Annual Report

2012

Transforming the way people learn

CLASSROOM | DIGITAL | 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.

Whether it's digital, mobile or classroom, our products are all enabled through the use of innovative technology.

Our Products and Services

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.

How we deliver technology in the classroom

Within a classroom environment we know the power that 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 as much 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 one 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.

How we deliver
Accreditation 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

Our Market

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, the United Arab Emirates, South Africa and the USA.

Our emphasis on international growth has really accelerated over the last three 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.

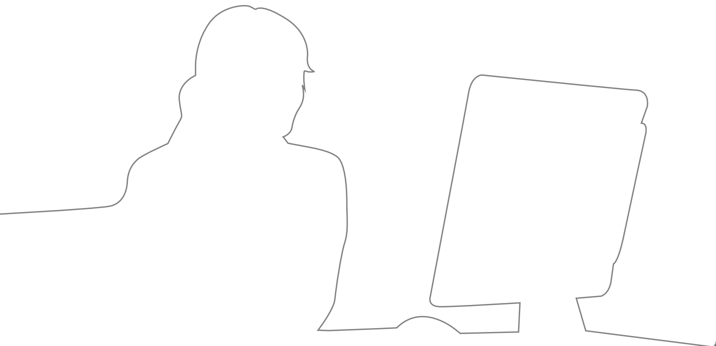
In each of our chosen markets we provide our full service offering of consumer, corporate learning solutions and high quality consulting services.

We expect to further increase our market penetration in each of these existing territories as well as continue to increase our geographic footprint, with particular focus on English-speaking territories.

How we deliver

World wide reach

ILX Group's digital learning approach can scale instantly worldwide. With our digital products we can train more people, faster, more effectively, and less expensively, than any other learning provider.



41% of revenues now generated outside the UK

USA AND CANADA

Small presence established to date, Canadian Government adoption of PRINCE2 is a key opportunity for 2012/13

SCANDINAVIA

Subsidiary established in Copenhagen, following Danish Government adoption of PRINCE2, completes first successful year of trading

WESTERN EUROPE

Strong revenue stream generated principally from our UK-based offices

AUSTRALIA

Local subsidiary doubles revenues to A$4 million in second year of trading

UK

Remains our largest market delivering 59% of revenues in 2011/12, with increased digital learning sales despite challenging conditions

SOUTH AFRICA

Investment in mobile learning products and services to meet local preferences and requirements. Agreements reached with local classroom training providers using ILX materials

OMAN AND UNITED ARAB EMIRATES

ILX Consulting subsidiary established in Dubai, reinforcing our position as a leading global consulting player within the area of Best Practice

NEW ZEALAND

Local subsidiary established which starts trading in the current year, supporting the growing business in the region

Our Strategy

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 digital, 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.

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
- Focus on English speaking P3RM markets

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

We aim to rapidly build brand leadership in digital learning in our chosen markets using innovative technology to deliver exceptional customer experiences.

How we deliver

Case Study: Vestas streamlines and invests in training

Vestas is a leader in more than just its industry. The Danish Company, one of the world's largest wind turbine manufacturers, also invests in training – even during the financial crisis when other companies have cut costs in that area. Continuing education plays a major role at all levels of the organisation, and training in project management, in particular, is a strategic priority. Vestas depends on innovation and continuously runs development projects across its global organisation. Common terminology, tools and models are a prerequisite if projects are to meet their goals and lead to workable solutions. Therefore, up to 3,000 employees from around the world are continuously trained and certified in PRINCE2, among other things. This takes place in collaboration with ILX, Vestas' partner in digital learning.

Learning is a Vestas philosophy, and certification of project managers plays a central role for the Danish wind turbine giant. Heavily reliant on its R&D activities, Vestas constantly strives to strike a perfect balance between innovation and tight process management throughout its global organisation.

"We have a strong focus on cost, alignment and efficiency," says Claus Ryborg, senior project specialist with responsibility for training project managers at Vestas. "That is why it is important that development processes be well-conceived and streamlined from A to Z. This is a challenge because innovation takes place in many departments, not just one. That is the reason that we put so much emphasis on certifications and the use of digital learning."

At the forefront of digital learning strategy

Claus Ryborg has worked with project management since Denmark's Great Belt Tunnel was built in 1992. He joined Vestas in 2009, where he is responsible for five project management programmes, which also include IPMA and PMI in addition to PRINCE2.

"Within PRINCE2 we only use ILX. We run a blended learning course with ILX in which participants can choose classroom, digital learning or a combination of both," explains Claus Ryborg. He points out that Vestas plans to make even more digital learning courses available for employees who need to be certified.

Vestas is clearly at the forefront of implementing digital learning as part of its training strategy. The ILX digital learning platform is integrated into the Company's Learning Management System, which offers several advantages.

"ILX enhances our flexibility. From the moment the infrastructure is in place, new courses can easily be added as needs arise. In a global organisation such as ours, it is also a great advantage that project managers can earn their certifications through digital learning. It saves time and travel costs, and provides a uniform training level regardless of where people are located geographically," says Ryborg. "ILX prices are competitive for both preparatory and certifying courses", he adds.

At the intersection

Today, Vestas is an international Group with over 23,000 employees, but the Company's ambition is to preserve the creativity and drive that started its industrial adventure on the heaths of Jutland back in 1898. At the same time, Vestas recognises that it is necessary to standardise processes in order to achieve the professionalism demanded of a market leader. Training and certification play a central role in this process.

"With responsibility for training, I cannot demand that employees be certified. But I can make attractive courses available, and ILX adds value in this connection. The courses are in great demand not only in Denmark but across the global organisation. Certification through digital learning is a good concept in that context," says Claus Ryborg.

Vestas recognises that it is necessary to standardise processes in order to achieve the professionalism demanded of a market leader.

Our Performance

+5%

Revenues up 5% to £13.47 million

2.49p

Adjusted earnings per share

> **The ongoing economic uncertainty made this a challenging year, particularly in the UK. However, we have increased Group revenues and continue to see growth of our digital learning revenues, even in the UK.**
>
> Ken Scott, Chief Executive

Corporate Highlights

- Continued strong growth in Australian revenues
- Software sales growth in the UK despite difficult market conditions
- Global consultancy business developed
- Leading position in PRINCE2 and Best Practice digital learning maintained
- Subsidiaries established in New Zealand, Dubai, and Poland

Financial Highlights

- Revenues up 5% to £13.47 million (2011: £12.89 million)
- Software revenues up 17% and comprise over 57% of Group revenues (2011: 51%)
- Operating profit £1.01 million (2011: £1.73 million)
- Adjusted PBT £0.96 million (2011: £1.54 million)
- Adjusted earnings per share 2.49p (2011: 4.39p)
- Bank debt refinanced with HSBC at reduced rates
- £0.49 million investment in our digital learning products (2011: £0.48 million)
- Net debt £2.25 million (2011: £1.89 million)
- Dividend suspended to allow net debt to be reduced
- Post balance sheet investment of £1.23 million

Chairman's Statement

Paul Lever
Chairman

The Year in Review

I am pleased to present the results for the year ended 31 March 2012.

In the current economic climate, the need for project and programme management skills is as strong as ever. With the increasing pace of technological change, the demand for learning that can be delivered economically, efficiently and using technology, remains strong and is increasing. Thus I am pleased to report that the Group continued to grow its overall sales during the period as well as increase the proportion in those sales of digital learning products.

Nevertheless, the growth was not as strong as we had hoped and this resulted in the issue of a profits downgrade towards the end of the financial year. Neither our International division, which grew revenues 61%, nor our UK division, where revenues fell 15%, made their annual targets. The UK was affected by highly competitive market conditions which affected in particular the classroom sales, and the International sales did not see the growth in Europe that was expected.

However, the Group still delivered top line growth and a significant operating profit. The decline in the UK revenues that was experienced during the year, most particularly in the third quarter, halted in Q4 which saw slight growth over the same period in the previous year. The Australian and New Zealand operations almost doubled their sales, and a strong foundation has been laid in the Middle East with a number of significant consultancy contracts in the pipeline for the current financial year.

We are confident that the strategy to focus on software led solutions and developing our business in overseas markets, whilst continuing to offer both software and classroom-based learning to customers, remains the right one.

Dividend

Given the fall in profits for the year, and the resultant effect on available cash, the Board has taken the decision not to recommend payment of a dividend for the year ended 31 March 2012.

The Group commenced a dividend payout in 2006 and since that time has paid dividends totaling £1.15 million, of which £0.97 million has been in cash and the remainder in scrip shares. However, it is important in the short term that the Group can reduce its level of debt and also that it can invest adequately in the opportunities for growth in its core markets. The position will be reviewed on a regular basis and the Board will endeavour to return to paying a dividend as soon as it is prudent to do so.

Financial results

Revenue for the year was £13.47 million (2011: £12.89 million), an increase of 5%. Operating profit was £1.01 million (2011: £1.73 million). Profit before taxation was £0.65 million (2011: £1.42 million). Diluted earnings per share was 1.94p (2011: 4.06p from continuing operations). Net debt increased during the year to £2.25 million (2011: £1.89 million).

These results are explained in detail in the Finance Review.

Board changes during the year

Chris Allner of Octopus Ventures was appointed to the Board as a Non-Executive Director on 30 November 2010. Having left Octopus Ventures, Chris resigned from the Board and Damien Lane was appointed on 23 March 2012 in his stead.

I would like to thank Chris for the experience and input he made during his time on the Board and also warmly welcome Damien to the Board.

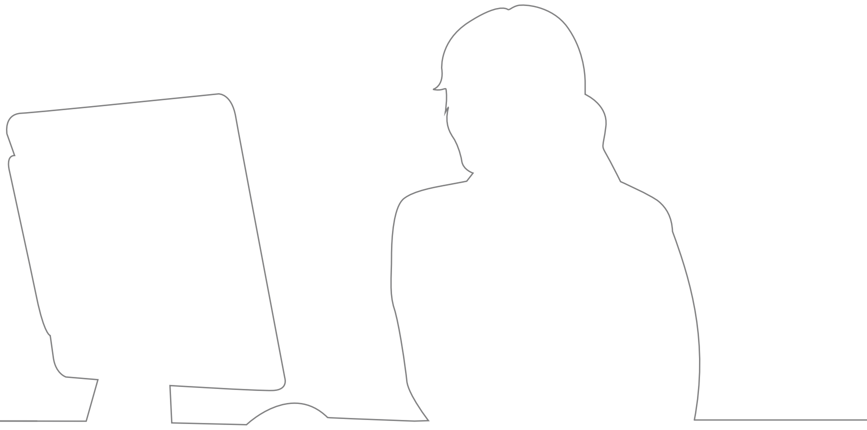
Post balance sheet event

On 1 August 2012, the Board entered into an investment agreement, under which Praxis Trustees subscribed in two tranches for a total of 11,940,000 ordinary shares. In addition, Ken Scott subscribed for a further 400,000 ordinary shares. This, transaction, which was completed following the General Meeting held on 21 August 2012, raised £1.23 million for the Company to reduce net debt and to support the Company's growth plans.

Following the second tranche, Wayne Bos joined the Board. Wayne Bos has over 20 years' experience managing and investing

Chairman's Statement continued

Our strategy is to focus on software led solutions and on developing our business in overseas markets, whilst continuing to offer both digital and classroom based learning to customers



in business over a wide range of sectors, with particular expertise in the software and technology sector. His career includes 3 years as Chief Executive of Sausage Software, an Australian public company, which he grew to a market capitalisation of A$2.5 billion in 2001, and President and CEO of Natrol, a Nasdaq listed Nutraceutical company, sold to Plethico, an Indian public company, in 2008. In the last four years, he has made several public and private company investments.

The shares held by Praxis Trustees are held on behalf of a trust of which Wayne Bos is a discretionary beneficiary.

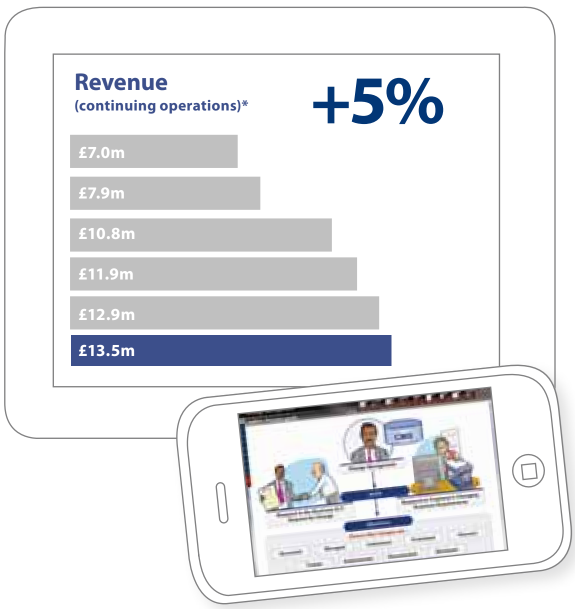
Wayne Bos will take up the role of Executive Chairman and I will remain on the Board as a non-executive Director.

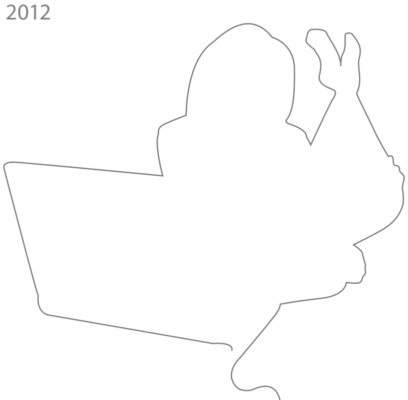
Outlook

We remain in challenging economic times in which companies will need to innovate to stay ahead. As I said at the beginning of this report, I believe that we are a company which is able to do so and that our strategy is the right one. In our ambitions to grow it is important we do not stretch ourselves too thin and we will therefore focus principally in the short term on our core geographical areas of the UK, Australasia, Oman and the UAE.

I would like to thank management and staff for their ongoing contributions, and our shareholders for their continued support, as we look forward to continued growth in the current financial year.

Paul Lever
Chairman
21 August 2012





We remain in challenging economic times in which companies will need to innovate to stay ahead. I believe that we are able to do so and that our strategy is the right one.

Business Review

Ken Scott
Chief Executive Officer

The year ended 31 March 2012 was very challenging in the face of the ongoing economic uncertainty. This was especially felt in the UK but I am pleased that, even domestically, the Group increased its digital learning revenue. Worldwide, digital learning revenue increased by 17% and now comprises 57% of total Group revenue. In addition, and even in this tough year, revenue as an absolute number grew across the Group.

The ongoing domestic austerity, and the deep shadow of uncertainty surrounding the Eurozone, has had a marked impact on UK organisational purchasing patterns. As a consequence, and in the UK specifically, the Group experienced longer sales lead times, a slowdown in customer spending and a price war amongst competitors in the classroom-training arena. At the same time however, and as mentioned earlier, our domestic sales of digital learning have grown year on year and the pipeline in the UK remains encouraging. However, those lengthening sales cycles and commodity pricing pressure in classroom training gave rise to a shortfall in domestic revenue and consequent shortfall in Group profitability.

Our ability to develop overseas markets on the back of digital learning and our market leading position in PRINCE2 (a leading and established best practice standard in project management) has also been instrumental in our continued substantial international growth. We are seeing the benefits of promoting our digital product suite and this combined with ongoing overseas expansion should allow the Group to recover its growth trajectory. The foundations that we have in place should ensure that ILX remains a market leader in digital learning, worldwide.

Our strategy and vision

The Group's vision is to 'Transform the Way People Learn'. We are committed to building brand leadership in digital learning to consumers and organisational customers across the world using innovative technology to deliver exceptional customer experiences around the core range of products and services.

Two years ago, we set out four key drivers for strategic growth:

1. Focus on innovative product development and customer retention to build on our position as a global market leader in the PRINCE2 project management qualification.

We are, at our core, a digital learning provider, although we are also highly active in the provision of classroom training and in providing blended learning experiences; a mixture of digital and classroom events. Although we firmly believe that the migration to digital learning is inexorable and accelerating, we recognise that individual learners and organisations will migrate at a pace that suits their particular needs and circumstances. By being available to individual learners and organisations, regardless of where they are on the learning delivery spectrum will, we believe, secure their business to ILX for years to come.

Sales of our digital learning products continued to grow as a proportion of total sales and now account for 57% of our PRINCE2 revenues (2011: 52%). Customer retention metrics, both in terms of repeat business and renewed software licences, have also shown improvement year on year.

ILX has over 10% of the PRINCE2 learning market measured by exam passes. We deliver learning products and services in over 100 countries across 5,000 organisations worldwide. The principal geographic areas of activity are the UK, Australia, New Zealand, Scandinavia, Western Europe, UAE, Oman, South Africa and the USA. During the year we established new subsidiaries in Poland and New Zealand.

Key enablers for this strategy to be successful are:

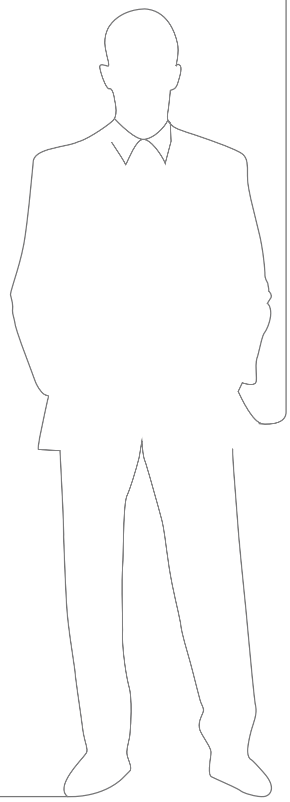
- Retaining product focus and innovation around the core product range. The aim is to achieve market dominance in PRINCE2 and market leadership in ITIL (a leading and established best practice standard in IT Service management).

Business Review continued

- Ensuring we have a strong field sales capability across the business that is populated by well-trained and well-managed high performers who are able to sustain the growth required and thereby deliver the targeted results. We have recruited a sales coaching company to help ensure that our UK and international sales population, as well as the supporting processes, are fit for purpose.
- Strengthening the ILX brand and providing effective marketing support for our field sales activities.

2. Leverage our proprietary technology to drive significant international expansion; focusing on PRINCE2 and project management where we can disrupt established markets.
The Group is building and developing its sales footprint across new and existing geographic territories. Currently, our field sales population is based in the UK, Denmark, the Netherlands, Dubai, Australia and New Zealand. This sales force drives around 70% of Group revenue. In all our new territories, we use our global pre-eminence as the leading learning provider in the PRINCE2 market as the entry point. Once established, we then broaden our offer over time.

The Group is building and developing its sales footprint across new and existing geographic territories.



Over 40% of the Group's sales are now made to overseas customers, with sales outside the UK growing by 43% during the year.

Our total Group revenues by geographic area of delivery are shown below.

	Year ended 31 March 2012		Year ended 31 March 2011	
	£'000	%	£'000	%
UK & Ireland	7,922	58.7	9,005	69.9
Australasia	2,502	18.6	1,191	9.2
Europe, Middle East and Africa	2,085	15.5	1,952	15.2
Americas	358	2.7	352	2.7
Africa	531	3.9	309	2.4
Asia	75	0.6	77	0.6
	13,473	100.0	12,886	100.0

Over 40% of the Group's sales are now made to overseas customers, with sales outside the UK growing by 43% during the year. The major areas of growth were again Australia for the second year running and New Zealand. Our Australasian operation was started just two years ago and has gone from a standing start to now accounting for almost 20% of Group revenue. Substantial sales in mainland Europe and Scandinavia were also generated; some through our subsidiary in Copenhagen but the majority directly from the UK. The UAE and Oman also remain key target areas for growth and since the close of the year we have established a subsidiary company in Dubai to service this region.

On the back of our field sales capability, we have also developed a global consultancy business, to take advantage of the growing move in a number of countries towards governmental and organisational compliance with PRINCE2 process management. The consultancy opportunities typically develop from the sale of learning content but sometimes can be generated without our learning material initially having been used. The ILX brand and reputation are particularly helpful in new territories.

Our consumer offer currently accounts for around 30% of Group revenue. This revenue is all from web-generated leads, two thirds of which come through orders and enquiries, the remaining third being fully automated web purchases. We believe this area has significant opportunity for scalability.

In both our field sales and our consumer offer, the primary focus is on English language content as we have found the English language market for digital learning to be far more extensive than just English speaking territories. Sufficient numbers of workers seeking PRINCE2 accreditation in non-English speaking regions appear to value the English language versions and this is where we are particularly strong.

Business Review continued

3. Develop our capability in other markets for Finance and Service Management to build market-leading positions.
Our revenues by subject for the year, with the comparative for last year, are shown below.

	Year ended 31 March 2012				Year ended 31 March 2011			
	Digital learning £'000	Other £'000	Total £'000	%	Digital learning £'000	Other £'000	Total £'000	%
PRINCE2	4,193	3,359	7,552	56.1	3,886	3,601	7,487	58.1
ITIL & ISO20000	538	616	1,154	8.6	632	579	1,211	9.4
Other OGC Best Practice	1,030	1,266	2,296	17.0	787	1,687	2,474	19.2
Finance	308	–	308	2.3	342	–	342	2.6
Software testing	93	–	93	0.7	72	–	72	0.6
Microsoft	120	–	120	0.9	20	–	20	0.2
Multi-subject licences	1,340	–	1,340	9.9	779	–	779	6.0
Other revenues	52	558	610	4.5	18	483	501	3.9
	7,674	5,799	13,473	100.0	6,536	6,350	12,886	100.0
	57.0%	43.0%	100.0%		50.7%	49.3%	100.0%	

At first glance it would appear our revenues from pure PRINCE2 sales grew by just 1% in the year and now account for 56% of our business (2010: 58%), whereas pure ITIL and ISO20000 revenues remained flat at 9%. However, we have developed a multi-subject digital learning offer called the Digital Learning Licence, which has proved very popular. Sales of the Digital Learning Licences increased by 72% during the year to £1.34 million (2011: £0.78 million) and the advent of this offer means that some of our PRINCE2 and ITIL data in particular is hidden in the sales of multi-subject Digital Learning Licences.

Other OGC (Office of Government Commerce, a division of the UK Treasury Department) accredited products comprise Programme and Project Sponsorship, Project Support (P3O), Risk Management (M_o_R), Value Management (MoV), Managing Successful Programmes (MSP) and the APM Introductory Certificate in Project Management. Revenues decreased by 7% and accounted for 17% of the business (2011: 19%).

4. Focus on increasing the number of learners using ILX technology worldwide.
As was stated earlier, we recognise that individual learners and organisations will migrate to digital learning at a pace that suits their particular needs and circumstances. However, all our learners are exposed to our technology, whether through digital learning courses, access to revision games on hand-held devices, or a classroom-based simulation. During the year, we provided digital learning licences to 56,000 users.

ILX is committed to taking advantage of the growing number of workers seeking to acquire new business skills. We plan to develop this into subscription-based revenue from users of our products and services.

We are digital and learning is becoming increasingly digital

Values and people

Our core values of Passion; Making a Difference; Teamwork and Ownership have been challenged in the past year in the face of the Euro monetary crisis, the UK recession and the overall global uncertainty, which have all impacted on business performance. In addition to these values we recognise the need for urgency in everything we do within the business in the knowledge that the speed of change is highly unpredictable and that the time available is highly subjective.

The year saw a number of people changes.

The executive management team within the Group has been strengthened over the past year; primarily to add additional skills that we need as the business expands. As I announced a year ago, Mel Scott-Taylor arrived from the Disney Channel in April 2011 to take up the newly created role of Chief Marketing Officer, responsible for driving marketing disciplines into a traditionally sales dominated culture. In April this year, Phil Barr also joined to take up another newly created role of Chief HR Officer. Phil came from Yell, where he was responsible for UK HR and key elements of Yell's global change programme.

At the end of March 2012 and as agreed at the time of his appointment, Martyn Kinch stepped down as Head of International and has now retired from the business. Martyn has been with ILX on and off since we purchased his company, Key Skills, in February 2004. He has had a major influence on the Group over the years and he will be missed. I would like to take this opportunity to thank him for his work and for his companionship over the past eight years.

Our new head of International is Eddie Kilkelly. Eddie was appointed to the main Board in early 2011 and is highly experienced in all aspects of our operational and sales functions, having run the UK business for the past four years. He is well respected within ILX and is firmly grasping the International baton. I have taken over direct responsibility for running the UK sales operation. David Willis, our Chief Technology Officer, and Jon Pickles, our Chief Financial Officer, complete the team.

The executive management team continues to be committed to the core values and to ensure those values remain at the heart of our culture as the company changes shape.

Finally, I would like to thank all our staff for their ongoing hard work and resolve in what has been a testing year for everyone. We look to the future with confidence.

Ken Scott
Chief Executive Officer
21 August 2012

We look to the future with confidence.

Finance Review

Jon Pickles
Chief Financial Officer

Financial results

Operating performance
The Group delivered revenues of £13.47 million (2011: £12.89 million), growth of 5%. Gross margins increased fractionally to 55.5% (2011: 55.2%), with the positive effect of an increasing proportion of software sales offset somewhat by lower margins in the classroom space due to competitive pressure. Operating profit, however, fell to £1.01 million (2011: £1.73 million) principally as a result of higher overhead costs relating to marketing and international sales.

The breakdown of revenues and profits is disclosed in the notes to the accounts in the same format as that used internally, as required by IFRS 8. The note has also been expanded to include the two prior years to give a clearer view of the underlying trends.

These figures highlight that revenue growth for the year was driven by the International division, which grew its top line by 61% to £5.22 million, with the UK division revenues falling 15% to £7.95 million. Both divisions made a substantial contribution to profit. It should be noted that the UK division bears the entire costs of the Group's UK premises and operations team. The Finance training revenues contributed £0.31 million (2011: £0.34 million), at a significantly increased profit.

Central costs rose to £2.39 million (2011: £1.89 million). These relate to technology, IT, finance, and central personnel costs, together with the costs of the Board, advisors, and other AIM related expenditure. Also included here are marketing costs, with the exception of those that relate directly to specific sales support for the International and UK divisions. The increase in central costs is principally due to increased marketing spend; in addition, the prior year comparative figure was distorted downwards by Directors waiving £115,000 of salary and pension in return for share options.

International subsidiaries
During the year, the Group traded principally through three companies; ILX Group Plc, ILX Group Pty Ltd (Australia) and ILX Group Aps (Denmark). Subsidiaries have also been established in New Zealand, the USA, Poland, and post year end, the JLT free zone in Dubai. These have been required to support our increasing international business and will assist in ensuring and maintaining a local presence for customers.

Finance costs
The Group incurred finance costs of £0.37 million (2011: £0.31 million) during the year. This cost comprised £0.21 million in interest on bank loans and facilities (2011: £0.33 million); a credit of £0.04 million relating to the Group's interest rate swap arrangement (2011: £0.09 million); and loan arrangement costs of £0.19 million (2011: £0.07 million). As noted in last year's report, these costs included £0.18 million in previously paid fees relating to the Barclays debt which were being amortised over the term of the loan and were brought forward when the debt was refinanced during the year, as covered in more detail below.

Profit before tax
Profit before tax was £0.65 million (2011: £1.42 million).

In line with common practice, the Group has also presented an adjusted profit before tax figure which is calculated after adding back one-off non-cash refinancing charges, share option charges, and intangibles impairment. Adjusted profit before tax for the year was £0.96 million (2011: £1.54 million). Details are included in Note 3 to the accounts.

Taxation
The tax charge for the year was £0.10 million (2011: £0.40 million), representing 16% of profit before tax (2011: 28%). The Group continues to benefit where possible from tax credits available in the UK arising from qualifying research and development.

Profit for the year and earnings per share
Profit for the year attributable to equity shareholders was £0.55 million (2011: loss of £9.45 million, after a loss from discontinued operations of £10.48 million).

Earnings per share was 2.00p (2011: loss of 38.2p, earnings of 4.14p from continuing operations). Diluted earnings per share was 1.94p (2011: loss of 37.4p, earnings of 4.06p from continuing operations).

An adjusted earnings per share figure is also presented based on adjusted profit before tax and after applying a standard tax rate, as detailed in Notes 3 and 11 to the accounts. Adjusted earnings per share was 2.60p (2011: 4.48p) and adjusted diluted earnings per share was 2.49p (2011: 4.39p).

Cash flow
Cash generated from continuing operating activities was £1.16 million (2011: £1.79 million). This represents 115% of operating profit (2011: 103% of operating profit). The Group continues to generate strong operating cash flow from its operating profit with strong e-commerce and cash sales and an increase in advance payments from customers, reflected by a 14% increase in deferred income.

The Group paid out £0.34 million in corporation tax (2011: £0.18 million). This significant increase was due to both the payment of the higher tax bill for the year ended 31 March 2011 and also the beginning of payment of UK corporation tax by installments, required as the Group is now considered large for UK corporation tax purposes.

The Group continued to invest in its product range and also incurred capital expenditure in the period relating to updates of systems and equipment.

Refinancing and net debt

The Group refinanced its bank facilities during the period, moving from Barclays to HSBC to secure additional facilities with substantially reduced costs.

At the 31 March 2011 the Group had term debt of £2.6 million with Barclays at an average interest rate of 6.9% over LIBOR. By 30 September 2011 this had been reduced to £2.1 million, and it was refinanced with a 3-year term loan of £2.0 million at 3.3% over base rate.

The Group also had at 31 March 2011 a revolving credit facility of £0.95 million, which was due for renewal in October 2011. This was refinanced by a £2.0 million 2-year revolving credit facility, expiring October 2013. The effect of the refinancing was to reduce the overall cost of facilities by approximately 4 percentage points, almost halving the interest cost to the Group.

At the balance sheet date, the Company was in technical breach of two out of five banking covenants and accordingly, as required by IAS1, the Company's bank loans are presented as current liabilities. These breaches have been formally waived post year end following the additional investment of £1.23 million. The £2.0 million revolving credit facility has been reduced to £1.05 million (being the amount drawn at the date of this report), and £0.5 million repayment has been made against the 3-year term loan.

Of the total £2.89 million in facilities drawn at the balance sheet date, £1.15 million is expected to be repaid during the current financial year, comprising £0.65 million in quarterly term loan repayments and the £0.5 million additional repayment.

As noted above, the refinancing accelerated the amortisation of £139,000 out of £180,000 in previously capitalised arrangement fees. Arrangement fees paid to HSBC were £52,000 and these will be spread over the period of the facilities.

Net debt at the year end, defined as all bank debt, less cash at bank, was £2.25 million (2011: £1.89 million). This comprised £2.89 million in bank facilities drawn and £0.64 million in cash balances.

Interest rate and currency risk

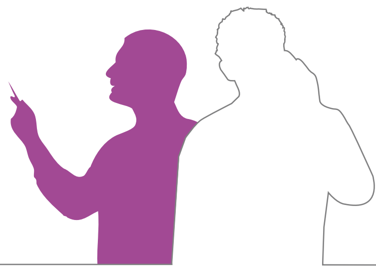
The Group entered into an interest rate swap agreement with Barclays Bank in February 2008, to hedge its exposure to interest rate movements in respect of its term loan. This agreement expired during the year. At the balance sheet date, there was no interest rate hedging in place.

34.3% of the Group's turnover for the year was invoiced in 7 separate foreign currencies (2011: 18.7% in 6 foreign currencies). These are: Australian Dollars (14.2%), Euros (5.9%), New Zealand Dollars (5.4%), US Dollars (4.9%), South African Rand (2.0%), Danish Kroner (1.9%), and Emirati Dirhams. At the year end, £1.15 million of assets (2011: £0.95 million) and £1.00 million of liabilities (2011: £0.42 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, in order to match currency income and expenditure and to benefit from bulk rates on transfer to sterling.

Dividend

A dividend of 1.50 pence per share was declared for the previous financial year, which was paid during the year just ended. 43.4% of the shareholders elected to receive the scrip option, resulting in the issue of 620,796 new ordinary shares. The remaining £232,000 of the dividend was paid in cash during the year. As noted in the Chairman's statement, the Board does not recommend a dividend for the year just ended.

Jon Pickles
Chief Financial Officer
21 August 2012



Board of Directors

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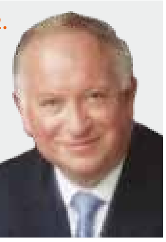
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1. Wayne Bos
Executive Chairman
Wayne joined the Board on 21 August 2012. Mr Bos has over 20 years' experience managing and investing in business over a wide range of sectors, with particular expertise in the software and technology sector. His career includes 3 years as Chief Executive of Sausage Software, an Australian public company, which he grew to a market capitalisation of A$2.5 billion in 2001, and President and CEO of Natrol, a Nasdaq listed Nutraceutical company, sold to Plethico, an Indian public Company, in 2008. In the last four years, he has made several public and private company investments.

2. Paul Lever
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. Following the General Meeting held on 21 August 2012, Paul will step down as Chairman and remain as a non-executive Director.

3. 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.

4. Jon Pickles
Chief Financial Officer
Jon has 19 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.

5. 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.

6. 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.

7. Damien Lane
Non-executive Director
Damien joined the Board of Directors in March 2012. He is a Venture Capital and Private Equity Professional with over 16 years' experience in the industry.

Directors' Report

for the year ended 31 March 2012

The Directors present their report and the financial statements for the year ended 31 March 2012.

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 25. The Directors do not recommend payment of a dividend for the year.

Principal shareholders

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

	Ordinary Shares of 10 pence each	Percentage
Praxis Trustees Ltd	11,940,000	29.90
Octopus Capital for Enterprise Fund	5,682,247	14.23
Webb Capital Asset Management Ltd	2,863,547	7.17
Barnard Nominees Ltd	2,177,430	5.45
Investec Trust Guernsey	1,918,235	4.80

The investment by Investec Trust Guernsey represents 4.8% 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 9 to 13. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 14 and 15. 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. Further information on Going Concern is included in the Notes to the Financial Statements on page 31.

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 20 September 2011 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 21 September 2012. Any shares purchased under this authority will either be cancelled, and the number of shares in issue reduced accordingly, or held in treasury.

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, Help for Heroes, and have sponsored events to raise money for Hope House Hospice. The Group made charitable donations during the year of £8,000 (2011: £1,000).

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

Directors’ Report continued

for the year ended 31 March 2012

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 2012 was 40 (at 31 March 2011: 48).

Directors and their interests

The present Directors are listed on page 16. 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 2012	At 31 March 2011
Paul Lever	148,021	140,569
Ken Scott	418,062	390,528
Jon Pickles	399,125	379,036
Eddie Kilkelly	10,751	6,500
Paul Virik	–	–
Chris Allner	–	–
Damien Lane	–	–

As of the date of this report, Praxis Trustees holds 11,940,000 ordinary shares. The shares held by Praxis Trustees are held on behalf of a trust of which Wayne Bos is a discretionary beneficiary. Ken Scott subscribed for an additional 400,000 ordinary shares on 21 August 2012. There were no other changes between 31 March 2012 and 21 August 2012.

Jon Pickles retires by rotation and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting. Damien Lane, having been appointed by the Board since the last Annual General Meeting, offers himself 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 21 September 2012 appear in the Notice of Annual General Meeting on page 56.

This report was approved by the Board on 21 August 2012.

On behalf of the Board

Jon Pickles
Director
21 August 2012

Remuneration Report
for the year ended 31 March 2012

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 2012 £'000	Total for year ended 31 March 2011 £'000
Executive Directors							
Ken Scott	195	–	45	–	30	270	182
Jon Pickles	100	–	1	–	48	149	124
Eddie Kilkelly+	150	10	2	–	5	167	33
Non-executive Directors							
Paul Lever	38	–	–	–	–	38	38
Paul Virik	26	–	–	–	–	26	26
Chris Allner	–	–	–	–	–	–	–
Damien Lane	–	–	–	–	–	–	–
	509	10	48	–	83	650	403

+ Total for the prior year ended 31 March 2011 is from date of appointment (9 February 2011)

During the prior year ended 31 March 2011, Ken Scott sacrificed salary and benefits of £90,348 in return for additional zero-cost options over 340,936 shares, and Jon 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.

Governance

Remuneration Report continued
for the year ended 31 March 2012

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 2011	Granted / (lapsed) during the year	Number of shares under option at 31 March 2012	Exercise price	Date of grant
Ken Scott	875,000	–	875,000	0p	28-Nov-08
Ken Scott	290,000	–	290,000	0p	02-Jul-10
Ken Scott	–	340,936	340,936	0p	20-Apr-11
Jon Pickles	350,000	–	350,000	0p	28-Nov-08
Jon Pickles	210,000	–	210,000	0p	02-Jul-10
Jon Pickles	–	91,574	91,574	0p	20-Apr-11
Eddie Kilkelly	240,000	–	240,000	0p	31-Oct-09
Eddie Kilkelly	80,000	–	80,000	0p	01-Jun-10
	2,045,000	432,510	2,477,510		

The awards of options to Ken Scott and Jon Pickles were made in lieu of salary for the year ended 31 March 2011 as noted above.

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

Ken Scott (Chief Executive Officer)
Jon Pickles (Chief Financial Officer)
Eddie Kilkelly (Chief Operating Officer)

Non-executive Directors

Paul Lever (Chairman)
Paul Virik
Chris Allner*
Damien Lane+

*resigned 23 March 2012
+appointed 23 March 2012

Following the year end, Wayne Bos was appointed to the Board as Executive Chairman on 21 August 2012; Paul Lever stepped down as Chairman to remain as senior Non-executive Director.

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.

Paul Lever is the senior independent non-executive Director, Paul 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. Damien Lane 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 Paul Lever, and Paul Virik (Chairman), and a remuneration committee which also comprises Paul Lever (Chairman), and Paul Virik, with formally delegated responsibilities.

Corporate Governance continued

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

The Directors 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 25 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 2012 and of the Group's loss for the year then ended;
- 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
21 August 2012

Consolidated Statement of Comprehensive Income

for the Year ended 31 March 2012

	Notes	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Revenue	3	13,473	12,886
Cost of sales		(5,999)	(5,768)
Gross profit		7,474	7,118
Administrative and distribution expenses		(6,329)	(5,303)
Earnings before interest, tax and depreciation		1,145	1,815
Depreciation and amortisation		(137)	(82)
Operating profit	4	1,008	1,733
Finance income	5	4	–
Finance costs	6	(365)	(311)
Profit before tax		647	1,422
Tax expense	9	(101)	(396)
Profit for the year from continuing operations		546	1,026
Loss from discontinued operations	10	–	(10,478)
Profit / (loss) for the year attributable to equity shareholders		546	(9,452)
Other comprehensive income		–	–
Total comprehensive income		546	(9,452)
Earnings per share	11		
From continuing operations:			
Basic		2.00p	4.14p
Diluted		1.94p	4.06p
From discontinued operations:			
Basic		–	(42.30p)
Diluted		–	(41.48p)

The notes on pages 31 to 55 form part of the financial statements.

Financial Statements

Consolidated Statement of Financial Position
as at 31 March 2012

	Notes	As at 31 March 2012 £'000	As at 31 March 2011 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	194	95
Intangible assets	13	9,804	9,618
Total non-current assets		9,998	9,713
Current assets			
Trade and other receivables	15	3,266	3,009
Cash and cash equivalents		638	1,265
Total current assets		3,904	4,274
Total assets		13,902	13,987
Current liabilities			
Trade and other payables		(3,410)	(3,234)
Contingent consideration	17	(28)	(35)
Tax liabilities		(860)	(995)
Bank loans and overdrafts	18	(2,888)	(1,350)
Total current liabilities	16	(7,186)	(5,614)
Non-current liabilities			
Derivative financial instruments	23	–	(35)
Contingent consideration	17	(28)	(287)
Bank loans	18	–	(1,801)
Total non-current liabilities		(28)	(2,123)
Total liabilities		(7,214)	(7,737)
Net assets		6,688	6,250
Equity			
Issued share capital		2,759	2,697
Share premium		114	–
Own shares in trust	20	(1,881)	(1,852)
Share option reserve		427	317
Retained earnings		5,288	5,116
Exchange differences arising on consolidation		(19)	(28)
Total equity	19	6,688	6,250

The notes on pages 31 to 55 form part of the financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 21 August 2012. They were signed on its behalf by:

Jon Pickles
Director

Ken Scott
Director

Company Statement of Financial Position
as at 31 March 2012

	Notes	As at 31 March 2012 £'000	As at 31 March 2011 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	182	94
Intangible assets	13	2,674	2,524
Investments	14	7,131	7,095
Total non-current assets		9,987	9,713
Current assets			
Trade and other receivables	15	2,732	2,740
Cash and cash equivalents		558	1,180
Total current assets		3,290	3,920
Total assets		13,277	13,633
Current liabilities			
Trade and other payables		(3,291)	(3,108)
Contingent consideration	17	(28)	(35)
Tax liabilities		(668)	(884)
Bank loans and overdrafts	18	(2,888)	(1,350)
Total current liabilities	16	(6,875)	(5,377)
Non-current liabilities			
Derivative financial instruments	23	–	(35)
Contingent consideration	17	(28)	(287)
Bank loans	18	–	(1,801)
Total non-current liabilities		(28)	(2,123)
Total liabilities		(6,903)	(7,500)
Net assets		6,374	6,133
Equity			
Issued share capital		2,759	2,697
Share premium		114	–
Own shares in trust	20	(1,881)	(1,852)
Share option reserve		427	317
Retained earnings		4,955	4,971
Total equity	19	6,374	6,133

The notes on pages 31 to 55 form part of the financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 21 August 2012. They were signed on its behalf by:

Jon Pickles
Director

Ken Scott
Director

Consolidated Cash Flow Statement

for the year ended 31 March 2012

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Profit from continuing operations	1,008	1,733
Adjustments for:		
Depreciation and amortisation	137	82
Share option charge	113	118
Movement in trade and other receivables	(461)	(188)
Movement in trade and other payables	358	71
Exchange differences on consolidation	9	(28)
Cash generated from continuing operating activities	1,164	1,788
Tax paid	(342)	(183)
Net cash generated from continuing operating activities	822	1,605
Net cash used by discontinued operating activities	(23)	(146)
Net cash generated from operating activities	799	1,459
Investing activities		
Interest received	4	–
Proceeds on disposal of property and equipment	–	1
Purchases of property and equipment	(178)	(53)
Expenditure on product development	(489)	(477)
Acquisition of subsidiaries	(23)	(9)
Net cash used by investing activities	(686)	(538)
Financing activities		
Decrease in borrowings	(263)	(373)
Net proceeds of share issue	–	842
Outflow relating to capital restructure	–	(34)
Interest and refinancing costs paid	(245)	(454)
Dividend paid	(232)	–
Net cash from financing activities	(740)	(19)
Net change in cash and cash equivalents	(627)	902
Cash and cash equivalents at start of year	1,265	363
Cash and cash equivalents at end of year	638	1,265

The notes on pages 31 to 55 form part of the financial statements.

Company Cash Flow Statement

for the year ended 31 March 2012

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Profit from continuing operations	745	1,528
Adjustments for:		
Depreciation and amortisation	134	82
Share option charge	113	118
Movement in trade and other receivables	(167)	121
Movement in trade and other payables	305	(99)
Cash generated from continuing operating activities	1,130	1,750
Tax paid	(283)	(181)
Net cash generated from continuing operating activities	847	1,569
Net cash used by discontinued operating activities	(53)	(166)
Net cash generated from operating activities	794	1,403
Investing activities		
Proceeds on disposal of property and equipment	–	1
Purchases of property and equipment	(164)	(52)
Expenditure on product development	(489)	(477)
Acquisition of subsidiaries	(23)	(9)
Net cash used by investing activities	(676)	(537)
Financing activities		
Decrease in borrowings	(263)	(373)
Net proceeds of share issue	–	842
Outflow relating to capital restructure	–	(34)
Interest and refinancing costs paid	(245)	(454)
Dividend paid	(232)	–
Net cash from financing activities	(740)	(19)
Net change in cash and cash equivalents	(622)	847
Cash and cash equivalents at start of year	1,180	333
Cash and cash equivalents at end of year	558	1,180

The notes on pages 31 to 55 form part of the financial statements.

Statement of Changes in Equity
for the year ended 31 March 2012

Group	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Balance at start of year	6,250	14,804
Comprehensive income	546	(9,452)
Transactions with owners		
Dividends paid	(406)	–
Exchange differences on consolidation	9	(28)
Options granted	113	118
Share Issue	–	900
Scrip Issue	176	–
Costs relating to share issue	–	(58)
Costs relating to capital restructure	–	(34)
Balance at end of year	6,688	6,250

Company	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Balance at start of year	6,133	14,814
Comprehensive income	358	(9,607)
Transactions with owners		
Dividends paid	(406)	–
Options granted	113	118
Share Issue	–	900
Scrip Issue	176	–
Costs relating to share issue	–	(58)
Costs relating to capital restructure	–	(34)
Balance at end of year	6,374	6,133

The notes on pages 31 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 21 August 2012.

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.

Going concern

In determining the appropriate basis of preparation of the Annual Report, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future; that is for at least 12 months from the date of signing of this Report.

At the balance sheet date, the Company was in technical breach of two out of five banking covenants and accordingly, as required by IAS1, the Company's bank loans are presented as current liabilities. Subsequently, on 30 July 2012, the Company received full waivers of the two breaches, on the understanding that following an additional equity injection of £1.23 million, the Company would repay £500,000 of bank debt.

The additional equity injection was made in two tranches on 1 August 2012 and 21 August 2012.

Therefore, after making enquiries, and considering the matters which are described in this Annual Report, the Directors have concluded that they have a reasonable expectation that the Group and the Company will have adequate resources to continue in operational existence for the foreseeable future.

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.

Notes to the Financial Statements continued

1 Basis of preparation and significant accounting policies continued

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.

Impairment is recognised within Depreciation and Amortisation in the Consolidated Statement of Comprehensive Income.

Acquired customer relationships

The value of acquired customer relationships is determined by estimating the net present value of the future profits expected from the customer relationships. Where customer relationships relate to contracts covering a pre-determined period, the value is amortised over that period. Where the relationships have an indefinite life, the value is subject to annual impairment reviews in accordance with applicable accounting standards.

Research and development

Research expenditure is written off to the 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

Notes to the Financial Statements continued

1 Basis of preparation and significant accounting policies continued

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 profit after tax of £358,000 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)
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.

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 610 customers with an average balance of just under £4,800. The largest balance at year end comprised 6% of the total trade receivable balance. Balances aged 60 days or over comprised 15% 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.

Notes to the Financial Statements continued

2 Financial instruments – risk management continued

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, which carries an interest rate margin over Bank of England Base Rate, and its revolving credit facility, which carries an interest rate margin over LIBOR. Future changes in these rates will affect the interest cost to the group. These rates would need to rise significantly to have a material effect on the interest cost. The Group is currently discussing an appropriate hedging strategy with its bankers.

Exchange rate risk

All assets and liabilities are denominated in Sterling. Transactions in Euros, Danish Kroner, American Dollars, Australian Dollars, New Zealand Dollars, Omani Riyals, Emirati Dirhams, and South African Rand are translated at the exchange rate ruling at the date of the transaction. The Group did not carry out a significant level of transactions in any other currency during the year.

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 £2.25 million at 31 March 2012 (at 31 March 2011: £1.89 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 training, as opposed to two segments of Best Practice and Finance. The analysis of revenue and profit by division is as follows, for the year and the prior two years, together with a reconciliation of the adjusted profit before tax figure.

	Year ended 31 March 2012		Year ended 31 March 2011		Year ended 31 March 2010	
	Revenue £'000	Profit £'000	Revenue £'000	Profit £'000	Revenue £'000	Profit £'000
UK Best Practice Division	7,949	1,945	9,309	2,634	9,565	2,535
International Division	5,216	1,271	3,235	876	1,810	421
Finance training division	308	184	342	113	493	246
Unallocated central costs	–	(2,392)	–	(1,890)	–	(2,146)
Continuing operations	13,473	1,008	12,886	1,733	11,868	1,056
Interest		(361)		(311)		(299)
Profit before Tax from Continuing Operations		647		1,422		757
Non-cash refinancing charges		139		–		–
Share option charges		113		118		101
Impairment charges		60		–		–
Adjusted Profit before Tax		959		1,540		858

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

Impairment losses are charged to the UK Best Practice division.

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

	Year ended 31 March 2012 Total £'000	Continuing £'000	Discontinued £'000	Year ended 31 March 2011 Total £'000
UK & Ireland	7,922	9,005	816	9,821
Australasia	2,502	1,191	–	1,191
Europe & Scandinavia	1,267	1,144	376	1,520
Middle East	818	808	96	904
Americas	358	352	143	495
Africa	531	309	–	309
Asia	75	77	–	77
	13,473	12,886	1,431	14,317

Financial Statements

Notes to the Financial Statements continued

4 Operating profit

Operating profit is stated after charging:

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Depreciation	137	82
Exchange (gains) / losses	(35)	29
Operating lease rentals – land and buildings	138	114
Operating lease rentals – other	7	7

Loss from discontinued operations is stated after charging:

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Depreciation	–	11
Impairment	–	10,351
Operating lease rentals – land and buildings	–	10

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

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Audit of financial statements	53	37
Other services relating to taxation	10	4
Corporate finance and other advisory services	25	21
	89	62

5 Finance income

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Bank interest	4	–

6 Finance costs

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
On bank loans and overdrafts	207	331
Mark to market of derivative financial instrument	(35)	(90)
Arrangement fees and refinancing costs	193	70
	365	311

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 2012 Number	Year ended 31 March 2011 Number
Development and delivery	19	27
Administration and management	25	24
Sales and marketing	43	34
	87	85

Employed by the Company	Year ended 31 March 2012 Number	Year ended 31 March 2011 Number
Development and delivery	19	27
Administration and management	23	23
Sales and marketing	36	32
	78	82

Their total remuneration was as follows:

Group	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Wages and salaries	5,016	5,147
Social security costs	540	564
Pension costs	213	178
Share based payments	113	118
	5,882	6,007

Company	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Wages and salaries	4,355	4,942
Social security costs	535	564
Pension costs	154	160
Share based payments	113	118
	5,157	5,784

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

Group	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Cost of sales	1,715	2,332
Administrative expenses	3,802	3,337
Product development capital expenditure	365	338
	5,882	6,007

Notes to the Financial Statements continued

7 Employees' and Directors' remuneration continued

Company	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Cost of sales	1,441	2,257
Administrative expenses	3,351	3,189
Product development capital expenditure	365	338
	5,157	5,784

Directors' remuneration can be analysed as follows:

Company	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Remuneration and other emoluments	567	378
Pension contributions	83	25
	650	403

	£'000	£'000
Highest paid director	270	182

There are three Directors to whom retirement benefits are accruing under a money purchase scheme (2011: three).

A detailed analysis of Directors' remuneration is provided on page 19.

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 £110,000 (2011: £125,000) plus contributions payable directly to Directors' and employees' personal pension schemes which amounted to £44,000 (2011: £35,000).

9 Tax expense

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
UK current tax expense	112	381
Overseas current tax expense	79	67
Adjustment in respect of prior periods	(90)	(52)
Tax expense	101	396
Factors affecting the tax charge for the year		
Profit before tax	647	1,422
Profit before tax multiplied by standard rate of UK corporation tax of 26% (2011: 28%)	168	398
Effects of:		
Non-deductible expenses	2	7
Depreciation in excess of capital allowances	(2)	5
Share option adjustment	29	33
Provisions adjustment	(6)	5
Adjustment in respect of prior periods	(90)	(52)
Tax charge for period	101	396

10 Discontinued operations

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

	Year ended 31 March 2012 Total £'000	Year ended 31 March 2011 Total £'000
Revenue	–	1,431
Cost of sales and administrative expenses	–	(1,653)
Loss before interest, tax and depreciation	–	(222)
Depreciation	–	(11)
Impairment	–	(10,351)
Loss before tax	–	(10,584)
Tax	–	106
Loss for the year from discontinued operations	–	(10,478)

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 5.0% (2011: 8.0%).

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Profit / (loss) for the year attributable to equity shareholders	546	(9,452)
Weighted average shares	27,260,017	24,768,797
Outstanding share options	1,234,705	492,250
Weighted average shares for diluted earnings per share	28,494,722	25,261,047
Basic earnings / (loss) per share	2.00p	(38.16p)
Diluted earnings / (loss) per share	1.94p	(37.42p)

From continuing operations	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Profit for the year from continuing operations	546	1,026
Basic earnings per share	2.00p	4.14p
Diluted earnings per share	1.94p	4.06p

From discontinued operations	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Loss from discontinued operations	–	(10,478)
Basic loss per share	–	(42.30p)
Diluted loss per share	–	(41.48p)

Notes to the Financial Statements continued

11 Earnings per share continued

Adjusted earnings per share is calculated as follows:

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Adjusted profit before tax (see note 3)	959	1,540
less notional tax at 26% (28%)	(249)	(431)
Adjusted profit after tax	710	1,109
Adjusted earnings per share	2.60p	4.48p
Adjusted diluted earnings per share	2.49p	4.39p

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 2010	131	272	1	404
Additions	19	31	3	53
Disposals	(90)	(147)	(1)	(238)
At 31 March 2011	60	156	3	219
Additions	17	160	1	178
Disposals	(5)	(80)	(4)	(89)
At 31 March 2012	72	236	–	308
Depreciation				
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
Charge for the year	18	57	2	77
Disposals	(5)	(79)	(3)	(87)
At 31 March 2012	39	75	–	114
Net Book Value				
At 31 March 2012	33	161	–	194
At 31 March 2011	34	59	2	95
At 31 March 2010	46	88	1	135

Company	Fixtures, fittings and equipment £'000	Computer equipment & software £'000	Bicycles under Ride to Work Scheme £'000	Total £'000
Cost				
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
Additions	16	147	1	164
Disposals	(5)	(80)	(4)	(89)
At 31 March 2012	71	222	–	293
Depreciation				
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
Charge for the year	17	55	2	74
Disposals	(5)	(79)	(3)	(87)
At 31 March 2012	38	73	–	111
Net Book Value				
At 31 March 2012	33	149	–	182
At 31 March 2011	34	58	2	94
At 31 March 2010	46	88	1	135

Notes to the Financial Statements continued

13 Intangible fixed assets

Group	Goodwill £'000	Acquired customer relationships £'000	Product development and intellectual property £'000	Total £'000
Cost				
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
Additions	23	–	473	496
At 31 March 2012	10,408	–	3,758	14,166
Impairment				
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
Charge for the year	11	–	299	310
At 31 March 2012	3,278	–	1,084	4,362
Net Book Value				
At 31 March 2012	7,130	–	2,674	9,804
At 31 March 2011	7,118	–	2,500	9,618
At 31 March 2010	12,025	4,684	2,787	19,496

Company	Goodwill £'000	Product development and intellectual property £'000	Total £'000
Cost			
At 31 March 2010	15	2,216	2,231
Additions	9	464	473
At 31 March 2011	24	2,680	2,704
Additions	–	473	473
Disposals / Adjustments	(13)	–	(13)
At 31 March 2012	11	3,153	3,164
Impairment			
At 31 March 2010	–	34	34
Charge for the year	–	146	146
At 31 March 2011	–	180	180
Charge for the year	11	299	310
At 31 March 2012	11	479	490
Net Book Value			
At 31 March 2012	–	2,674	2,674
At 31 March 2011	24	2,500	2,524
At 31 March 2010	15	2,182	2,197

The additions in respect of product development and intellectual property relate to products and intellectual property developed internally.

Notes to the Financial Statements continued

13 Intangible fixed assets continued

Impairment

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

For impairment purposes the carrying value of intangibles was reviewed against a single 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
Customer Projects Ltd	442
ILX Group Inc (establishment)	2
ILX Group Pty Ltd (establishment)	3
ILX Group Aps (establishment)	9
ILX Group Sp zoo (establishment)	6
ILX Group Ltd (establishment)	6
ILX Consulting JLT (establishment)	10
	7,130
Other intangibles	
Product development and intellectual property	2,674
	9,804

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 22%, with compound annual growth in cash flows of 44%. A discount rate of 10% per annum has been used. These are in line with 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 2011/12 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 with the annual sales and gross profits generated from these products. Annual gross profit was approximately 3.1 times the total carrying value of these products (2011: 3.0 times). Except as noted above, none of the individual products have been discontinued or have shown a substantial fall in sales.

The Directors have determined that an impairment charge of £299,000 is appropriate with respect to the year just ended. £250,000 of this cost is offset by a reduction in the estimated contingent cost of that asset as detailed in Note 17.

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.

The Directors have determined that an impairment charge of £11,000 is appropriate with respect to the year just ended.

14 Investments

	Shares in group undertakings (at cost) £'000
Cost	
At 31 March 2010	17,299
Additions	–
(Disposals) / Adjustments	(10,204)
At 31 March 2011	7,095
Additions	23
(Disposals) / Adjustments	13
At 31 March 2012	7,131

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Notes to the Financial Statements continued

14 Investments continued

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 Group Sp zoo	Trading	99%	Poland
ILX Group Ltd	Trading	100%	New Zealand
ILX Consulting JLT	Trading	100%	UAE (Free Zone)
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 six trading subsidiaries, ILX Group Inc, ILX Group Pty Ltd, ILX Group Aps. ILX Group Sp zoo, ILX Group Ltd, and ILX Consulting JLT, have been formed for the purpose of conducting the Group's business in New York, Australasia, Scandinavia, Poland, New Zealand and the Middle East and Africa.

ILX Consulting JLT was formed after the balance sheet date.

K P Scott holds 1% of ILX Group Sp zoo for administrative purposes.

15 Trade and other receivables

Group	At 31 March 2012 £'000	At 31 March 2011 £'000
Trade receivables	2,880	2,434
Other receivables	45	18
Prepayments	312	556
Accrued revenue	29	1
	3,266	3,009

Company	At 31 March 2012 £'000	At 31 March 2011 £'000
Trade receivables	2,476	2,167
Other receivables	15	11
Amounts owed by group undertakings	–	41
Prepayments	222	520
Accrued revenue	19	1
	2,732	2,740

The amount of receivables past due but not impaired at the balance sheet date was £400,000 (2011: £250,000).

16 Trade and other payables

Group	At 31 March 2012 £'000	At 31 March 2011 £'000
HSBC 3-year term loan (see note 18)	1,838	–
HSBC 2-year revolving credit facility (see Note 18)	1,050	–
Barclays 3-year term loan (see note 18)	–	800
Barclays revolving credit facility (see note 18)	–	550
Trade payables	940	890
Corporation tax	145	387
Other taxes and social security costs	714	608
Contingent consideration (see note 17)	28	35
Accruals	766	845
Deferred revenue	1,705	1,499
	7,186	5,614

Company	At 31 March 2012 £'000	At 31 March 2011 £'000
HSBC 3-year term loan (see note 18)	1,838	–
HSBC 2-year revolving credit facility (see Note 18)	1,050	–
Barclays 3-year term loan (see note 18)	–	800
Barclays revolving credit facility (see note 18)	–	550
Trade payables	794	852
Amounts owed to group undertakings	668	235
Corporation tax	59	320
Other taxes and social security costs	609	564
Contingent consideration (see note 17)	28	35
Accruals	582	744
Deferred revenue	1,247	1,277
	6,875	5,377

Notes to the Financial Statements continued

17 Deferred and contingent consideration

	At 31 March 2012 £'000	At 31 March 2011 £'000
Current liabilities: Contingent consideration		
Acquisition of rights to software products	28	35
	28	35
Non-current liabilities: Contingent consideration		
Acquisition of rights to software products	28	287
	28	287

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. Following a review of projections, the estimated contingent consideration has been reduced by £250,000 during the year.

18 Bank loans and facilities

	At 31 March 2012 £'000	At 31 March 2011 £'000
Bank loan amounts included in non-current liabilities		
Barclays 3-year amortising term loan	–	1,398
Barclays 3-year bullet term loan	–	403
	–	1,801
Total bank loans		
Repayable in one year or less (note 16)	2,888	1,350
Repayable between one and two years	–	800
Repayable between two and five years	–	1,001
	2,888	3,151

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

The carrying amount of financial assets pledged as collateral under this Debenture as at 31 March 2012 was £3,904,000.

The HSBC 3-year amortising term loan has an interest rate of 3.3% over Base Rate.

The HSBC 2-year revolving credit facility had a limit of £2,000,000 at the balance sheet date with a non-utilisation fee of 1.6% on the full facility and an interest rate of 3.15% over LIBOR on amounts drawn down. On 30 July 2012, the facility limit was reduced to £1,050,000.

At the balance sheet date, the Company was in technical breach of two out of five banking covenants and accordingly, as required by IAS1, the Company's bank loans are presented as current liabilities. These breaches have been formally waived post year end following an additional equity injection of £1.23 million.

Of the total £2.89 million in facilities drawn at the balance sheet date, £1.15 million is expected to be repaid during the current financial year, comprising £0.65 million in quarterly term loan repayments and a £0.5 million additional repayment.

19 Share capital and reserves

	At 31 March 2012 £'000	At 31 March 2011 £'000
Authorised equity:		
Ordinary shares of 10p each	5,000	5,000
Allotted, called up and fully paid equity:		
Ordinary shares of 10p each	2,759	2,697

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	Exchange differences arising on consolidation £'000	Retained earnings £'000	Total £'000
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
Profit for the year	–	–	–	–	–	546	546
Exchange differences on consolidation	–	–	–	–	9	–	9
Dividend paid	–	–	(29)	–	–	(377)	(406)
Options granted	–	–	–	113	–	–	113
Options lapsed and waived	–	–	–	(3)	–	3	–
Scrip issue	62	114	–	–	–	–	176
Balance at 31 March 2012	2,759	114	(1,881)	427	(19)	5,288	6,688

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	Retained earnings £'000	Total £'000
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
Profit for the year	–	–	–	–	358	358
Dividend paid	–	–	(29)	–	(377)	(406)
Options granted	–	–	–	113	–	113
Options lapsed and waived	–	–	–	(3)	3	–
Scrip issue	62	114	–	–	–	176
Balance at 31 March 2012	2,759	114	(1,881)	427	4,955	6,374

Share premium account

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

20 Share options and own shares in trust

Share options

As at 31 March 2012, 33 employees (including Directors) held options (granted between 9 December 2002 and 19 November 2012) over a total of 3,267,940 (2011: 2,556,750) ordinary shares at an average exercise price of 7.4p (2011: 10.9p), as follows:

Date of grant	Number of shares under option at 31 March 2011	Granted during the year	Exercised during the year	Forfeited during the year	Number of shares under option at 31 March 2012	Exercise Price	Expiry Date
09-Dec-02	5,000	–	–	–	5,000	110p	09-Dec-12
01-Feb-04	30,500	–	–	(5,500)	25,000	70p	01-Feb-14
24-Dec-04	39,000	–	–	(11,000)	28,000	90p	24-Dec-14
15-Jul-05	18,125	–	–	–	18,125	90p	15-Jul-15
01-Oct-05	11,875	–	–	–	11,875	90p	01-Oct-15
01-Dec-05	7,500	–	–	–	7,500	100p	01-Dec-15
12-Jun-06	10,000	–	–	–	10,000	90p	12-Jun-16
22-May-07	92,500	–	–	(5,000)	87,500	53p	22-May-17
28-Nov-08	1,225,000	–	–	–	1,225,000	0p	28-Nov-18
30-Jan-09	75,000	–	–	–	75,000	20p	30-Jan-19
30-Jan-09	47,250	–	–	–	47,250	0p	30-Jan-19
31-Oct-09	240,000	–	–	–	240,000	0p	31-Oct-19
30-Apr-10	115,000	–	–	–	115,000	0p	30-Apr-20
01-Jun-10	80,000	–	–	–	80,000	0p	01-Jun-20
02-Jul-10	500,000	–	–	–	500,000	0p	02-Jul-20
24-Feb-11	60,000	–	–	–	60,000	25p	24-Feb-21
14-Apr-11	–	100,000	–	–	100,000	25p	14-Apr-21
20-Apr-11	–	432,510	–	–	432,510	0p	20-Apr-21
15-Aug-11	–	100,000	–	–	100,000	25p	15-Aug-21
19-Nov-11	–	100,000	–	–	100,000	25p	19-Nov-21
	2,556,750	732,510	–	(21,500)	3,267,760		

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 2011	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options exercisable at 31 March 2012	Options outstanding (including those exercisable) at 31 March 2012
Number of shares under option	2,556,750	732,510	–	(21,500)	1,780,250	3,267,760
Weighted average exercise price	7.2p	10.2p	–	76.3p	8.6p	7.4p

The weighted average time to expiry of the share options outstanding at 31 March 2012 was 3.54 years (2011: 5.26 years). Details of individual expiry dates are shown above. For those share options outstanding but not exercisable at 31 March 2012, the weighted average time prior to the options becoming exercisable was 0.71 years (2011: 0.59 years).

Notes to the Financial Statements continued

20 Share options and own shares in trust continued

All options are exercisable between 2 and 10 years from the date of grant. Details of Directors' share options can be found on page 20. The Company's share price on 31 March 2012 was 18.50p (on 31 March 2011: 20.25p).

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 £113,000 (2011: £118,000). 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	Granted in year ended 31 March 2012
Average share price at grant	90.0p	53.0p	22.5p	35.0p	20.1p	25.5p
Average exercise price	90.0p	53.0p	2.9p	1.4p	2.0p	10.2p
Expected volatility	15%	40%	48%	62%	68%	55%
Expected life	3.5 years	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%	6.0%
Risk-free rate of return	5.0%	5.0%	5.0%	1.0%	1.0%	1.0%

Own shares in trust

At 31 March 2012, the Company held 2,033,235 of its own ordinary shares in a trust, administered by Investec Trust Guernsey Ltd. The shares are held in trust and represented 7.37% of the total called up share capital. Post year end, 115,000 shares were sold by the trust to satisfy exercise of an option, leaving the trust holding 1,918,235 ordinary shares representing 6.95% of the total called up share capital. Following the post balance sheet investment, the holding represented 4.80% 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 £294,000 (2011: £577,700). As at the year end there were a total of 222,250 share options outstanding for these individuals (2011: 242,250).

The Company have made payments to Octopus Investments Ltd of £25,000 (2011: £8,000) in respect of fees charged for the services of Chris Allner and Damien Lane as Non-Executive Directors.

22 Ultimate parent undertaking and controlling interest

There is no ultimate controlling party.

23 Derivative financial instruments

The Group had 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 paid 5.39% per annum on the principal and received 3 month LIBOR. The Swap Agreement, which was valued by Barclays Capital as a liability of £35,000 at 31 March 2011, expired during the year.

24 Operating leases

At 31 March 2012 the Group had minimum commitments under non-cancellable operating leases as set out below:

Group	Land and buildings 31 March 2012 £'000	Land and buildings 31 March 2011 £'000
Due within one year	179	79
Due in second to fifth year	247	70
Total minimum lease payments	426	149

Company	Land and buildings 31 March 2012 £'000	Land and buildings 31 March 2011 £'000
Due within one year	121	79
Due in second to fifth year	18	70
Total minimum lease payments	139	149

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

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

25 Capital commitments

There were no capital commitments at the end of the year (2011: £0).

Notice of Annual General Meeting

Notice is hereby given that the 2012 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 21 September 2012 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 2012 together with the independent auditors' report thereon.

2. To approve the report to the shareholders on Directors' remuneration for the year ended 31 March 2012 (advisory vote).

3. To re-elect Jon Pickles, who retires by rotation, as a Director of the Company.

4. To elect Damien Lane, having been appointed since the last annual general meeting, as a Director of the Company.

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

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

Special Business

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

7. 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 £1,600,000 (being approximately 40 per cent of the issued share capital at 21 August 2012), such authorisation (unless previously renewed, revoked or varied by the Company in general meeting) to expire at midnight on 20 December 2013 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.

8. THAT subject to the passing of resolution numbered 7 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) and (c) below) up to an aggregate nominal amount of £600,000 (being approximately 15 per cent of the issued share capital at 21 August 2012);

   (b) the allotment of equity securities in connection with an offer to all holders of ordinary shares of 10 pence each in the capital of the Company ("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); and

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

   such power shall expire at midnight on 20 December 2013 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.

9. 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 20 December 2013 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 a 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
21 August 2012

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 Limited, The Registry, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive no later than 10.00 a.m. on 19 September 2012.

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 19 September 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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

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

7. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to have the right to attend and vote at the Meeting a member must first have his or her name entered in the Company's register of members by no later than 6.00 p.m. on 19 September 2012 or, if the Meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting. Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting.

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

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

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 2012. 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.

Re-election of directors (resolutions 3, 4 and 5)

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, Damien Lane and Wayne Bos are offering themselves for election and Jon Pickles is retiring and offering himself for re-election under this provision.

Biographical details of all of the directors are set out on page 16 of the annual report and accounts.

Appointment and remuneration of auditors (resolution 6)

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

Authority to allot shares (resolution 7)

At the annual general meeting of the Company held on 20 September 2011 (the "September 2011 Meeting") the shareholders approved an authority on the directors under section 551 of the Act to allot shares or grant rights to subscribe for, or convert any security into, such shares in the Company up to a maximum nominal amount of £900,000. This amount represented approximately one third of the Company's issued share capital as at the date of the September 2011 Meeting.

Resolution 7 seeks to renew a similar authority but at an increased maximum nominal amount of £1,600,000. This amount represents approximately 40 per cent of the Company's enlarged issued ordinary share capital (following the issue of shares referred to in the circular to shareholders dated 3 August 2012) as at 21 August 2012 (being the latest practicable date prior to publication of this Notice).

The Directors are seeking authority to increase the maximum nominal amount in this way in order to allow them to respond quickly to opportunities which may arise for acquisitions without the additional time and cost involved in returning to shareholders.

The authority sought under resolution 7 will expire at the conclusion of the annual general meeting of the Company in 2013 or 15 months from the passing of the resolution, whichever is the earlier.

Disapplication of pre-emption rights (resolution 8)

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 8 asks the shareholders to do this and, apart from the allotments of shares in relation to the Company's share options schemes 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 £600,000 (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 21 August 2012.

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 flexibility to allot further shares, if required, without the expense of an open offer and at short notice. The Directors are seeking authority to increase the maximum amount allowed under the authority in order to allow them to respond quickly to opportunities and requirements which may arise for additional capital.

The authority sought under resolution 8 will expire at the conclusion of the annual general meeting of the Company in 2013 or 15 months from the passing of the resolution, whichever is the earlier.

Authority to buy back shares (resolution 9)

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 9 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% 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 2013 or 15 months from the passing of resolution 9, whichever is the earlier.

Statutory and Other Information

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Maclay Murray and Spens LLP

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3525870

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