INTELLEXIS PLC

Company No. 3525870

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2004

Intellexis plc

Contents

Intellexis plc

Statutory and Other Information

Directors	P R S Lever* (Chairman) K P Scott (Chief Executive) J A Pickles (Finance Director) J H Davies* * non-executive director
Secretary	Secretarial Solutions Limited
Company Number	3525870
Registered Office	149 Hammersmith Road London W14 0QL
Bankers	HSBC Bank plc PO Box 120 Corn Street Bristol BS99 7PP
Auditors	Saffery Champness Beaufort House 2 Beaufort Road Clifton Bristol BS8 2AE
Nominated Adviser	Teather & Greenwood Beaufort House 15 St Botolph Street London EC3A 7QR
Nominated Broker	Teather & Greenwood Beaufort House 15 St Botolph Street London EC3A 7QR
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

Intellexis plc

Chairman's Statement
For the year ended 31^{st} March 2004

I am pleased to present the results for the year ended 31^{st} March 2004, a year of consolidation and growth for the Group.

During the year the focus of the board has been to continue on the work undertaken last year to consolidate the Intellexis business and bring it to profitability, whilst also seeking to build a stronger base for the Group by seeking suitable acquisitions.

The Group now trades as two divisions; Key Skills and Intellexis, both of which are recognised brand names in their respective marketplaces and amongst their customer bases. In the light of this the directors feel it is no longer appropriate that the name reflects only one of the divisions and therefore is proposing to shareholders that the Company name be changed from Intellexis plc to ILX Group plc. The Group will continue to trade under both the Key Skills and Intellexis brands.

Acquisition
On 20^{th} February 2004 the Group acquired Key Skills Limited for £2,384,342 of which £1,836,000 was satisfied in cash and £548,342 in shares. The deal was financed by way of £975,000 in new loans from the Group's Bankers, HSBC, and a placing of shares which raised just over £1.7 million (£1.4 million net). Key Skills Limited made a pre-tax profit for the year ended 31^{st} December 2003 of £448,604. The business, which was acquired together with a freehold property valued at £180,000 and net cash balances of £222,231, was therefore purchased at 5.3 times operating profits. The directors believe that this represents very good value for shareholders.

The Board regrets that the Company was not able to extend the offer of new shares to the entire shareholder base. Had it done so, a considerable amount of additional cost would have been incurred in producing a full prospectus suitable for a public offering. After due consideration, and taking into account the results of the last rights issue in December 2001, it was the opinion of the Board that the costs of extending the offer would have outweighed the proceeds, and accordingly shareholder approval was sought (and granted) to issue the shares without making a general offer.

Financial Results
Net Loss for the year narrowed to £256,979 (2003: £2.04 million) on turnover of £1.61 million (2003: £1.38 million), and loss per share reduced significantly to 7.45p (2003: 70.93p). The Group has also strengthened its Balance Sheet during the year and has available cash reserves of over £500,000.

Share Capital Reorganisations
The Company undertook two reorganisations of its share capital during the year. The first, a 1000:1 consolidation of the ordinary shares, took place effective from 1^{st} October 2003. Its purpose was to help remove the perception of the Company's shares as high-risk "penny shares" and improve its ability to attract institutional investors. Following the recent placing, the Company has three new institutional shareholders on board.

The second reorganisation was necessary in order to be able to price the new shares at a level which attracted support for the placing. Ever since the acquisition of Intellexis International Limited in December 2001, the company's shares had been trading at a level close to the nominal value of the shares (0.1p prior to consolidation and 100p immediately following consolidation). The effect of the second reorganisation, which became effective on 20^{th} February 2004, was to reduce the nominal value of each share to 10p whilst leaving the number of Ordinary Shares, and thus the Company's share price, unaltered.

Board changes
Paul Palmarozza, the founder of the Intellexis business, resigned from the Board on 31^{st} March 2004 having served as a director throughout the year. Paul continues to remain fully involved with the business but will now focus exclusively on sales and marketing activities. In particular, he will continue his work on opening up the Chinese market with our distributor, Intellexis China, and also look to open up other emerging markets.

David Little also resigned from the Board on 31^{st} March 2004 having served as a director throughout the year. Having recently moved back into private legal practice and taken on partnership, David wishes to focus his energies on his new role.

Electronic Communication
There are currently over 4,000 shareholders on the register, and the cost of communicating with and maintaining this shareholder base remains relatively significant in comparison with the Company's size. Accordingly, I would like once again to draw your attention to the possibility of receiving communications from the Company in electronic form. If you are able to receive such communications by email, I would encourage you to fill out and return the form attached to the back of this report.

ShareGift
The Company also supports ShareGift, the charity share donation scheme administered by the Orr Mackintosh Foundation (registered charity number 1052686). Through ShareGift, shareholders who have only a very small number of shares which might be considered uneconomic to sell are able to donate them to charity. Donated shares are aggregated and sold by ShareGift, the proceeds being passed on to a wide range of UK charities. Donating shares to charity gives rise neither to a gain nor loss for UK Capital Gains purposes and UK taxpayers may also be able to claim income tax relief on such gifts of shares.

A ShareGift transfer form is attached and additional forms are available from the Company's Registrars, Capita Registrars. Even if the share certificate has been lost or destroyed, the gift can be completed. The service is generally free but there may be an indemnity charge for a lost or destroyed share certificate where the value of the shares exceeds £100. Further details about ShareGift can be obtained from its website at www.sharegift.org or at The Orr Mackintosh Foundation, 46 Grosvenor Street, London W1K 3HN (telephone: +44 (0) 20 7337 0501).

Prospects
Although the share price at the end of the year (96.5 pence on 31st March 2004) shows only a small gain over the price of 85 pence (0.085p pre-consolidation) at the end of the 2002/3 Financial Year, it is clear that the company is fundamentally in a stronger position. The Intellexis business has made good progress whilst the Key Skills acquisition, and the resultant commercial synergies, should more than double the Group's turnover next year and ensure a move into profit.

I would like to welcome all our new staff and shareholders, and thank the management, existing staff and shareholders for their contribution and support in what has been an important year for the Group We look forward to building on our success in 2004/5.

Paul Lever
Chairman

1st June 2004

Intellexis plc

Operating and Financial Review
For the year ended 31st March 2004

In reviewing the operations and financial results of the Group, it is apparent that we have come a long way in just 12 months.

Revenues from Intellexis products have been broadly maintained during the year whilst overheads in that division have been cut by 40%. The enlarged Group has achieved a small profit, at EBITDA level, (Earnings before Interest, Tax, Depreciation and Amortisation) for the year. The acquisition of Key Skills late in the year provides the Company with an increased product range and an enhanced sales and marketing capability. These, together with the reduced overhead base of the existing business, provide improved prospects for the future.

Business Review
As mentioned in the Chairman's Statement the Group now trades as two separate divisions; Key Skills and Intellexis. Although there are numerous joint commercial opportunities that arise and are being exploited as a result of Key Skills joining the group, the two entities currently operate as distinct and separate divisions.

As Key Skills only joined the Group late in the year, I have accordingly reviewed each division separately.

Intellexis
The Intellexis business continues to retain repeat business from a number of blue-chip clients such as Rolls-Royce, Heineken, Xerox, IBM, Givaudan, and Hilton. Although it has been a difficult year to secure new business, there have been a number of significant new clients including HSBC, ICN, ING and the Department of Health. The business' financial training products continue to be endorsed through increased usage on executive MBA programmes at the Swiss business school IMD.

After the withdrawal last year from direct sales representation in North America, revenues from this area have fallen by 35%, a drop which is nevertheless substantially less than the costs incurred by that operation. The business has, however, seen a 23% increase in revenues from mainland Europe, and steady revenues from the United Kingdom. Revenues from third-party distributors and resellers have increased to 19% of turnover (2003: 15%), with some resellers, predominantly in Europe, performing well. Others however, including some major alliance partner agreements signed during the year, have so far yet to deliver.

Intellexis also succeeded during the year in winning a number of development contracts, utilising the combination of unique proprietary tools and the expertise available within the Intellexis development team. Revenues from this area of the business contributed 20% (2003: 8%) of Intellexis turnover (excluding turnover from acquired operations). These developments include a number of translation projects, including the production of five finance e-learning courses in Mandarin Chinese, a third-party product into Russian, and the development of a third-party e-learning product covering International Financial Reporting Standards.

Key Skills
The Key Skills business, prior to acquisition, delivered its fifth successive year of increased turnover and profit since incorporation in 1998 and post-acquisition shows strong signs that growth will accelerate further. Its training products, which cover the field of Project Management, are computer-based and delivered by CD or over the internet. Since the acquisition however, use has already begun to be made of joint facilities and experience to deliver classroom-based training and blended products.

The majority of the revenue since acquisition came from the United Kingdom. In contrast to the Intellexis division, where 98% of revenues came from the private sector, only 49% of Key Skills' revenues are private sector generated. 37% of its turnover comes from the public sector and 14% from private individuals purchasing training products directly. Key Skills does not rely as heavily as Intellexis on large contracts, but nevertheless secured significant deals during the period with Vodafone and the Welsh Development Agency.

PRINCE2 marketplace
Over 70% of Key Skills' revenue comes from training products leading to qualification in the PRINCE2 project management methodology. This methodology, which is used extensively in the public sector, has also been adopted in the private sector. The market for training and qualification in PRINCE2 is estimated to be well in excess of £75 million, and to be growing at 20-25% per annum. The market is currently dominated by classroom training companies, whereas Key Skills has historically provided computer-based training products, aimed at both the Foundation and Practitioner levels of PRINCE2.

Operating and Financial Review
For the year ended 31st March 2004 (continued)

Financial Results
Turnover for the Intellexis division was down 4% to £1.33m (2003: £1.38m) which is below expectations, principally due to the fact that two signed agreements did not deliver revenue as projected. The decision outlined last year to write off development expenditure as incurred rather than capitalise and amortise it over a period ensures that the profit and loss now reflects the true gross margins of the business. Gross margin for the year was 82% (2003: 83% pre-amortisation). These results have been achieved despite overheads being cut by 40%, with the result that, pre-goodwill, operating losses on a like-for-like basis have been cut to £148,333 (2003: £1,652,571).

Turnover for the Key Skills division in the short period between acquisition and 31st March 2004 was £277,086. The turnover has benefited from a record sales performance in March, traditionally one of Key Skills' strongest sales months. Gross margins were 81% and the business delivered a pre-goodwill operating profit of £118,952.

There were no exceptional costs for the year and no tax was payable as the Group has carried forward tax losses of £4.3 million. Net interest for the year increased to £63,233 (2003: £42,386). Net Loss for the year narrowed to £256,979 (2003: £2,039,457) and loss per share reduced significantly to 7.45p (2003: 70.93p).

Operating cash outflow for the year was £297,942 (2003: £885,470). This outflow was due almost entirely to the increase in debtors for the year of £282,669 (2003: a decrease of £23,094), which is itself due to the Key Skills revenue streams coming on board only at the very end of the year and to the exceptional sales performance in March. At the year end, the Group has a stronger balance sheet with cash balances of £543,755 (2003: £183,588) and Net Current Assets of £124,975 (2003: Net Current Liabilities of £309,856). Net debt has increased to £1,226,949 (2003: £693,694) due to the new loans drawn to help finance the acquisition of Key Skills.

Future Opportunities
The Group is currently expanding its sales capability, particularly by building up the sales team in Cheshire. The Intellexis division is also using the Key Skills contacts, marketing expertise, and customer base to obtain incremental revenue streams from the introduction of Intellexis branded financial training products to the public sector and direct to individuals; areas which that business has historically not reached. The Group is also planning to release further products to the market during the forthcoming year both in finance and project management, and to increase its share of the growing PRINCE2 training market. All of this will be achieved both through the increased market acceptance of the benefits and cost savings associated with computer-based training and also through further development of the classroom training capability.

The Group will continue to grow organically, and by acquisition as and when suitable entities can be found which provide a sensible strategic fit at a price which enhances earnings per share.

Ken Scott
Chief Executive

1st June 2004

Intellexis plc

Directors' Report
For the year ended 31st March 2004

The directors present their report and the financial statements for the year ended 31st March 2004.

Principal Activity and Business Review
The principal activity of the group during the year was as providers of financial training services and related software development. A full review of trading and future developments is presented in the Chairman's Statement and the Operating and Financial Review.

During the year, the group acquired Key Skills Limited, a company specialising in the development and sale of computer-based project management training packages.

Results and Dividends
The results of the group for the year are set out on page 12. The directors do not recommend payment of a final dividend as the funds of the company are fully employed.

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

	Ordinary Shares of 10 pence each	**Percentage**
Park Row Group Plc	863,985	12.6
Laxey Partners (UK) Ltd	666,600	9.7
Barnard Nominees Ltd	623,330	9.1
Singer & Friedlander AIM 3 VCT	541,600	7.9
Paul and Judica Palmarozza	480,210	7.0
Investec Trust Guernsey Ltd	318,580	4.6
Martyn and Heather Kinch	311,204	4.5
Thomas and Janis Crowther	311,204	4.5

The investment by Investec Trust Guernsey Limited represents 4.6% of the total called up share capital. This investment is a Medium Term Incentive Plan and the shares held by the trust will vest with various directors and senior management (see page 9 for details) only on achievement of certain performance criteria.

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 31st March 2004 was 61 (at 31st March 2003: 55).

Directors and their Interests
The present directors are listed on page 1. The directors served throughout the year. P H Palmarozza and D A Little also served throughout the year and resigned from the board on 31st March 2004.

The interests of the directors (including family interests) in the share capital of the Company are listed on page 9.

J H Davies retires by rotation and, being eligible, offers himself for re-election at the forthcoming AGM.

Auditors
In accordance with S385 of the Companies Act 1985 a resolution proposing that Saffery Champness be reappointed as auditors to the company will be put to the Annual General Meeting.

This report was approved by the Board on 1st June 2004.

On behalf of the Board

....
J A Pickles
Director

Intellexis plc

Corporate Governance

Corporate Governance
The directors intend, so far as possible and to the extent appropriate given the company's size and the constitution of the Board, to comply with the Combined Code prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel and which is appended to the Listing Rules of the Financial Services Authority. The Board has separate roles for Chairman and Chief Executive.

The Board has established an Audit Committee, which comprises P R S Lever, and J H Davies, and a Remuneration Committee which also comprises P R S Lever, and J H Davies, with formally delegated responsibilities.

The Audit Committee meets at least twice a year and is responsible for ensuring that the financial performance of the company is properly monitored and reported, for appointing the auditors and reviewing the reports on the company from the auditors in relation to the accounts and internal control systems.

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

The Board has not established a Nomination Committee as it regards the approval and appointment of directors (whether executive or non-executive) as a matter for consideration by the whole Board.

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

The directors are responsible for the Group's system of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the company's system is designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The key procedures that have been established and which are designed to provide effective internal control are as follows:

Management structure - The board of directors meets regularly and minutes of its meetings are maintained.

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

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

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

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

Intellexis plc

Report to the Shareholders on Directors' Remuneration

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

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

	Salary & Fees	Benefits	Bonus	Pension Contributions	TOTAL
	£	£	£	£	£
Executive Directors					
K P Scott	113,500	14,629	-	24,000	152,129
J A Pickles	57,266	457	-	9,730	67,453
P H Palmarozza	55,000	2,181	50,584	6,650	114,415
Non-executive Directors					
P R S Lever	24,960	-	-	-	24,960
J H Davies	12,000	-	-	-	12,000
D A Little	12,000	-	-	-	12,000
	274,726	17,267	50,584	40,380	382,957

P H Palmarozza and D A Little resigned from the board on 31st March 2004.

Salary for P R S Lever was paid £15,000 in cash and £9,960 in shares.

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

	Number of shares under option at 31st March 2003	Granted during the year	Number of shares under option at 31st March 2004	Exercise Price	Date of Grant
K P Scott	140,500		140,500	110p	30 September 2002
K P Scott		16,860	16,860	70p	31 March 2004
J A Pickles	8,500		8,500	250p	19 April 2002
J A Pickles	25,000		25,000	110p	9 December 2002
J A Pickles		7,125	7,125	70p	31 March 2004
J H Davies	10,000		10,000	110p	9 December 2002
D A Little	15,000		15,000	110p	9 December 2002

As at 31st March 2004, 18 employees (including directors) held options (granted between 19th April 2002 and 31st March 2004) over a total of 366,860 ordinary shares at an average option price of 99p. All options are exercisable between 2 and 10 years from date of grant.

The Company's share price on 31st March 2004 was 96.5 pence (on 31st March 2003: 85 pence).

Report to the Shareholders on Directors' Remuneration (continued)

Medium Term Incentive Plan

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

	Number of shares allotted at 31st March 2003	Allotted during the year	Vested during the year	Number of shares allotted at 31st March 2004
K P Scott	140,500	16,860	-	157,360
J A Pickles	-	53,970	-	53,970
Other Management	-	107,250	-	107,250
	140,500	178,080	-	318,580

Directors' Interests

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

	Ordinary Shares of 10 pence each	
	At 31st March 2004	At 31st March 2003
P R S Lever	16,600	-
K P Scott	76,425	35,625
P H Palmarozza	489,510	459,710
J A Pickles	83,212	42,412
J H Davies	31,600	15,000
D A Little	26,600	10,000

P H Palmarozza sold 3,000 shares on 1st April 2004 at a price of 93p per share. There were no other changes between 31st March 2004 and 1st June 2004.

Intellexis plc

Directors' Responsibilities and Report of the Auditors

Statement of Directors' Responsibilities

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

In preparing those financial statements, the directors are required to select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and prepare the financial statements on a going concern basis unless it is inappropriate to assume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Members of Intellexis plc

We have audited the financial statements of Intellexis plc for the year ended 31st March 2004 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors
As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Operating and Financial Review, and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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

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

Directors' Responsibilities and Report of the Auditors (Continued)

Opinion
In our opinion the financial statements give a true and fair view of the state of the group's and company's affairs as at 31st March 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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

Date: 1st June 2004

Intellexis plc

Consolidated Profit and Loss Account
For the Year ended 31st March 2004

	Notes	Year ended 31.3.2004 Continuing activities £	Year ended 31.3.2004 Acquisitions £	Year ended 31.3.2004 Total £	Year ended 31.3.2003 £
Turnover	2	1,329,407	277,086	1,606,493	1,377,823
Cost of sales		(245,398)	(53,562)	(298,960)	(989,004)
Gross Profit		1,084,009	223,524	1,307,533	388,819
Distribution costs		(92,150)	(4,900)	(97,050)	(168,163)
Administrative expenses excluding depreciation and goodwill		(1,096,333)	(97,672)	(1,194,005)	(1,799,962)
Earnings before Interest, Tax, Depreciation and Goodwill		(104,474)	120,952	16,478	(1,579,306)
Depreciation		(43,859)	(2,000)	(45,859)	(73,265)
Operating Profit / (Loss) before Goodwill Amortisation		(148,333)	118,952	(29,381)	(1,652,571)
Amortisation of Goodwill		(145,918)	(18,447)	(164,365)	(145,918)
Operating Profit / (Loss)	3	(294,251)	100,505	(193,746)	(1,798,489)
Reorganisation Costs	4			-	(198,582)
Loss on Ordinary Activities before Interest				(193,746)	(1,997,071)
Interest receivable and similar income	5			1,764	4,855
Interest payable and similar charges	6			(64,997)	(47,240)
Loss on Ordinary Activities before Taxation				(256,979)	(2,039,456)
Tax on loss on ordinary activities	9			-	-
Loss for the Year transferred from Reserves	17			(256,979)	(2,039,456)
Loss per share - basic	10			(7.45)p	(70.93)p

There are no recognised gains and losses other than those passing through the profit and loss account.

Intellexis plc

Consolidated Balance Sheet as at 31st March 2004

	Notes	31.3.2004	31.3.2004	31.3.2003	31.3.2003
		£	£	£	£
Fixed Assets					
Intangible assets	11		4,789,956		2,735,957
Tangible assets	12		220,356		68,342
Investments	13		300,772		140,500
			5,311,084		2,944,799
Current Assets					
Debtors	14	558,605		160,001	
Cash at bank and in hand		543,755		183,588	
		1,102,360		343,589	
Creditors: Amounts falling due within one year (including convertible debt)	15	(977,385)		(653,445)	
Net Current Assets / (Liabilities)			124,975		(309,856)
Total Assets less Current Liabilities			5,436,059		2,634,943
Creditors: Amounts falling due after more than one year (including convertible debt)	16		(1,543,155)		(782,349)
Net Assets			3,892,904		1,852,594
Capital and Reserves					
Called up share capital	17		3,524,145		3,152,140
Share premium account	17		5,883,466		3,958,182
Profit and loss account	17		(5,514,707)		(5,257,728)
Equity Shareholders' Funds			3,892,904		1,852,594

The financial statements were approved by the board on 1st June 2004 and signed on its behalf by:

J A Pickles .... Director

K P Scott .... Director

Intellexis plc

Company Balance Sheet as at 31st March 2004

	Notes	31.3.2004	31.3.2004	31.3.2003	31.3.2003
		£	£	£	£
Fixed Assets					
Intangible assets	11		-		-
Tangible assets	12		220,356		68,342
Investments	13		5,080,302		2,390,507
			5,300,658		2,458,849
Current Assets					
Debtors	14	558,605		160,001	
Cash at bank and in hand		543,755		183,588	
		1,102,360		343,589	
Creditors: Amounts falling due within one year (including convertible debt)	15	(977,385)		(653,445)	
Net Current Assets / (Liabilities)			124,975		(309,856)
Total Assets less Current Liabilities			5,425,633		2,148,993
Creditors: Amounts falling due after more than one year (including convertible debt)	16		(1,543,155)		(782,349)
Net Assets			3,882,478		1,366,644
Capital and Reserves					
Called up share capital	17		3,524,145		3,152,140
Share premium account	17		5,883,466		3,958,182
Profit and loss account	17		(5,525,133)		(5,743,678)
Equity Shareholders' Funds			3,882,478		1,366,644

The financial statements were approved by the board on 1st June 2004 and signed on its behalf by:

J A Pickles .... Director

K P Scott .... Director

Intellexis plc

Consolidated Cash Flow Statement
For the year ended 31st March 2004

	Note		Year ended 31.3.2004		Year ended 31.3.2003
		£	£	£	£
Net Cash Outflow from Operating Activities	(i)		(297,942)		(885,470)
Returns on Investments and Servicing of Finance					
Interest received		1,764		4,855	
Interest paid		(64,997)		(47,240)	
Net Cash Outflow for Returns on Investments and Servicing of Finance			(63,233)		(42,385)
Capital Expenditure					
Payments to acquire intangible fixed assets		-		(49,500)	
Payments to acquire tangible fixed assets		(1,805)		(31,989)	
Sale of tangible fixed assets		-		12,878	
Payments to acquire investments		(160,272)		(140,500)	
Net Cash Outflow for Capital Expenditure			(162,077)		(209,111)
Acquisitions and Disposals					
Acquisition		(1,836,000)		-	
Acquisition costs		(145,181)			
Net cash acquired with subsidiary		222,231		-	
Net Cash Outflow for Acquisitions			(1,758,950)		-
Cash Outflow before Financing			(2,282,202)		(1,136,966)
Financing					
Issue of ordinary share capital		1,918,458		468,640	
Expenses paid in connection with share issues		(169,511)		(4,427)	
Debt due within a year		163,116		(8,334)	
Debt due after a year		766,905		276,250	
Capital element of finance lease rental payments		(36,599)		(57,199)	
Net Cash Inflow from Financing			2,642,369		674,930
Increase / (Decrease) in Cash	(ii)		360,167		(462,036)

Intellexis plc

Notes to the Consolidated Cash Flow Statement
For the year ended 31st March 2004

(i)	**Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities**	**Year ended 31.3.2004**	**Year ended 31.3.2003**
		£	**£**
	Operating loss	(193,746)	(1,798,489)
	Loss on disposal of tangible fixed assets	-	6,944
	Depreciation	45,859	73,265
	Amortisation of goodwill and intangible assets	164,365	903,609
	Decrease in stocks	-	12,973
	(Increase) / Decrease in debtors	(282,669)	23,094
	(Decrease) / Increase in creditors	(31,751)	91,716
	Net cash outflow from continuing operating activities	(297,942)	(686,888)
	Net cash outflow in respect of reorganisation costs	0	(198,582)
	Net cash outflow from operating activities	(297,942)	(885,470)

(ii)	**Reconciliation of Net Cash Flow to Movement in Net Debt (Note (iii))**		
	Increase / (Decrease) in cash in the period	360,167	(462,036)
	Cash inflow from increase in debt and lease financing	(893,422)	(210,717)
	Change in net debt resulting from cash flows	(533,255)	(672,753)
	New finance leases	-	49,191
	Movement in net debt in the period	(533,255)	(623,562)
	Net debt at 31st March 2003	(693,694)	(70,132)
	Net debt at 31st March 2004	(1,226,949)	(693,694)

(iii)	**Analysis of Changes in Net Debt**	**At 31.03.2003**	**Cash Flow**	**At 31.03.2004**
		£	**£**	**£**
	Cash at bank and in hand	183,588	360,167	543,755
	Overdrafts	-	-	-
		183,588	360,167	543,755
	Debt due within one year	(58,333)	(163,116)	(221,449)
	Debt due after one year	(776,250)	(766,905)	(1,543,155)
	Finance leases	(42,699)	36,599	(6,100)
		(877,282)	(893,422)	(1,770,704)
	Net debt	(693,694)	(533,255)	(1,226,949)

Notes to the Consolidated Cash Flow Statement
For the year ended 31st March 2004 (Continued)

(iv) Purchase of Subsidiary Undertaking

On the 20th February 2004 the company acquired 100% of the ordinary share capital of Key Skills Limited. This was acquired for £2,384,342 in cash and shares. The trade, assets and liabilities of Key Skills Limited were subsequently hived up to the parent company.

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

Net Assets Acquired	**Book Value**	**Revaluation**	**Accounting Policy Adjustments**	**Fair Value**
	£	£	£	£
Tangible Fixed Assets	196,070	-	-	196,070
Debtors	115,935	-	-	115,935
Cash at bank and in hand	295,204	-	-	295,204
Trade Creditors	(60,830)	-	-	(60,830)
Corporation Tax	(89,838)	-	-	(89,838)
Deferred Income	-	-	(72,409)	(72,409)
Mortgage	(72,973)	-	-	(72,973)
Net Assets	383,568	-	(72,409)	311,159
Acquisition Costs				(145,181)
Goodwill				2,218,364
				2,384,342
Satisfied By				
Shares allotted				548,342
Cash				1,836,000
				2,384,342

The summarised profit and loss account of the acquired entity for the period from the beginning of its financial year on 1st January 2004 to the effective date of acquisition is set out below:

	£
Turnover	104,575
Cost of Sales	(32,126)
Gross Profit	72,449
Distribution Expenses	(679)
Administrative Expenses	(61,408)
Operating Profit	10,362
Interest Payable	(263)
Profit on Ordinary Activities before Taxation	10,099
Taxation	(3,000)
Profit for the Period transferred to Reserves	7,099

Intellexis plc

Notes to the Financial Statements
For the year ended 31st March 2004

1 **Accounting Policies**

Accounting Convention
The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Going Concern
After making enquiries in respect of the budgets and results post year end, the directors are satisfied that the company has sufficient working capital to enable the company to continue operations for the foreseeable future, and accordingly have prepared the accounts on a going concern basis.

Basis of Consolidation
The group financial statements incorporate a consolidation of the financial statements of the company and its subsidiary undertakings. The results of subsidiary undertakings acquired during a financial year are included in the consolidated financial statements using acquisition accounting from the effective date of acquisition.

Turnover
Turnover represents the invoiced value of goods sold and services provided net of value added tax. Amounts invoiced in advance are treated as deferred income until the service is provided.

Goodwill
Goodwill is determined by comparing the amount paid on the acquisition of a subsidiary or associated undertaking and the group's share of the aggregate fair value of its separable net assets. Goodwill is capitalised and amortised over a period of 20 years. The directors review the need for impairment and provide for diminution in accordance with applicable accounting standards.

Research and Development
Research expenditure is written off to the profit and loss account in the year in which it is incurred.

Depreciation
Depreciation on fixed assets is provided at rates estimated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Freehold Buildings – 50 years
Fixtures, fittings and equipment – 4 years
Computer equipment – 3 years

Fixed Asset Investments
Investments in subsidiary companies are included at cost in the accounts of the company less any amount written off in respect of any permanent diminution in value.

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

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

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

Notes to the Financial Statements
For the year ended 31st March 2004 (continued)

1 Accounting Policies (continued)

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

2 Turnover
Turnover is attributable to the one principal activity of the group.

Geographical analysis:

	Year ended 31.3.2004 Continuing	Year ended 31.3.2004 Acquisitions	Year ended 31.3.2004 Total	Year ended 31.3.2003
	£	£	£	£
United Kingdom	836,785	275,498	1,112,283	837,137
Rest of Europe	306,184	1,588	307,772	248,672
North America	186,438	-	186,438	289,744
Other	-	-	-	2,270
			1,606,493	1,377,823

3 Operating Loss
Operating Loss is stated after charging:

	Year ended 31.3.2004	Year ended 31.3.2003
	£	£
Amortisation	164,365	903,609
Depreciation	45,859	60,700
Depreciation on assets held under finance leases	6,283	12,565
Auditors' remuneration	9,220	13,619
Auditors' remuneration for non-audit work*	-	23,217
Operating lease rentals - land and buildings	69,396	109,642

Total auditors' remuneration for non-audit work during the year amounted to £93,890 of which £52,420 has been capitalised as part of the acquisition costs detailed in note (iv) to the Cash Flow Statement and the remaining £41,470 was for services in relation to an issue of shares and has accordingly been debited to share premium (see Note 17).

4 Exceptional Items
Exceptional Items relate to costs incurred in a fundamental reorganisation of the group's continuing operations. No such costs were incurred in the current year (2003: £198,582).

5 Interest Receivable and Similar Income

	Year ended 31.3.2004	Year ended 31.3.2003
	£	£
Bank Interest	1,764	4,855

Notes to the Financial Statements
For the year ended 31st March 2004 (continued)

6 Interest Payable and Similar Charges

	Year ended 31.3.2004	Year ended 31.3.2003
	£	£
On bank loans and overdrafts	26,602	5,939
On other loans	34,000	37,325
Hire purchase interest	4,395	3,976
	64,997	47,240

7 Employees and Directors' Remuneration

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

	Year ended 31.3.2004 Number	Year ended 31.3.2003 Number
Production	5	4
Office and management	6	7
Development	-	2
Sales and marketing	9	12
	20	25

Their total remuneration was:

	Year ended 31.3.2004	Year ended 31.3.2003
	£	£
Wages and salaries	911,143	1,063,769
Social security costs	99,423	101,499
Other pension costs	60,105	81,779
	1,070,671	1,247,047

Directors' emoluments can be analysed as follows:

	Year ended 31.3.2004	Year ended 31.3.2003
	£	£
Remuneration and other emoluments	342,577	311,479
Pension contributions	40,380	25,187
Compensation for loss of office	-	24,099
Sums paid to third parties	-	22,457
	382,957	383,222
	£	£
Highest paid director	152,129	127,600

There is one director to whom retirement benefits are accruing under a money purchase scheme (2003: 3).

A detailed analysis of directors' remuneration is provided on pages 8 and 9.

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 £11,310 (2003 - £14,091) plus contributions made directly to directors' and employees' personal pension schemes which amounted to £48,795 (2003 - £67,888).

9 Taxation

	Year ended 31.3.2004	Year ended 31.3.2003
	£	£
Current Tax Charge	-	-
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(256,979)	(2,039,456)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2003: 30%)	(77,094)	(611,837)
Effects of:		
Non-deductible expenses	2,717	41,447
Depreciation and amortisation	63,067	293,062
Capital allowances	(7,923)	(23,769)
Tax losses carried forward	19,233	301,097
	77,094	611,837
Current Tax Charge	-	-

Unrelieved tax losses of £4,264,700 remain available to offset against future taxable trading.

10 Loss per Share

The calculation of earnings per share is based on the loss for the period after tax of £256,979 (2003 - £2,039,456) and on the weighted average number of shares in issue during the period of 3,449,304 (2003 - 2,875,487).

The calculation of fully diluted loss per share has not been disclosed as the effect of any full conversion of outstanding share options and convertible loan stock is not dilutive in accordance with FRS14.

11 Intangible Fixed Assets - Goodwill

Group	**Total**
Cost	**£**
At 31st March 2003	3,478,903
Additions	2,218,364
At 31st March 2004	5,697,267
Amortisation	
At 31st March 2003	742,946
Charge for the year	164,365
At 31st March 2004	907,311
Net Book Value	
At 31st March 2004	4,789,956
At 31st March 2003	2,735,957

12 Tangible Fixed Assets

Group	Freehold Property	Fixtures, Fitting and Equipment	Computer Equipment	Total
Cost	£	£	£	£
At 31st March 2003	-	43,379	164,633	208,012
Additions	180,000	12,631	5,242	197,873
At 31st March 2004	180,000	56,010	169,875	405,885
Depreciation				
At 31st March 2003	-	18,446	121,224	139,670
Charge for the year	-	11,268	34,591	45,859
At 31st March 2004	-	29,714	155,815	185,529
Net Book Value				
At 31st March 2004	180,000	26,296	14,060	220,356
At 31st March 2003	-	24,933	43,409	68,342

Company	Freehold Property	Fixtures, Fitting and Equipment	Computer Equipment	Total
Cost	£	£	£	£
At 31st March 2003	-	43,380	161,844	205,224
Additions	180,000	12,630	5,243	197,873
At 31st March 2004	180,000	56,010	167,087	403,097
Depreciation				
At 31st March 2003	-	18,446	118,436	136,882
Charge for the year	-	11,268	34,591	45,859
At 31st March 2004	-	29,714	153,027	182,741
Net Book Value				
At 31st March 2004	180,000	26,296	14,060	220,356
At 31st March 2003	-	24,934	43,408	68,342

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

Asset description	2004 Net Book Value	2004 Depreciation Charge	2003 Net Book Value	2003 Depreciation Charge
	£	£	£	£
Computer equipment	-	6,283	6,283	12,565

13 Investments

Group	Own Shares	Shares in Group Undertakings (at cost)	Total
Cost	**£**	**£**	**£**
At 31st March 2003	140,500	-	140,500
Acquired during the year	160,272	-	160,272
At 31st March 2004	300,772	-	300,772

Company	Own Shares	Shares in Group Undertakings (at cost)	Total
Cost	**£**	**£**	**£**
At 31st March 2003	140,500	2,250,007	2,390,507
Acquired during the year	160,272	2,529,523	2,689,795
At 31st March 2004	300,772	4,779,530	5,080,302

The own shares above are shown at cost and relate to the investment in a Medium Term Incentive Plan which is administered by Investec Trust Guernsey Ltd. The shares are held in trust under the Plan and represent 4.6% of the total called up share capital. These shares become payable to directors and senior management, as set out on page 9, on the achievement of certain performance criteria.

The company has the following subsidiary undertakings:

Name	*Principal Activity*	*Holding*	*Registered*
Key Skills Limited	Computer software	100%	England & Wales
Intellexis International Limited	Non-trading	100%	England & Wales
Intellexis International Incorporated	Non-trading	100%	United States
Time2Learn Incorporated	Non-trading	100%	United States

These companies have all prepared accounts to 31st March 2004, with the exception of Key Skills Limited which has prepared accounts to 31st December 2003.

Notes to the Financial Statements
For the year ended 31st March 2004 (continued)

14 Debtors

	Group		Company	
	At 31.3.2004	At 31.3.2003	At 31.3.2004	At 31.3.2003
	£	£	£	£
Trade debtors	453,586	96,728	453,586	96,728
Other debtors	-	19,213	-	19,213
Prepayments	84,020	44,060	84,020	44,060
Accrued income	20,999	-	20,999	-
	558,605	160,001	558,605	160,001

15 Creditors: Amounts falling due within one year

	Group		Company	
	At 31.3.2004	At 31.3.2003	At 31.3.2004	At 31.3.2003
	£	£	£	£
HSBC 10-year term loan	25,000	25,000	25,000	25,000
HSBC 7-year term loan	121,429	-	121,429	-
HSBC 15-year mortgage	8,333	-	8,333	-
Convertible loan stock	66,667	33,333	66,667	33,333
Trade creditors	122,303	229,638	122,303	229,638
Corporation Tax	89,838	-	89,838	-
Other taxes and social security costs	138,821	31,496	138,821	31,496
Other creditors	3,067	1,289	3,067	1,289
Net obligations under finance leases and hire purchase contracts	6,100	36,599	6,100	36,599
Accruals	146,034	114,257	146,034	114,257
Deferred income	249,793	181,833	249,793	181,833
	977,385	653,445	977,385	653,445

The Convertible Loan Stock is redeemable at par by 18 six monthly instalments of £33,333 which commenced on the 1st January 2002. During the previous year it was agreed that the company would benefit from a capital repayment holiday of 18 months, thus extending the maturity date of the loan. The instalments, which are made subject to an Intercreditor Deed between the Stock holder, the Company and the Company's bankers, recommenced on 1st April 2004 with the 2nd repayment. The 3rd repayment due on 1st July 2004 and 15 further six monthly instalments are due thereafter. The loan carries interest fixed at 6% per annum.

The stock is convertible into ordinary shares at the option of the holder, only in the event of an offer being made to purchase all of the issued ordinary shares, or if the company becomes listed on a recognised Stock Exchange. The rate of conversion shall be one share for each unit of unredeemed stock to the value of 80% of the amount offered per share, or in the event of a listing, one share per unredeemed unit of stock to the value of 80% of the mid-market value on the actual date of conversion.

16 Creditors: Amounts falling due after more than one year

	Group		Company	
	At 31.3.2004	At 31.3.2003	At 31.3.2004	At 31.3.2003
	£	£	£	£
HSBC 10-year term loan	197,917	222,916	197,917	222,916
HSBC 7-year term loan	728,571	-	728,571	-
HSBC 15-year mortgage	116,667	-	116,667	-
Convertible loan stock (note 15)	500,000	553,333	500,000	553,333
Net obligations under finance leases and hire purchase contracts	-	6,100	-	6,100
	1,543,155	782,349	1,543,155	782,349
Loans				
Repayable in one year or less, or on demand (note 15)	221,429	58,333	221,429	58,333
Repayable between one and two years	221,429	91,667	221,429	91,667
Repayable between two and five years	664,287	275,000	664,287	275,000
Repayable in five years or more	657,439	409,583	657,439	409,583
	1,764,584	834,583	1,764,584	834,582
Net obligations under finance leases and hire purchase contracts				
Repayable within one year	6,100	36,599	6,100	36,599
Repayable between one and five years	-	6,100	-	6,100
	6,100	42,699	6,100	42,699

The HSBC loans, and overdraft facility currently undrawn, are secured by a Debenture granted by Intellexis Plc in favour of HSBC Bank Plc dated 23rd February 2004, which includes a Fixed Equitable Charge over all present and future freehold and leasehold property; First Fixed Charge over among other things, book and other debts, chattels and goodwill, both present and future; and First Floating Charge over all assets and undertaking both present and future to be given by Intellexis Plc.

17 Shareholders' Funds

Company share capital

	At 31.3.2004	At 31.3.2003
Authorised equity:	£	£
Ordinary shares of 10p each	4,500,000	4,500,000
Allotted, called up and fully paid equity:		
Ordinary shares of 10p each	687,219	3,152,140
Special Non-voting Deferred Shares	2,836,926	-
	3,524,145	3,152,140

On 30th September 2003, the Company passed a resolution consolidating the share capital such that each 1,000 Ordinary Share of 0.1 pence each became 1 Ordinary Share of 100p each.

On 20th February 2004, the Company passed a further resolution sub-dividing each of the 4,500,000 issued and unissued Ordinary Shares of 100p to 10 Ordinary Shares of 10p each, and subsequently re-designating nine of each of the ten sub-divided issued Ordinary Shares of 10p each to Special Non-voting Deferred Shares, thereby creating 28,369,260 Special Non-voting Deferred Shares of 10p each.

On 23rd February 2004, 2,896,600 Ordinary Shares of 10p each were issued at a premium of 50 pence per share; on 29th March 2004, 645,365 Ordinary Shares of 10p were issued at a premium of 78.1 pence per share; on 31st March 2004, 178,080 Ordinary Shares of 10 were issued at a premium of 80 pence per share.

Notes to the Financial Statements
For the year ended 31st March 2004 (continued)

17 Shareholders' Funds (continued)

Share options and warrants

At 31st March 2004, the following share options over ordinary shares of the company had been granted:

Date of Grant	Number of shares under option at 31st March 2003	Granted / (cancelled) during the year	Number of shares under option at 31st March 2004	Exercise Price	Expiry Date
19 April 2002	8,500	-	8,500	250p	19 April 2012
30 September 2002	140,500	-	140,500	110p	30 September 2012
9 December 2002	96,000	(9,500)	86,500	110p	9 December 2012
7 January 2003	15,000	(15,000)	-	-	-
1 February 2004	-	107,375	107,375	70p	1 February 2014
31 March 2004	-	23,985	23,985	70p	31 March 2014

All share options are exercisable after two years from the date of the grant. Details of directors' share options can be found on pages 8 and 9.

Movements on capital and reserves

Group	Called up Share Capital £	Share Premium Account £	Profit and Loss Account £	Total £
Balance at 31st March 2003	3,152,140	3,958,182	(5,257,728)	1,852,594
Loss for the year	-	-	(256,979)	(256,979)
Issue of Shares	372,005	-	-	372,005
Premium on Issue of Shares	-	2,094,795	-	2,094,795
Costs relating to Share issue	-	(169,511)	-	(169,511)
At 31st March 2004	3,524,145	5,883,466	(5,514,707)	3,892,904

Company	Called up Share Capital £	Share Premium Account £	Profit and Loss Account £	Total £
Balance at 31st March 2003	3,152,140	3,958,182	(5,743,678)	1,366,644
Profit for the year	-	-	218,545	218,545
Issue of Shares	372,005	-	-	372,005
Premium on Issue of Shares	-	2,094,795	-	2,094,795
Costs relating to Share issue	-	(169,511)	-	(169,511)
At 31st March 2004	3,524,145	5,883,466	(5,525,133)	3,882,478

18 Related Party Transactions

The interest free Convertible Loan Stock held by P H Palmarozza, a director of the company until his resignation from the Board on 31st March 2004, was repaid on 23rd February 2004.

No payments of either interest or capital were made to Park Row Group plc during the year. Interest accrued on the convertible loan stock amounted to £34,000 (2003 - £28,332). A sum of £42,500 is included under Accruals in note 15 (2003: £8,500).

19 Ultimate Parent Undertaking and Controlling Interest

There is no ultimate controlling party.

20 Financial Instruments

All assets and liabilities are denominated in Sterling.

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

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

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

Interest Rate Risk

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

At 31st March 2004 the interest rate profile of the group's financial assets and liabilities was as follows:

	Floating Interest Rates	Fixed Interest Rates	Total
	£	£	£
Financial Assets			
Cash at bank deposits denominated in sterling	-	450,000	450,000
Financial Liabilities			
Bank loans denominated in sterling	1,197,917	-	1,197,917
Convertible loan denominated in sterling	-	566,667	566,667
Finance leases and hire purchase contracts	-	6,100	6,100
	1,197,917	572,767	1,770,684

20 Financial Instruments (continued)

All assets and liabilities are denominated in Sterling.

Surplus cash and bank deposits are held on overnight or short term (up to 90 days) deposit at fixed interest rates of 2.2% - 2.8%. Operating cash balances are maintained at a minimum and attract no interest. The Convertible Loan Stock has a fixed interest rate of 6%. The HSBC 10-year term loan and the HSBC 15-year mortgage loan have an interest rate of 2% above HSBC Bank Plc base rate. The HSBC 7-year term loan has an interest rate margin above HSBC Bank base rate of 3.5% until 20th February 2005, whereupon it may be reduced depending on Company performance.

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

The group finances its operations primarily through a mixture of cash raised through issues of shares and borrowings with various items of computer equipment purchased through finance leases. Details of finance leases are in notes 16 and 17.

Liquidity risk

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

Fair value of assets and liabilities

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

Borrowing facilities

During the year an overdraft facility was agreed with HSBC Bank Plc for a limit of £150,000. At the end of the year this facility remained available to the company but was not utilised.

In addition, a loan of £850,000, repayable over a term of 7 years, and a mortgage loan on £125,000, repayable over a term of 15 years, were agreed and drawn down.

21 Operating Leases

At 31st March 2004 the group had annual commitments under operating leases as set out below:

	Land and Buildings 31.3.2004	**Land and Buildings 31.3.2003**
Leases which expire:	**£**	**£**
in one year	57,059	-
in second to fifth year	-	76,079
	57,069	76,079

22 Profit (Loss) for the Financial Year

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the company is not presented as part of these financial statements. The group loss for the financial year after taxation of £256,979 (2003 - £2,039,456) includes a profit of £218,545 (2002 – loss of £1,990,652) which is dealt with in the financial statements of the company.

Intellexis plc

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Intellexis plc will be held at the offices of Teather & Greenwood, Beaufort House 15 St Botolph Street, London EC3A 7QR on 27th July 2004 at 10.00 am for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the report of the directors and the accounts for the financial year ended 31st March 2004 together with the independent auditors' report thereon.
2. To receive the Report to the Shareholders on Directors' Remuneration for the year ended 31st March 2004.
3. To re-elect J H Davies, who retires by rotation, as a director of the Company.
4. To re-appoint Saffery Champness as auditors of the Company and to authorise the directors to fix their remuneration.

SPECIAL BUSINESS

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

   That the Company change its name from Intellexis plc to ILX Group plc.

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

   That the Directors are hereby generally and unconditionally authorised for the purpose of Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate amount of the authorised but unissued share capital of the Company, provided that this authority shall expire (unless previously renewed varied or revoked by the Company in general meeting) on the earlier of the date of the next Annual General Meeting of the Company or the date falling 15 months from the date of the passing of this resolution (the "Section 80 period") save that the Company may prior to expiry of the Section 80 period make an offer or agreement which would or might require relevant securities to be allotted after the Section 80 period and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

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

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

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

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

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

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

<u>Registered Office</u>

149 Hammersmith Road
London W14 0LQ

On behalf of the Board
Jon Pickles
Director

1st June 2004

Intellexis plc

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. A form of proxy is provided with this notice and instructions for its use shown on the form. To be valid, completed forms must be received at the office of the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time fixed for the meeting. Deposit of the form of proxy will not prevent a member from attending the meeting and voting in person.
3. The following documents will be available for inspection during normal business hours on any weekday (public holidays excepted) at the registered office of the Company from the date of this notice until the date of the Meeting, and at the Meeting from 15 minutes prior to its commencement and until it ends:
   (a) copies of Director's service contracts with the Company
   (b) the Register of Directors' interests in the share capital of the Company.

Intellexis plc

Form of Proxy
For Annual General Meeting

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

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

____ (NAME IN FULL – BLOCK CAPITALS, PLEASE)
as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 10.00am at the offices of Teather & Greenwood, Beaufort House 15 St Botolph Street, London EC3A 7QR on 27th July 2004 and at any adjournment thereof, on the following resolutions, as indicated by an "X" in the appropriate box and on any other resolutions as he or she thinks fit:

		For	**Against**
1.	To receive and adopt the report of the directors and the audited accounts for the financial year ended 31st March 2004.		
2.	To receive the report to the Shareholders on Directors' Remuneration for the year ended 31st March 2004.		
3.	To re-elect J H Davies as a director of the Company.		
4.	To re-appoint Saffery Champness as auditors of the Company and to authorise the directors to fix their remuneration.		
5.	To change the name of the Company to ILX Group plc		
6.	To authorise the directors to allot shares under Section 80 of the Companies Act 1985.		
7.	To disapply the statutory pre-emption rights on certain equity issues for cash.		

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

Signed: ___________________________________ Dated: __________________________2004

Notes:

i. To be valid this form must be completed and delivered to the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 48 hours before the time of the Meeting or any adjournment thereof.

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

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

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

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

THIRD FOLD AND TUCK IN

BUSINESS REPLY SERVICE
Licence No. MB 122

1

Capita Registrars (Proxies)
P.O. Box 25
Beckenham
Kent
BR3 4BR

FIRST FOLD

SECOND FOLD

Intellexis plc

Electronic Communication
Shareholder Registration Form

Intellexis Plc is offering shareholders the facility for receiving notification of certain shareholder documents by e-mail, where the law allows. Please read the notes carefully and then fill out and return this form in order to receive all future notices of meetings and other shareholder documents and communications from the Company via e-mail.

Please read the following notes before making your election:

1. It is the shareholder's responsibility to notify the Company of any change to their e-mail address (or other contact details).

2. The Company's obligation to effect the electronic communication to you would be satisfied when it transmits the notification of availability to the electronic address for you that it has on file. The Company cannot be held responsible for any failure in transmission beyond its control any more than it can for postal failures.

3. If the Company becomes aware that an electronic notification to you has not been successfully transmitted, two further attempts will be made. If the transmission fails again, a hard copy of the notification will be mailed to you at your last known postal address.

4. The Company will continue to use the election and relevant contact address details supplied by you until such time as the Company receives alternative instructions from you.

5. Before electing for electronic communications shareholders should ensure that they have the appropriate equipment and computer capabilities sufficient for that purpose.

6. The Company takes all reasonable precautions to ensure that no viruses are present in any communication it sends out but the Company cannot accept responsibility for loss or damage arising from the opening or use of any e-mail or attachments from the Company and recommend that shareholders subject all messages to virus checking procedures prior to use. Any electronic communication received by the Company, including the lodgement of an electronic proxy form, that is found to contain any virus will not be accepted.

(tear here)

To the Directors of Intellexis Plc and Capita Registrars

I ____
(Full Name)

of ____
(Address)

hereby request that future communications issued by Intellexis Plc be sent to me in electronic form, where possible, to the following e-mail address:

____

I understand that I will receive a notification from the Company by e-mail (to the e-mail address indicated above) advising me that certain specified documents are being made available for viewing on the Company's website leaving me to access, read and retrieve the documents at my convenience.

Signed ______________________ Date ______________________

Post form back to:
Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (ref: SSD-T2LN)

Alternatively, you may register your instructions on-line at: www.capitaregistrars.com

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