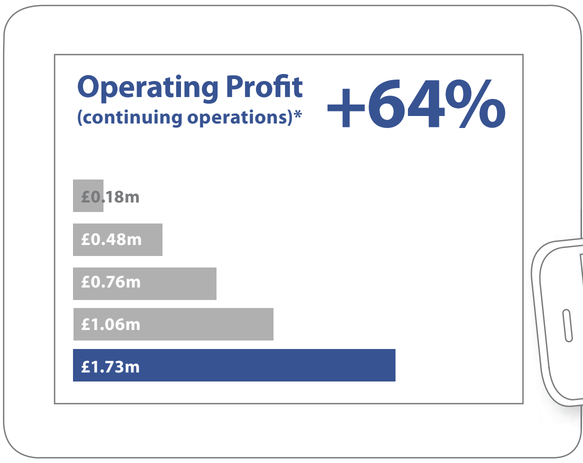
Corporate Training Group (CTG)

Whilst the Group overall had a strong year, the closure of the CTG division was nevertheless a major event which needs to be addressed in this review.

CTG was acquired in July 2006. From that point, and while the newly formed Best Practice division was consolidating, it provided the lion's share of profit contribution to the Group, and generated three years of excellent performance within ILX 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. The following year saw 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.

Whilst we made substantial efforts to shore up and protect the business so that it could return to profitability, we proved unable to do so in the wake



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of the loss of some key clients and a number of further staff defections. More importantly perhaps, we were unable to achieve one of the key strategic objectives of the CTG acquisition, which was to introduce significant levels of e-learning to the CTG offering. As the business had lost money since October 2009, we took the decision to close it down, with an arrangement with another training provider to take on the remaining customers and leads for a contingent fee.

Whilst a disappointing outcome, the closure of CTG brought to an end a difficult period for the business and allowed us to move on and focus firmly on our future.

Divisional structure and operating performance

ILX Group now operates as two principal divisions; an International division, which covers sales outside the UK; and a UK domestic division, which sells to UK customers (including UK-based multinationals) and also manages our global delivery and operations. Technology, finance, and other support functions are managed centrally.

The performance of these divisions is covered in more detail in the Finance Review, but as we expected, it has been the International division that has delivered the growth, with revenues increasing by 79% to £3.24 million. The UK division has also performed creditably in difficult conditions, delivering a marginally improved profit despite revenues declining slightly, down 3% to £9.31 million.

The Group also reports separately the results of its much smaller Finance division, which following the closure of CTG now comprises purely sales of financial e-learning. This has been run as a distinct entity due to the longer sales cycle and more customised nature of the services provided, but we expect to integrate it within the remainder of the business when appropriate.

The financial e-learning sales, at £0.34 million for the year, are down on the previous year (£0.49 million) but the nature of these sales, with large and sometimes irregular contracts, does give rise to fluctuations. The division delivered a creditable and profitable result.

At Group level, revenue of £12.89 million (2010: £11.87 million) represented growth of 9%. The growth of the International division, and the improved profitability of the UK division, combined with a 10% reduction in central costs, improved operating margins to 13.4% (2010: 8.9%) and operating profit to £1.73 million (2010: £1.06 million).

Over 50% of our revenues now come from software sales

Business Review continued

Our strategy and vision

ILX Group is in the business of transforming the way people learn. In essence, this means that our focus is on the learning experience of our users, versus just the delivery of our products and services. Although this may appear to be merely a play on words, it is having a profound influence on the culture within ILX Group, and on how we are developing the business.

Over the next period we will be announcing a number of initiatives which will support this and at the same time enable us to scale the ILX Group business significantly.

At the start of the year, we set out four key drivers for strategic growth over a 5 year period:

Build on our position as a global market leader in the PRINCE2 project management qualification by focusing on innovative product development and customer retention. With over 10% of the PRINCE2 market, measured by exam passes, and with over 5,000 customers in over 100 countries, ILX Group remains the major player in this area. During the year our e-learning products continued to be at the forefront of this, accounting for 52% of our PRINCE2 revenues (2010: 50%). Customer retention metrics, both in terms of repeat business and renewed software licences, have shown improvement year on year.

Leverage our proprietary technology to drive significant international expansion, focusing initially on PRINCE2 and project management where we can disrupt established markets. Our International division grew sales by almost 80% in the year, from £1.81 million to £3.24 million. The major areas of growth were in Australia, New Zealand, and the Middle East, particularly Oman. As noted already, the focus on PRINCE2 and e-learning software in Australia allowed us to take substantial market share in a rapid timeframe.

Develop our strong capability in other markets for Finance, Service Management, and Software Testing to build market leading positions. There remains much to do in this area which is a key focus for growth. Our PRINCE2 revenues, which grew by 5% in the year, still account for 58% of our business (2010: 60%), whereas ITIL and ISO20000 revenues, which grew by 3% in the year, only account for 9% of our business (2010: 10%), despite the market for the latter being larger than that for PRINCE2.

We have made progress in developing products in other Office of Government Commerce (OGC is a division of the UK Treasury Department) accredited areas, principally Programme and Project Sponsorship, Project Support (P3O®), Risk Management (M_o_R), and Value Management (MoV), all of which have been developed during the year. In addition to MSP and the APM Introductory Certificate in Project Management, revenues increased by 18% and accounted for 19% of the business (2010: 18%).

In addition, sales of our Portal, which provides access to our full range, increased by 162% during the year to £0.8 million (2010: £0.3 million).

Focus on increasing the number of learners worldwide using ILX Group technology. Whether an e-learning user or a classroom student, all our learners are exposed to our technology, whether this is straightforward

We are focusing on increasing the number of learners worldwide using ILX Group technology

progress through a course, access to revision games for hand-held devices, or a classroom-based simulation. During the year, we licensed e-learning for 60,000 users, and gave access to our portal to 30,000 users.

We also welcomed 15,000 students to our classroom events.

In the coming year we intend to build heavily on this progress through:

Developing the ILX Group brand. As we expand into new territories we are very aware of the need to elevate the ILX Group brand to reduce our reliance on sales-led new business generation and increase awareness, customer retention and e-commerce.

Continuing to expand our international footprint by further developing existing bases in Australia, the Middle East, and Scandinavia, together with expansion into Central Europe, Africa, and the USA. Over the next two to three years we expect international revenues to outstrip those generated from the UK.

Make rapid inroads into markets outside PRINCE2, particularly ITIL, Software Testing, and Finance e-learning. We aim to do this through more investment in marketing, product management, and sales training.

Markets and risks

Global coverage

ILX Group now operates internationally across the globe, with over 5,000 customers in over 100 countries and over 30% of revenues now coming from outside the UK. Revenues for the year, with the comparative for last year, by geographic area are below.

Our overall revenues from the UK declined by around 6% principally due to the expected tightening in the public sector, with our UK public sector revenues decreasing by 18% to £2.28 million. The effect of the public sector cuts is still present but, with this sector accounting for just 18% of revenues (2010: 24%), our exposure is manageable. We expect to see more centralisation of purchasing and, despite the obvious tightening of public sector budgets, the announcement post year end of a major cross-UK government contract win bodes well for our continued success in this area.

Elsewhere in the UK we have seen a highly competitive environment, particularly for public classroom training. In the consumer marketplace, we have seen significant movement from classroom delivery to e-learning; whilst this transition has adversely affected top line revenues, the higher profitability of the software sales has been a major factor behind increased UK profitability.

Over 30% of revenues are now from outside the UK

Revenues by geographic area

	Year ended 31 March 2011		Year ended 31 March 2010	
	£'000	%	£'000	%
UK & Ireland	9,005	69.9%	9,545	80.4%
Australasia	1,191	9.2%	362	3.1%
Europe & Scandinavia	1,144	8.9%	948	8.0%
Middle East	808	6.3%	272	2.3%
Americas	352	2.7%	325	2.7%
Africa	309	2.4%	310	2.6%
Asia	77	0.6%	106	0.9%
	12,886	100.0%	11,868	100.0%

Business Review continued

With the establishment of the Sydney office at the start of the financial year, Australia and New Zealand now represent the second largest area in terms of revenues for the Group. Here the sales are almost entirely e-learning with approximately two thirds being consumer sales, but there is significant opportunity to expand into more corporate sales in the coming year.

In terms of size, Europe and Scandinavia follow with a number of key finance e-learning contracts in this area. Ken Baek, who joined during the year to develop our business in Scandinavia, has been promoted to take on a wider role developing opportunities across mainland Europe.

The Middle East revenues have been secured principally in Oman and thus have been largely unaffected by the political turmoil experienced in this region in recent months. In contrast to the Australian operation, our Omani operations are almost entirely consultancy and classroom based, reflecting the differing cultural preferences.

Subject areas

Our revenues by subject for the year, with the comparative for last year, are shown below.

The revenues in the e-learning column relate specifically to software licences and blended products (for the 5 main subject areas) and bespoke development (other revenues); events revenue relates to classroom events, consultancy, and provision of exams (for subject areas) and recharged expenses (other revenues).

PRINCE2 remains a key area with over half our revenues derived from this qualification, where our market leading position gives us a strong competitive position. Our aim continues to be to exploit this position globally whilst at the same time building up our revenues in other subjects to reduce our overall exposure to PRINCE2.

Values and people

The executive management team within ILX Group is experienced and committed. We work exceptionally well as a team and it is the strength of this dynamic that forms the foundation upon which we are building the exciting future for ILX Group. This commitment and teamwork is reflected throughout the staff across the business. Our core values of ownership, passion, teamwork and making a difference continue to be at the heart of our culture.

There have been two changes which took place during and immediately after the year end. Firstly, we strengthened the management team with the addition of Mel Scott-Taylor as Chief Marketing Officer. Mel joined us from Disney Channel where she was responsible for marketing across Central & Eastern Europe, MENA, Turkey and Greece. Secondly, I am delighted that Eddie Kilkelly, our Chief Operating Officer, joined the main Board in February 2011.

Martyn Kinch, who heads up our International division, David Willis, our Chief Technology Officer, and Jon Pickles, our Chief Financial Officer, complete the team.

I would like to thank all our staff for their hard work and determination in what has been a good year, and we look to the future with confidence.

Ken Scott
Chief Executive Officer
22 July 2011

Revenues by subject

	Year ended 31 March 2011				Year ended 31 March 2010			
	e-learning £000	Events £000	Total £000	%	e-learning £000	Events £000	Total £000	%
PRINCE2	3,886	3,601	7,487	58.1%	3,575	3,570	7,145	60.2%
ITIL & ISO20000	632	579	1,211	9.4%	757	418	1,175	9.9%
Other OGC Best Practice	787	1,687	2,474	19.2%	675	1,414	2,089	17.6%
Finance	342	–	342	2.6%	493	–	493	4.2%
Software testing	72	–	72	0.6%	8	–	8	0.1%
Microsoft	20	–	20	0.2%	100	–	100	0.8%
Multi-subject portals	779	–	779	6.0%	297	–	297	2.5%
Other revenues	18	483	501	3.9%	43	518	561	4.7%
	6,536	6,350	12,886	100.0%	5,948	5,920	11,868	100.0%
	50.7%	49.3%	100.0%		50.1%	49.9%	100.0%	

Finance Review

Jon Pickles
Chief Financial Officer

These results represent a strong performance

Financial results

Operating performance

The Group delivered revenues of £12.89 million (2010: £11.87 million) and operating profit of £1.73 million (2010: £1.06 million). This represents a strong performance with revenue growth of 9% translating into operating profit growth of 64%.

In accordance with IFRS 5, the results from the Group's CTG division closed during the year are presented as a net loss from discontinued operations on the face of the statement of comprehensive income. The loss from discontinued items was £10.48 million (2010: £2.26 million), and principally comprises write-downs of goodwill and intangible assets. All expenses of the closure have been fully provided for within these figures.

The revenue growth for the year was driven by the International division, which grew by 79% to £3.24 million, representing 25% of Group revenues (2010: 15%). The UK division revenues fell marginally by 3% to £9.31 million, and the Finance e-learning revenues contributed £0.34 million (2010: £0.49 million).

A combination of a gradual shift in revenue from classroom events to e-learning, and greater efficiencies in product and material costs, increased the Group's overall gross margin to 55.2% (2010: 51.7%), growing gross profit by 16%. The Group has kept a tight rein on fixed costs through the year and despite the international expansion, these increased by just 6% for the year. Operating profit margin as a result improved to 13.4% (2010: 8.9%).

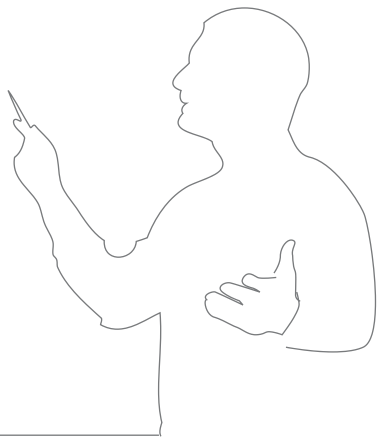
At divisional level, the breakdown of revenues and profits is disclosed in the notes to the accounts as required by IFRS 8. This breakdown has changed from last year as a result of the separate presentation of the International division as well as the closure of CTG. These highlight that the UK division increased its contribution to Group operating profits by 4% despite the slight fall in top line revenues, and that the International division was able to substantially increase both profit and profitability during the year.

Given that the operations of the two principal divisions are the same aside for geography, and that the finance e-learning revenues are relatively small in comparison, we have taken the decision not to apportion between the divisions the central costs relating to technology, IT, finance, and personnel. These costs, together with the costs of the Board, advisors, and other AIM related expenditure, are presented separately as unallocated central costs. The total figure of £1.89 million (2010: £2.15 million) represents a decrease of 12%. As noted last year, this saving in part is due to the loss last year of the Business Development Director role.

Whilst we are pleased with our operating margin of 13.4%, the high profitability associated with software sales and the relatively high operational gearing in the business gives plenty of opportunity for this to be improved upon as the business grows.

International expansion

Revenues delivered outside the UK were £3.89 million (2010: £2.32 million), growth of 70%. These revenues include all of our International division revenues plus the international element of the Finance e-learning sales and some sales to multinational business where the sales were made in the UK by the UK division, with elements of the delivery occurring internationally.



Finance Review continued

The Company now has three trading subsidiaries: ILX Group Inc, a “virtual office” subsidiary in New York, which dealt solely with CTG-related business during the year; ILX Group Pty Limited, an Australian subsidiary based in Sydney, which delivered £1.19 million in revenue during the year, and ILX Group Aps, a Danish subsidiary which started trading after the year end.

These subsidiaries remain sales led with all financial management and operational support handled from the UK.

Finance costs

The Group incurred finance costs of £0.31 million (2010: £0.30 million) during the year. This cost comprised £0.33 million in interest on bank loans and facilities (2010: £0.34 million); £0.07 million in loan arrangement costs and other bank fees (2010: £0.05 million); and a credit of £0.09 million relating to the Group’s interest rate swap arrangement (2010: £0.09 million).

Under IAS 39, fees incurred in securing term finance, including bank arrangement fees, are capitalised and amortised over the term of the debt. At the year end, the remaining balance of such fees was £0.18 million, due to be fully written down by 30 September 2013 at a rate of £0.07 million per annum.

Profit before tax

Profit before tax was £1.42 million (2010: £0.76 million), in line with market expectations and an increase of 88%.

Taxation

The tax charge for the year was £0.40 million (2010: £0.21 million), representing 28% of profit before tax (2010: 28%).

Earnings per share

Earnings per share from continuing operations were 4.14p (2010: 2.67p). Diluted earnings per share from continuing operations were 4.06p (2010: 2.64p), increases of 55% and 54% respectively.

Including the impact of discontinued operations, basic loss per share was 38.16p (2010: loss per share of 8.44p), and diluted loss per share was 37.42p (2010: 8.36p).

Cash flow and net debt

Cash generated from continuing operating activities was £1.79 million (2010: £1.72 million). This represents 103% of operating profit (2010: 163% of operating profit). The figure for the year ended 31 March 2010 was distorted by timing differences around the year end.

The Group continues to manage working capital tightly. Adjusting for continuing operations and sales tax, trade receivables at year end represented 60 days’ sales (2010: 64) although this figure is affected by the Group’s seasonality which gives higher sales in March than any other month. Cash sales made up 30% of total sales (2010: 30%). In addition, our deferred revenues, representing amounts paid by customers for services not yet delivered, increased by 31% to £1.50 million (2010: £1.14 million).

During the year, the Group refinanced its bank debt and also raised £0.84 million in additional capital. The bank refinance was required as the Group’s confidential invoice finance facility was providing an unacceptable level of visibility and headroom, given in particular the Group’s international expansion. In addition, the decline and closure of CTG meant that the Group’s profit and cash profile once again became strongly weighted towards the second half of the year.

The Group continues to manage working capital tightly

Net debt at the year end, defined as all bank debt, less cash at bank, was £1.89 million (2010: £3.16 million). This represented 1.1 times operating profit from continuing operations (2010: 3.0 times). This comprised £2.20 million in amortising 3-year term debt, £0.40 million in 3-year bullet debt repayable on 30 September 2013, and £0.55 million drawn on a £0.95 million revolving credit facility, less £1.27 million in cash balances.

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 to 5.7% for £1.27 million of the Group's debt at 31 March 2011, reducing to zero on a straight line basis by February 2012. To the extent that the Group's debt is not covered by this hedge, the Group is exposed to changes in LIBOR.

18.7% of the Group's turnover for the year was invoiced in 6 separate foreign currencies (2010: 8.9% in 5 foreign currencies). These are: Australian Dollars (8.9%), Euros (3.6%), US Dollars (3.1%), New Zealand Dollars (1.6%), South African Rand (0.9%), and Danish Kroner (0.5%). At the year end, £0.95 million of assets (2010: £0.58 million) and £0.42 million of liabilities (2010: £0.02 million) were denominated in these currencies. No currency hedging arrangements were in place during the year. The Group maintains currency accounts in all these currencies except South African Rand and New Zealand Dollars, in order to match currency income and expenditure and to benefit from bulk rates on transfer to sterling.

Dividend

We commenced a dividend programme in 2006 which has returned more than £0.7 million to shareholders to date. Regrettably during the year, the Group was forced to cancel its proposed dividend in order to secure the necessary refinance to support the growth of the business. 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.

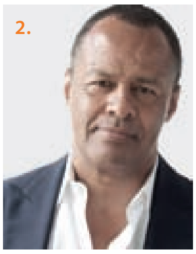
In 2009 we introduced a scrip dividend scheme under which shareholders were given the opportunity to elect to receive new shares in the Company instead of a cash dividend. Under this scheme a dividend of 1.50 pence per share was paid in respect of the year ended 31 March 2009, with elections to receive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

The write-down of goodwill and intangibles resulting from our closure of CTG necessitated a capital restructure, whereby the Company has cancelled its share premium account. This cancellation, which was approved by the High Court in March 2011, has no effect on cash or on the rights attached to the Company's shares, but has the effect of reinstating distributable reserves allowing dividends to be resumed.

This dividend of 1.50 pence per share and the scrip alternative will therefore be resumed with respect to the year ended 31 March 2011.

Jon Pickles
Chief Financial Officer
22 July 2011

Board of Directors



1. 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, as well as Executive Chairman of Lionheart plc. Paul has considerable experience within the personal development and training sector and the public sector in addition to extensive corporate transaction experience.

2. Ken Scott
Chief Executive Officer

Ken joined ILX Group as its CEO in July 2002 with the mandate to 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. His previous roles include positions as UK country head for Avco Trust (consumer and business financing), CEO of Hamptons Estate Agents, Group Marketing Director of Bristol & West and Regional Director for one-fifth of the UK retail branch network of HSBC. Ken has attended Harvard Business School and INSEAD and is a Fellow of the Chartered Institute of Bankers.

3. Jon Pickles
Chief Financial Officer

Jon has 18 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 Chief Financial Officer in March 2003.

4. Eddie Kilkelly
Chief Operating Officer

Eddie joined the Group in 2006 as Group Operations Director. Subsequently, as Sales Director and then Managing Director of the Best Practice division, Eddie led the growth of this Division to become the world number one provider of PRINCE2 and OGC Best Practice training, before joining the Board as Chief Operating Officer in February 2011.

Following a career in central government as both an internal consultant and as head of IT for the UK Ministry of Defence in Germany, Eddie has worked extensively throughout the training and consulting industry and was Operations Director at Parity Training Ltd prior to joining ILX Group.

5. Paul Virik
Non-executive Director

Paul joined the board in January 2007. He brings with him experience that spans magazine publishing, conferences, exhibitions, directories and major internet developments. He has led operations across diverse markets including IT, Agriculture, Aviation, Social Work, Legal, Electronics, Hospitality, Human Resources, and Construction.

His previous positions include Managing Director of Reed Business Publishing, CEO of OAG, and CEO of Butterworths legal publishing.

6. Chris Allner
Non-executive Director

Chris joined the board of Directors in November 2010. He is a Venture Capital and Private Equity Professional with over 25 years' experience in the industry.

Chris is the Chairman of the Octopus Ventures Investment Committee, and is also on the board of a number of fast growing businesses.

Directors' Report

for the year ended 31 March 2011

The Directors present their report and the financial statements for the year ended 31 March 2011.

Principal activity and business review

The principal activity of the Group during the year was the development and marketing of e-learning software products and related learning and consultancy services.

A full review of trading and future developments is presented in the Chairman's Statement, the Business Review and the Finance 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 20 September 2011. This dividend will be paid on 14 October 2011 to shareholders on the register at 5 August 2011. 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 2012.

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	%
Octopus Capital for Enterprise Fund	5,396,228	20.01
T1ps Investment Management (IOM) Ltd	3,268,500	12.12
Barnard Nominees Ltd	2,177,430	8.07
Investec Trust Guernsey	1,930,891	7.16
Williams de Broë Ltd	1,106,138	4.10
Brewin Dolphin (Giltspur Nominees)	1,076,022	3.99

The investment by Investec Trust Guernsey represents 7.16% 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 Business Review on pages 10 to 14. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 15 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 24 September 2010 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 20 September 2011. Any shares purchased under this authority will either be cancelled, and the number of shares in issue reduced accordingly, or held in treasury.

Directors' Report continued
for the year ended 31 March 2011

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

We have in place a matched donation scheme which supports individuals and teams within the business in their own personal charitable efforts, matching sponsorship raised by staff up to a maximum of £100 per employee per year. In addition, we are looking at ways in which we can go beyond this with team events in aid of specific charitable causes. Members of staff have taken part in Cancer Research's Race for Life, Byte Night in aid of Action For Children, and the Group is currently sponsoring an event at Cholmondeley Castle to raise money for Hope House Hospice. The Group made charitable donations during the year of £1,000 (2010: £1,000).

We also actively promote the Ride to Work Cycle Scheme and 25% of the Group's London staff now cycle to work on a regular basis.

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 2011 was 48 (at 31 March 2010: 59).

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 2011	At 31 March 2010
P R S Lever	140,569	130,569
K P Scott	390,528	379,328
J A Pickles	379,036	322,536
E Kilkelly	6,500	6,500
P Virik	–	–
C Allner	–	–

There were no changes between 31 March 2011 and 22 July 2011.

K P Scott retires by rotation and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting. C Allner and E Kilkelly, having been appointed by the Board since the last Annual General Meeting, offer themselves for 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 20 September 2011 appear in the Notice of Annual General Meeting on page 56.

This report was approved by the board on 22 July 2011.

On behalf of the board

J A Pickles
Director
22 July 2011

Remuneration Report
for the year ended 31 March 2011

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 contributions £'000	Total for year ended 31 March 2011 £'000	Total for year ended 31 March 2010 £'000
Executive Directors							
K P Scott	142	–	40	–	–	182	279
J A Pickles	100	–	–	–	24	124	163
E Kilkelly+	30	2	–	–	1	33	n/a
P Evans*	–	–	–	–	–	–	100
Non-executive Directors							
P R S Lever	38	–	–	–	–	38	38
P Virik	26	–	–	–	–	26	26
C Allner+	–	–	–	–	–	–	n/a
	336	2	40	–	25	403	606

+ From date of appointment (E Kilkelly 9 February 2011, C Allner 30 November 2010)
* Until date of resignation 17 September 2009

During the year, K P Scott sacrificed salary and benefits of £90,348 in return for additional zero-cost options over 340,936 shares, and J A Pickles sacrificed salary and benefits of £24,267 in return for additional zero-cost options over 91,574 shares. Both options were granted on 20 April 2011.

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 during the year and in previous years are as follows:

	Number of shares under option at 31 March 2010	Granted / (lapsed) during the year	Number of shares under option at 31 March 2011	Exercise price	Date of grant
K P Scott	875,000	–	875,000	0p	28-Nov-08
K P Scott	–	290,000	290,000	0p	02-Jul-10
J A Pickles	350,000	–	350,000	0p	28-Nov-08
J A Pickles	–	210,000	210,000	0p	02-Jul-10
E Kilkelly	240,000	–	240,000	0p	31-Oct-09
E Kilkelly	–	80,000	80,000	0p	01-Jun-10
	1,465,000	580,000	2,045,000		

The awards of options to K P Scott and J A Pickles were made in lieu of cash bonuses due in previous years which were waived, as noted in the Remuneration report for the year ended 31 March 2010.

Bonus scheme for executive Directors

The Company operates a bonus scheme for executive Directors and management which is based on meeting market expectations and operating profit margin targets. No bonus was paid under this scheme for the year.

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 UK Corporate Governance 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 Officer)
J A Pickles (Chief Financial Officer)
E Kilkelly* (Chief Operating Officer)

*appointed 9 February 2011

Non-executive Directors

P R S Lever (Chairman)
P Virik
C Allner*

*appointed 30 November 2010

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. C Allner is a non-executive Director who is not independent due to his association with Octopus Capital for Enterprise Fund, a significant shareholder, but who nevertheless brings valuable experience to the Group. 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 Chief Financial Officer are also invited to attend meetings. It is responsible for ensuring that the financial performance of the Group is properly monitored and reported. It 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 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 which compares results with budgets, together with a written report detailing current trading conditions, variations from budget and updated forecasts.
- A report to the audit committee from the auditors stating any material findings arising from the audit. This report is also considered by the Board and action taken where appropriate.
- A framework for capital expenditure and controls including authorisation procedures and rules relating to the delegation of authority.
- Risk management policies to manage issues relating to health and safety, disaster recovery, legal compliance, insurance and security.

Relations with shareholders
The Group places a high level of importance on communicating with its shareholders and welcomes and encourages such dialogue within the constraints of the 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, together with the websites of all subsidiary companies.

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

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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 and of the Group's loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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

22 July 2011

Governance

Consolidated Statement of Comprehensive Income

for the Year ended 31 March 2011

	Notes	Year ended 31 March 2011 £'000	Year ended 31 March 2010 As restated £'000
Revenue	3	12,886	11,868
Cost of sales		(5,768)	(5,731)
Gross profit		7,118	6,137
Administrative and distribution expenses		(5,303)	(4,984)
Earnings before interest, tax and depreciation		1,815	1,153
Depreciation		(82)	(97)
Operating profit	4	1,733	1,056
Finance income	5	–	1
Finance costs	6	(311)	(300)
Profit before tax		1,422	757
Tax expense	9	(396)	(214)
Profit for the year from continuing operations		1,026	543
Loss from discontinued operations	10	(10,478)	(2,263)
Loss for the year attributable to equity shareholders		(9,452)	(1,720)
Other comprehensive income		–	–
Total comprehensive income		(9,452)	(1,720)
Earnings per share	11		
From continuing operations:			
Basic		4.14p	2.67p
Diluted		4.06p	2.64p
From discontinued operations:			
Basic		(42.30p)	(11.11p)
Diluted		(41.48p)	(11.00p)

The notes on pages 32 to 55 form part of the financial statements.

Consolidated Statement of Financial Position

as at 31 March 2011

	Notes	As at 31 March 2011 £'000	As at 31 March 2010 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	95	135
Intangible assets	13	9,618	19,496
Total non-current assets		9,713	19,631
Current assets			
Trade and other receivables	15	3,009	2,916
Cash and cash equivalents		1,265	838
Total current assets		4,274	3,754
Total assets		13,987	23,385
Current liabilities			
Trade and other payables		(3,234)	(3,044)
Contingent consideration	17	(35)	(35)
Tax liabilities		(995)	(1,077)
Bank loans and overdrafts	18	(1,350)	(1,757)
Total current liabilities	16	(5,614)	(5,913)
Non-current liabilities			
Derivative financial instruments	23	(35)	(125)
Contingent consideration	17	(287)	(300)
Bank loans	18	(1,801)	(2,243)
Total non-current liabilities		(2,123)	(2,668)
Total liabilities		(7,737)	(8,581)
Net assets		6,250	14,804
Equity			
Issued share capital		2,697	2,357
Share premium		–	12,341
Own shares in trust	20	(1,852)	(1,852)
Share option reserve		317	204
Retained earnings		5,116	1,754
Exchange differences arising on consolidation		(28)	–
Total equity	19	6,250	14,804

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 22 July 2011. They were signed on its behalf by:

J A Pickles
Director

K P Scott
Director

Company Statement of Financial Position
as at 31 March 2011

	Notes	As at 31 March 2011 £'000	As at 31 March 2010 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	94	135
Intangible assets	13	2,524	2,197
Investments	14	7,095	17,299
Total non-current assets		9,713	19,631
Current assets			
Trade and other receivables	15	2,740	2,956
Cash and cash equivalents		1,180	808
Total current assets		3,920	3,764
Total assets		13,633	23,395
Current liabilities			
Trade and other payables		(3,108)	(3,044)
Contingent consideration	17	(35)	(35)
Tax liabilities		(884)	(1,077)
Bank loans and overdrafts	18	(1,350)	(1,757)
Total current liabilities	16	(5,377)	(5,913)
Non-current liabilities			
Derivative financial instruments	23	(35)	(125)
Contingent consideration	17	(287)	(300)
Bank loans	18	(1,801)	(2,243)
Total non-current liabilities		(2,123)	(2,668)
Total liabilities		(7,500)	(8,581)
Net assets		6,133	14,814
Equity			
Issued share capital		2,697	2,357
Share premium		–	12,341
Own shares in trust	20	(1,852)	(1,852)
Share option reserve		317	204
Retained earnings		4,971	1,764
Total equity	19	6,133	14,814

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 22 July 2011. They were signed on its behalf by:

J A Pickles
Director

K P Scott
Director

Consolidated Cash Flow Statement
for the year ended 31 March 2011

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Profit from continuing operations	1,733	1,056
Adjustments for:		
Depreciation	82	97
Share option charge	118	101
Movement in trade and other receivables	(188)	(38)
Movement in trade and other payables	71	506
Exchange differences on consolidation	(28)	–
Cash generated from continuing operating activities	1,788	1,722
Tax paid	(183)	(284)
Net cash generated from continuing operating activities	1,605	1,438
Net cash (used by) / generated from discontinued operating activities	(146)	316
Net cash generated from operating activities	1,459	1,754
Investing activities		
Interest received	–	1
Proceeds on disposal of property and equipment	1	1
Purchases of property and equipment	(53)	(66)
Expenditure on product development	(477)	(441)
Acquisition of subsidiaries (net of cash acquired)	(9)	(4)
Net cash used by investing activities	(538)	(509)
Financing activities		
(Decrease) / increase in borrowings	(373)	(667)
Net proceeds of share issue	842	930
Outflow relating to capital restructure	(34)	–
Interest and refinancing costs paid	(454)	(383)
Dividend paid	–	(263)
Net cash from financing activities	(19)	(383)
Net change in cash and cash equivalents	902	862
Cash and cash equivalents at start of year	363	(499)
Cash and cash equivalents at end of year	1,265	363
Cash and cash equivalents represented by:		
Bank overdraft	–	(475)
Cash at bank	1,265	838
	1,265	363

The notes on pages 32 to 55 form part of the financial statements.

Financial Statements

Company Cash Flow Statement

for the year ended 31 March 2011

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Profit from continuing operations	1,528	1,056
Adjustments for:		
Depreciation	82	97
Share option charge	118	101
Movement in trade and other receivables	121	(38)
Movement in trade and other payables	(99)	506
Exchange differences on consolidation	–	–
Cash generated from continuing operating activities	1,750	1,722
Tax paid	(181)	(284)
Net cash generated from continuing operating activities	1,569	1,438
Net cash (used by) / generated from discontinued operating activities	(166)	302
Net cash generated from operating activities	1,403	1,740
Investing activities		
Interest received	–	1
Proceeds on disposal of property and equipment	1	1
Purchases of property and equipment	(52)	(66)
Expenditure on product development	(477)	(441)
Acquisition of subsidiaries (net of cash acquired)	(9)	(6)
Net cash used by investing activities	(537)	(511)
Financing activities		
(Decrease) / increase in borrowings	(373)	(667)
Net proceeds of share issue	842	930
Outflow relating to capital restructure	(34)	–
Interest and refinancing costs paid	(454)	(383)
Dividend paid	–	(263)
Net cash from financing activities	(19)	(383)
Net change in cash and cash equivalents	847	846
Cash and cash equivalents at start of year	333	(513)
Cash and cash equivalents at end of year	1,180	333
Cash and cash equivalents represented by:		
Bank overdraft	–	(475)
Cash at bank	1,180	808
	1,180	333

The notes on pages 32 to 55 form part of the financial statements.

Statement of Changes in Equity
for the year ended 31 March 2011

Group	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Balance at start of year	14,804	15,756
Comprehensive income	(9,452)	(1,720)
Transactions with owners		
Dividends paid	–	(263)
Exchange differences on consolidation	(28)	–
Options granted	118	101
Share Issue	900	1,018
Scrip Issue	–	10
Costs relating to share issue	(58)	–
Costs relating to capital restructure	(34)	(98)
Balance at end of year	6,250	14,804

Company	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Balance at start of year	14,814	15,756
Comprehensive income	(9,607)	(1,710)
Transactions with owners		
Dividends paid	–	(263)
Options granted	118	101
Share Issue	900	1,018
Scrip Issue	–	10
Costs relating to share issue	(58)	–
Costs relating to capital restructure	(34)	(98)
Balance at end of year	6,133	14,814

The notes on pages 32 to 55 form part of the financial statements.

Notes to the Financial Statements

ILX Group Plc (the "Company") is a company incorporated in England and Wales. The financial statements are presented in pounds sterling, and were authorised for issue by the Directors on 22 July 2011.

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

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

1 Basis of preparation and significant accounting policies

Basis of preparation

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

Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best 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, and is recognised as follows:

Revenue for licences to generic software products is recognised at the start of the license term, provided that the software licensed to the customer is clearly defined and delivery has occurred. Revenue from multiple year licences is recognised as payments become due.

Revenue from software sold together with a workshop or exam voucher is partially recognised on delivery of the software, with the remainder deferred based on expected levels of redemption of the voucher, provided that those levels can be reliably estimated.

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

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

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

Foreign currency

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

In the consolidated accounts, the assets and liabilities of foreign subsidiaries are translated at the rates of exchange ruling at the balance sheet date. The trading results of foreign subsidiaries are translated using the exchange rate ruling at the date of the transactions. Exchange differences arising, 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.

Notes to the Financial Statements continued

1 Basis of preparation and significant accounting policies continued

Research and development

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

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 statement of comprehensive income.

Exceptional and discontinued 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.

Where results of operations are identified as discontinued operations under IFRS 5, the profit or loss from discontinued operations is shown separately on the consolidated statement of comprehensive income, with further analysis provided in the notes.

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
Bicycles under Ride to Work Scheme	– 1 year

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 statement of comprehensive income 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 £9,607,000 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 IFRS 7, in the following categories:

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

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

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

Financial liabilities measured at fair value through the statement of comprehensive income
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)
IFRIC 19	Extinguishing financial liabilities and equity instruments	1 July 2010
IFRIC 14 (amended)	Prepayments of a minimum funding requirement	1 January 2011
IAS 24 (amended)	Related party disclosures	1 January 2011
IFRS 9	Classification of financial assets and liabilities	1 January 2013
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosure of interest in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013

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

Notes to the Financial Statements continued

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 600 customers with an average balance of just over £4,000. The largest balance at year end comprised 10% of the total trade receivable balance. Balances aged 60 days or over comprised 5% of the total receivables.

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 approximately half of the Group's term debt. Future changes in LIBOR will affect the carrying value of the swap, which will be reflected as an asset or liability on the balance sheet with any change in value taken to the statement of comprehensive income, and the interest payable by the Group.

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, Danish Kroner, 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 a significant level of 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 statement of comprehensive income as an exchange gain or loss. Monetary assets and liabilities remaining in foreign currencies are re-translated at the rates of exchange ruling at the balance sheet date, with any gain or loss taken to the statement of comprehensive income as an exchange gain or loss.

No hedging of this risk is undertaken as the non-sterling assets and liabilities are relatively liquid and the Group considers that its exposure is adequately managed, for the time being, through matching of currency income and expenditure. 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 £1.89 million at 31 March 2011 (at 31 March 2010: £3.16 million).

3 Segment reporting

In accordance with IFRS 8, the Group now presents its segmental analysis in terms of its three operating divisions, UK Best Practice, International Best Practice and Finance e-learning, as opposed to two segments of Best Practice and Finance. The analysis of revenue and profit by division for the period, and restated for prior periods, is as follows:

	Year ended 31 March 2011		Year ended 31 March 2010	
	Revenue £'000	Profit £'000	Revenue £'000	Profit £'000
UK Best Practice division	9,309	2,634	9,565	2,535
International Best Practice division	3,235	876	1,810	421
Finance e-learning division	342	113	493	246
Unallocated central costs	–	(1,890)	–	(2,146)
Continuing operations	12,886	1,733	11,868	1,056
Interest		(311)		(299)
Profit before tax from continuing operations		1,422		757

The discontinued operation is treated as a further segment under IFRS 8 and analysis of the results of this segment is provided in Note 10.

Notes to the Financial Statements continued

3 Segment reporting continued

In addition, revenues for the year and prior year split by geographical area were as follows:

	Year ended 31 March 2011			Year ended 31 March 2010		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
UK & Ireland	9,005	816	9,821	9,545	2,399	11,944
Australasia	1,191	–	1,191	362	–	362
Europe & Scandinavia	1,144	376	1,520	948	257	1,205
Middle East	808	96	904	272	69	341
Americas	352	143	495	325	110	435
Africa	309	–	309	310	–	310
Asia	77	–	77	106	–	106
	12,886	1,431	14,317	11,868	2,835	14,703

4 Operating profit

Operating profit is stated after charging:

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Depreciation	82	97
Exchange losses / (gains)	29	25
Operating lease rentals – land and buildings	114	104
Operating lease rentals – other	7	7

Loss from discontinued operations is stated after charging:

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Depreciation	11	17
Impairment	10,351	2,290
Operating lease rentals - land and buildings	10	12

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

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Audit of financial statements	37	39
Other services relating to taxation	4	5
Corporate finance and other advisory services	21	17
	62	61

5 Finance income

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Bank interest	–	1

6 Finance costs

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
On bank loans and overdrafts	331	340
Mark to market of derivative financial instrument	(90)	(85)
Arrangement fees and refinancing costs	70	45
	311	300

7 Employees' and Directors' remuneration

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

Employed by the Group	Year ended 31 March 2011 Number	Year ended 31 March 2010 Number
Development and delivery	27	38
Administration and management	24	21
Sales and marketing	34	32
	85	91

Employed by the Company	Year ended 31 March 2011 Number	Year ended 31 March 2010 Number
Development and delivery	27	38
Administration and management	23	21
Sales and marketing	32	32
	82	91

Their total remuneration was as follows:

Group	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Wages and salaries	5,147	6,056
Social security costs	564	710
Pension costs	178	272
Share based payments	118	101
	6,007	7,139

Company	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Wages and salaries	4,942	6,056
Social security costs	564	710
Pension costs	160	272
Share based payments	118	101
	5,784	7,139

Notes to the Financial Statements continued

7 Employees' and Directors' remuneration continued

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

Group	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Cost of sales	2,332	3,484
Administrative expenses	3,337	3,327
Product development capital expenditure	338	313
Other capital expenditure	–	15
	6,007	7,139

Company	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Cost of sales	2,257	3,484
Administrative expenses	3,189	3,327
Product development capital expenditure	338	313
Other capital expenditure	–	15
	5,784	7,139

Directors' remuneration can be analysed as follows:

Company	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Remuneration and other emoluments	378	538
Pension contributions	25	68
	403	606

	£'000	£'000
Highest paid Director	182	279

There are three Directors to whom retirement benefits are accruing under a money purchase scheme (2010: two).

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

8 Pension costs

The Company operates a defined contribution pension scheme in respect of the Directors and employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the Company which amounted to £125,000 (2010: £114,000) plus contributions payable directly to Directors' and employees' personal pension schemes which amounted to £35,000 (2010: £219,000).

9 Tax expense

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
UK current tax expense	448	273
Adjustment in respect of prior periods	(52)	(59)
Tax expense	396	214
Factors affecting the tax charge for the year		
Profit before tax	1,422	757
Profit before tax multiplied by standard rate of UK corporation tax of 28% (2010: 28%)	398	212
Effects of:		
Non-deductible expenses	7	19
Depreciation in excess of capital allowances	5	8
Share option adjustment	33	28
Provisions adjustment	5	3
Unutilised foreign tax losses	–	3
Adjustment in respect of prior periods	(52)	(59)
Tax charge for period	396	214

10 Discontinued operations

The results of the Corporate Training Group (CTG), which was closed during the year, have been included in the consolidated statement of comprehensive income as loss from discontinued items in accordance with IFRS 5. The comparatives have also been restated in the consolidated statement of comprehensive income. A breakdown of these results is as follows:

	Year ended 31 March 2011 Total £'000	Year ended 31 March 2010 Total £'000
Revenue	1,431	2,835
Cost of sales and administrative expenses	(1,653)	(2,781)
(Loss) / earnings before interest, tax and depreciation	(222)	54
Depreciation	(11)	(17)
Impairment	(10,351)	(2,290)
Loss before tax	(10,584)	(2,253)
Tax	106	(10)
Loss for the year from discontinued operations	(10,478)	(2,263)

Notes to the Financial Statements continued

11 Earnings per share

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

Diluted earnings per share is adjusted for outstanding share options and the average option price, using an average interest saving of 8.0% (2010: 8.0%).

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Loss for the year attributable to equity shareholders	(9,452)	(1,720)
Weighted average shares	24,768,797	20,360,949
Outstanding share options	492,250	211,500
Weighted average shares for diluted earnings per share	25,261,047	20,572,449
Basic loss per share	(38.16p)	(8.44p)
Diluted loss per share	(37.42p)	(8.36p)

From continuing operations	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Profit for the year from continuing operations	1,026	543
Basic earnings per share	4.14p	2.67p
Diluted earnings per share	4.06p	2.64p

From discontinued operations	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Loss from discontinued operations	(10,478)	(2,263)
Basic loss per share	(42.30p)	(11.11p)
Diluted loss per share	(41.48p)	(11.00p)

12 Property, plant and equipment

Group	Fixtures, fittings and equipment £'000	Computer equipment & software £'000	Bicycles under Ride to Work Scheme £'000	Total £'000
Cost				
At 31 March 2009	134	283	–	417
Additions	18	47	1	66
Disposals	(21)	(58)	–	(79)
At 31 March 2010	131	272	1	404
Additions	19	31	3	53
Disposals	(90)	(147)	(1)	(238)
At 31 March 2011	60	156	3	219
Depreciation				
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
Charge for the year	31	58	2	91
Disposals	(90)	(145)	(1)	(236)
At 31 March 2011	26	97	1	124
Net book value				
At 31 March 2011	34	59	2	95
At 31 March 2010	46	88	1	135
At 31 March 2009	65	119	–	184

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Notes to the Financial Statements continued

12 Property, plant and equipment continued

Company	Fixtures, fittings and equipment £'000	Computer equipment & software £'000	Bicycles under Ride to Work Scheme £'000	Total £'000
Cost				
At 31 March 2009	134	283	–	417
Additions	18	47	1	66
Disposals	(21)	(58)	–	(79)
At 31 March 2010	131	272	1	404
Additions	19	30	3	52
Disposals	(90)	(147)	(1)	(238)
At 31 March 2011	60	155	3	218
Depreciation				
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
Charge for the year	31	58	2	91
Disposals	(90)	(145)	(1)	(236)
At 31 March 2011	26	97	1	124
Net book value				
At 31 March 2011	34	58	2	94
At 31 March 2010	46	88	1	135
At 31 March 2009	65	119	–	184

13 Intangible fixed assets

Group	Goodwill £'000	Acquired customer relationships £'000	Product development and intellectual property £'000	Total £'000
Cost				
At 31 March 2009	15,288	6,974	2,045	24,307
Additions	4	–	776	780
At 31 March 2010	15,292	6,974	2,821	25,087
Additions	9	–	464	473
Disposals	(4,916)	(6,974)	–	(11,890)
At 31 March 2011	10,385	–	3,285	13,670
Impairment				
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
Charge for the year	4,916	4,684	751	10,351
Disposals	(4,916)	(6,974)	–	(11,890)
At 31 March 2011	3,267	–	785	4,052
Net book value				
At 31 March 2011	7,118	–	2,500	9,618
At 31 March 2010	12,025	4,684	2,787	19,496
At 31 March 2009	12,021	6,974	2,011	21,006

Notes to the Financial Statements continued

13 Intangible fixed assets continued

Company	Goodwill £'000	Product development and intellectual property £'000	Total £'000
Cost			
At 31 March 2009	11	1,440	1,451
Additions	4	776	780
At 31 March 2010	15	2,216	2,231
Additions	9	464	473
At 31 March 2011	24	2,680	2,704
Impairment			
At 31 March 2009	–	34	34
Charge for the year	–	–	–
At 31 March 2010	–	34	34
Charge for the year	–	146	146
At 31 March 2011	–	180	180
Net book value			
At 31 March 2011	24	2,500	2,524
At 31 March 2010	15	2,182	2,197
At 31 March 2009	11	1,406	1,417

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 cash generating unit:

	Learning and consultancy products and services £'000
Goodwill arising on consolidation	
Intellexis International Ltd	2,590
Key Skills Ltd	2,200
Computa-Friendly Ltd	368
Mindscope Ltd	1,494
Techpractice Ltd (purchase of elements of the trade)	11
Customer Projects Ltd	442
ILX Group Inc (establishment)	1
ILX Group Pty Ltd (establishment)	3
ILX Group Aps (establishment)	9
	7,118
Other intangibles	
Product development and intellectual property	2,500
	9,618

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

Discontinued operations
Goodwill and intangible assets associated with the Group's discontinued operations have been fully written down as disclosed above and in Note 10.

Assumptions
As the business is 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.

The cash generating unit has been valued on the assumption that compound annual revenue growth over the next four years is 21%, with compound annual growth in cash flows of 23%. These are in line with past experience and conservative budgeted expectations.

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

Further impairment would be required only if the future projections were sensitised to show a declining financial performance from the 2010/11 results.

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 3.0 times the total carrying value of these products (2010: 2.5 times). Except as noted above, none of the individual products have been discontinued or have shown a substantial fall in sales.

Accordingly, the Directors believe no impairment other than due to discontinued operations is necessary in respect of the year just ended.

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 the generating unit and the value of the separately identifiable intangible assets attached to the generating unit.

Following the decision to close the CTG operation in December 2010 the goodwill relating to this operation has been fully impaired during the year.

14 Investments

	Shares in Group undertakings (at cost) £'000
Cost	
At 31 March 2009	19,589
Additions	–
Disposals / adjustments	(2,290)
At 31 March 2010	17,299
Additions	–
Disposals / adjustments	(10,204)
At 31 March 2011	7,095

Notes to the Financial Statements continued

14 Investments continued

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 that business, 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 Group Aps	Trading	100%	Denmark
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 three trading subsidiaries, ILX Group Inc, ILX Group Pty Ltd, and ILX Group Aps, have been formed for the purpose of conducting the Group's business in New York, Australasia and Scandinavia respectively.

All these companies have all prepared accounts to 31 March 2011.

15 Trade and other receivables

Group	At 31 March 2011 £'000	At 31 March 2010 £'000
Trade receivables	2,434	2,521
Other receivables	18	2
Prepayments	556	375
Accrued revenue	1	18
	3,009	2,916

Company	At 31 March 2011 £'000	At 31 March 2010 £'000
Trade receivables	2,167	2,521
Other receivables	11	2
Amounts owed by Group undertakings	41	40
Prepayments	520	375
Accrued revenue	1	18
	2,740	2,956

16 Trade and other payables

Group	At 31 March 2011 £'000	At 31 March 2010 £'000
Barclays 4-year term loan (see note 18)	–	1,282
Barclays 3-year term loan (see note 18)	800	–
Barclays Revolving Credit Facility (see note 18)	550	–
Bank overdraft	–	475
Trade payables	890	1,326
Corporation tax	387	279
Other taxes and social security costs	608	798
Contingent consideration (see note 17)	35	35
Accruals	845	575
Deferred revenue	1,499	1,143
	5,614	5,913

Company	At 31 March 2011 £'000	At 31 March 2010 £'000
Barclays 4-year term loan (see note 18)	–	1,282
Barclays 3-year term loan (see note 18)	800	–
Barclays Revolving Credit Facility (see note 18)	550	–
Bank overdraft	–	475
Trade payables	852	1,326
Amounts owed to Group undertakings	235	–
Corporation tax	320	279
Other taxes and social security costs	564	798
Contingent consideration (see note 17)	35	35
Accruals	744	575
Deferred revenue	1,277	1,143
	5,377	5,913

Notes to the Financial Statements continued

17 Deferred and contingent consideration

	At 31 March 2011 £'000	At 31 March 2010 £'000
Current liabilities: Contingent consideration		
Acquisition of rights to software products	35	35
	35	35
Non-current liabilities: Contingent consideration		
Acquisition of rights to software products	287	300
	287	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 2011 £'000	At 31 March 2010 £'000
Bank loan amounts included in non-current liabilities		
Barclays 4-year amortising term loan	–	2,243
Barclays 3-year amortising term loan	1,398	–
Barclays 3-year bullet term loan	403	–
	1,801	2,243
Total bank loans		
Repayable in one year or less (note 16)	1,350	1,282
Repayable between one and two years	800	1,282
Repayable between two and five years	1,001	961
	3,151	3,525

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 2011 was £4,275,000.

The Barclays 3-year amortising term loan has an interest rate of 6.0% plus LIBOR. The Barclays 3-year bullet term loan has an interest rate of 12.0% plus LIBOR.

The Company also has a revolving credit facility of £950,000 which falls due for renewal on 1 October 2011. At 31 March 2011, £550,000 was drawn down under this facility and is included within bank loans payable within one year or less. The facility carries a commitment fee of 2.5% and an interest rate on amounts drawn of 2.5% plus LIBOR.

19 Share capital and reserves

	As at 31 March 2011 £'000	As at 31 March 2010 £'000
Authorised equity:		
Ordinary shares of 10p each	5,000	5,000
Allotted, called up and fully paid equity:		
Ordinary shares of 10p each	2,697	2,357

Details of movement on reserves are as follows:

Group	Called up share capital £'000	Share premium account £'000	Own shares in trust £'000	Share option reserve £'000	Buyback reserve £'000	Exchange differences arising on consolidation £'000	Retained earnings £'000	Total £'000
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)
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)
Transfer between reserves	–	–	–	–	(1,178)	–	1,178	–
Balance at 31 March 2010	2,357	12,341	(1,852)	204	–	–	1,754	14,804
Profit for the year	–	–	–	–	–	–	(9,452)	(9,452)
Exchange differences on consolidation	–	–	–	–	–	(28)	–	(28)
Options granted	–	–	–	118	–	–	–	118
Options exercised	1	1	–	(2)	–	–	–	–
Options lapsed and waived	–	–	–	(3)	–	–	3	–
Share Issue	339	561	–	–	–	–	–	900
Costs relating to share issue	–	(58)	–	–	–	–	–	(58)
Costs relating to capital restructure	–	(34)	–	–	–	–	–	(34)
Transfer between reserves	–	(12,811)	–	–	–	–	12,811	–
Balance at 31 March 2011	2,697	–	(1,852)	317	–	(28)	5,116	6,250

Notes to the Financial Statements continued

19 Share capital and reserves continued

Company	Called up share capital £'000	Share premium account £'000	Own shares in trust £'000	Share option reserve £'000	Buyback reserve £'000	Retained earnings £'000	Total £'000
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)
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)
Transfer between reserves	–	–	–	–	(1,178)	1,178	–
Balance at 31 March 2010	2,357	12,341	(1,852)	204	–	1,764	14,814
Profit for the year	–	–	–	–	–	(9,607)	(9,607)
Options granted	–	–	–	118	–	–	118
Options exercised	1	1	–	(2)	–	–	–
Options lapsed and waived	–	–	–	(3)	–	3	–
Share Issue	339	561	–	–	–	–	900
Costs relating to share issue	–	(58)	–	–	–	–	(58)
Costs relating to capital restructure	–	(34)	–	–	–	–	(34)
Transfer between reserves	–	(12,811)	–	–	–	12,811	–
Balance at 31 March 2011	2,697	–	(1,852)	317	–	4,971	6,133

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. During the year, as a result of a special resolution passed at a general meeting on 14 February 2011, the Company applied for and obtained, on 16 March 2011, an Order of the High Court of Justice confirming the cancellation of the share premium account. This created a new reserve with which the Company credited its retained earnings.

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 by 31 March 2010, there was no on-going requirement for that reserve and the balance was transferred to distributable reserves during the year ended 31 March 2010.

20 Share options and own shares in trust

Share options

As at 31 March 2011, 34 employees (including Directors) held options (granted between 9 December 2002 and 24 February 2011) over a total of 2,556,750 (2010: 2,106,250) ordinary shares at an average exercise price of 10.9p (2010: 15.6p), as follows:

Date of grant	Number of shares under option at 31 March 2010	Granted during the year	Exercised during the year	Forfeited during the year	Number of shares under option at 31 March 2011	Exercise Price	Expiry Date
09-Dec-02	5,000	–	–	–	5,000	110p	09-Dec-12
01-Feb-04	55,500	–	–	(25,000)	30,500	70p	01-Feb-14
24-Dec-04	42,000	–	–	(3,000)	39,000	90p	24-Dec-14
15-Jul-05	48,125	–	–	(30,000)	18,125	90p	15-Jul-15
01-Oct-05	81,875	–	–	(70,000)	11,875	90p	01-Oct-15
01-Dec-05	7,500	–	–	–	7,500	100p	01-Dec-15
12-Jun-06	15,000	–	–	(5,000)	10,000	90p	12-Jun-16
22-May-07	117,500	–	–	(25,000)	92,500	53p	22-May-17
28-Nov-08	1,225,000	–	–	–	1,225,000	0p	28-Nov-18
30-Jan-09	211,500	–	(9,000)	(127,500)	75,000	20p	30-Jan-19
30-Jan-09	47,250	–	–	–	47,250	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
30-Apr-10	–	115,000	–	–	115,000	0p	30-Apr-20
01-Jun-10	–	80,000	–	–	80,000	0p	01-Jun-20
02-Jul-10	–	500,000	–	–	500,000	0p	02-Jul-20
24-Feb-11	–	60,000	–	–	60,000	25p	24-Feb-21
	2,106,250	755,000	(9,000)	(295,500)	2,556,750		

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

	Options outstanding at 31 March 2010	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options exercisable at 31 March 2011	Options outstanding (including those exercisable) at 31 March 2011
Number of shares under option	2,106,250	755,000	(9,000)	(295,500)	214,500	2,556,750
Weighted average exercise price	15.6p	2.0p	20.0p	53.1p	10.9p	7.2p

The weighted average time to expiry of the share options outstanding at 31 March 2011 was 5.26 years (2010: 8.27 years). Details of individual expiry dates are shown above. For those share options outstanding but not exercisable at 31 March 2011, the weighted average time prior to the options becoming exercisable was 0.59 years (2010: 0.96 years).

All options are exercisable between 2 and 10 years from the date of grant. Details of Directors' share options can be found on page 21. The Company's share price on 31 March 2011 was 20.25p (on 31 March 2010: 20.30p).

Notes to the Financial Statements continued

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 time from grant until vesting of the option. The employee expense for the year was £118,000 (2010: £101,000). The fair value has been measured using the Black-Scholes model. The expected volatility is based in the historic volatility adjusted for any expected changes to future volatility. The material inputs into the model have been:

	Granted in year ended 31 March 2007	Granted in year ended 31 March 2008	Granted in year ended 31 March 2009	Granted in year ended 31 March 2010	Granted in year ended 31 March 2011
Average share price at grant	90.0p	53.0p	22.5p	35.0p	20.1p
Average exercise price	90.0p	53.0p	2.9p	1.4p	1.5p
Expected volatility	15%	40%	48%	62%	68%
Expected life	3.5 years	3.5 years	3.5 years	3.5 years	3.5 years
Expected dividend yield	1.0%	1.3%	5.2%	5.4%	0.0%
Risk-free rate of return	5.0%	5.0%	5.0%	1.0%	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 7.2% 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 and close members of their families as defined by IAS 24 (Related Party Disclosures), who were not Directors, received compensation, including salary, benefits, and pension contributions, totalling £577,700 (2010: £523,000). As at the year end there were a total of 242,250 share options outstanding for these individuals (2010: 477,250).

The Company 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 (2010: £18,000).

The Company has a reseller agreement in the US with Key Projects Inc., a company owned by Susan Kinch, the sister of a member of the executive management team. During the year the Company made sales to Key Projects of £66,000 (2010: £22,000) and made payments to Key Projects of £16,000 (2010: £22,000). Included within trade receivables is a balance owing of £12,000 relating to sales made by the Company to Key Projects.

The Company have made payments to Octopus Investments Ltd of £8,000 (2010: nil) in respect of fees charged for the services of C Allner as Non-Executive Director. Additionally, a one off payment of £27,000 in respect of arrangement fees in connection with the share placement was also paid during the year. Included within trade payables due within one year is £20,000 of prepaid expenses, plus VAT, due to Octopus in relation to future services of C Allner as Non-Executive Director.

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. During the year the Company paid £13,000 under this agreement and a further £3,000 in respect of the supply of administrative services. The contingent consideration is disclosed in note 17.

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 £35,000 at 31 March 2011 (2010: £125,000).

24 Operating leases

At 31 March 2011 the Group had minimum commitments under non-cancellable operating leases as set out below:

	Land and buildings 31 March 2011 £'000	Land and buildings 31 March 2010 £'000
Due within one year	23	18
Due in second to fifth year	42	58
Total minimum lease payments	65	76

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

25 Dividend

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 20 September 2011. This dividend will be paid on 14 October 2011 to shareholders on the register at 5 August 2011. The shares will therefore become ex-dividend on 3 August 2011. A scrip alternative will be offered, at the average share price for the period 3 August to 9 August inclusive. Shareholders who elected to receive the scrip alternative in 2009 will receive the scrip alternative for 2011 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 16 September 2011.

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 2012.

26 Capital commitments

There were no capital commitments at the end of the year (2010: £0).

Notice of Annual General Meeting

Notice is hereby given that the 2011 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 20 September 2011 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 2011 together with the independent auditors' report thereon.

2. To approve the report to the shareholders on Directors' remuneration for the year ended 31 March 2011 (advisory vote).

3. To declare a final dividend of 1.50 pence per ordinary share for the financial year ended 31 March 2011.

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

5. To elect Chris Allner, having been appointed since the last annual general meeting, as a Director of the Company.

6. To elect Eddie Kilkelly, having been appointed since the last annual general meeting, as a Director of the Company.

7. 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 resolution 8 and as special resolutions in the case of resolutions 9 and 10.

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 £900,000 (being approximately one third of the issued share capital at 22 July 2011), such authorisation (unless previously renewed, revoked or varied by the Company in general meeting) to expire at midnight on 19 December 2012 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 £405,000 (being approximately 15% of the issued share capital at 22 July 2011);

    (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; and

(d) the allotment of Ordinary Shares pursuant the Company's scrip dividend scheme; and

such power shall expire at midnight on 19 December 2012 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 19 December 2012 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
22 July 2011

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 18 September 2011.

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 18 September 2011. 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 6.00 pm on 18 September 2011 or, if the Meeting is adjourned, at 6.00 pm. 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

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 2011. 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 2011, which will be paid on 14 October 2011 to shareholders on the register at close of business on 5 August 2011. As further explained below, shareholders are being offered the opportunity to elect to receive new ordinary shares instead of cash dividends if they wish.

Scrip dividend alternative

The Directors obtained at the annual general meeting of the Company held on 24 September 2010 the authority to offer shareholders the opportunity to elect to receive new ordinary shares in the Company instead of cash dividends if they so wish (the "Scrip Dividend Scheme") for all future final or interim dividends for a period of up to five years from 24 September 2010, if on each occasion the Directors decide that it is in the Company's interests to do so.

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 14 October 2011, 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 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, can be downloaded from the Company's website or requested in hard copy from the Company by telephoning 020 7371 4444.

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.

Re-election of directors (resolutions 4, 5 and 6)

The Company's articles of association require that any Director who has not been appointed or re-appointed at either of the Company's last two Annual General Meetings should retire. Accordingly, Chris Allner and Eddie Kilkelly are offering themselves for election and Ken Scott is retiring and offering himself 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 7)

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.

Explanatory Notes to the Notice of Annual General Meeting continued

Authority to allot shares (resolution 8)

Resolution 8 renews a similar authority approved by shareholders at the annual general meeting of the Company held on 24 September 2010 (the "September 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 September 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 £900,000. This amount represents approximately one-third of the Company's existing issued ordinary share capital as at 22 July 2011 (being the latest practicable date prior to publication of this Notice).

The authority sought under resolution 8 will expire at the conclusion of the Annual General Meeting of the Company in 2012 or 15 months from the passing of the resolution, whichever is the earlier.

Disapplication of pre-emption rights (resolution 9)

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 £405,000 (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 22 July 2011.

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 conclusion of the annual general meeting of the Company in 2012 or 15 months from the passing of the resolution, whichever is the earlier.

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 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 2012 or 15 months from the passing of resolution 10, whichever is the earlier.

Statutory and Other Information

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