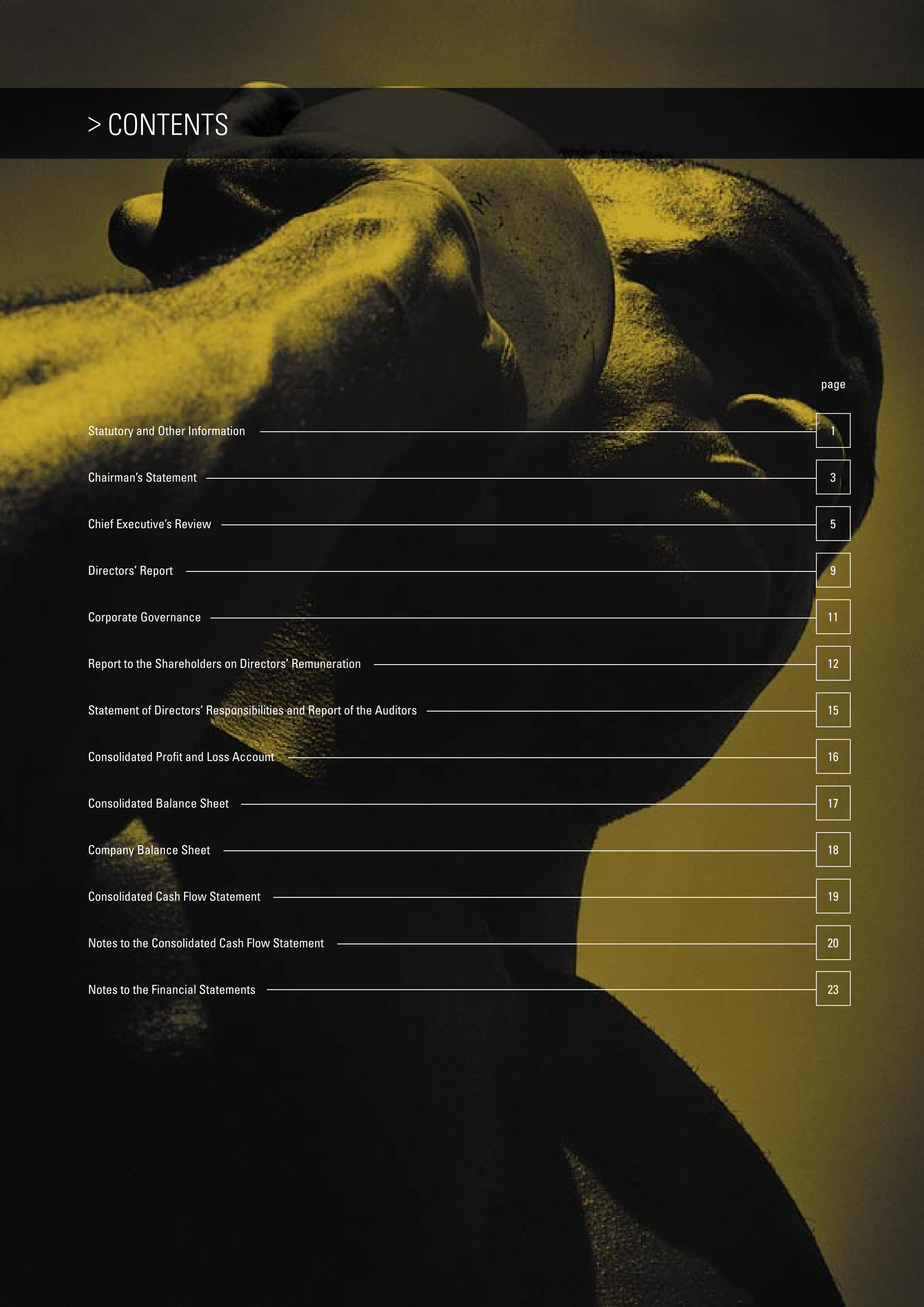
"a very strong performance, leaving us in excellent shape for the future"

REPORT + ACCOUNTS 05

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005



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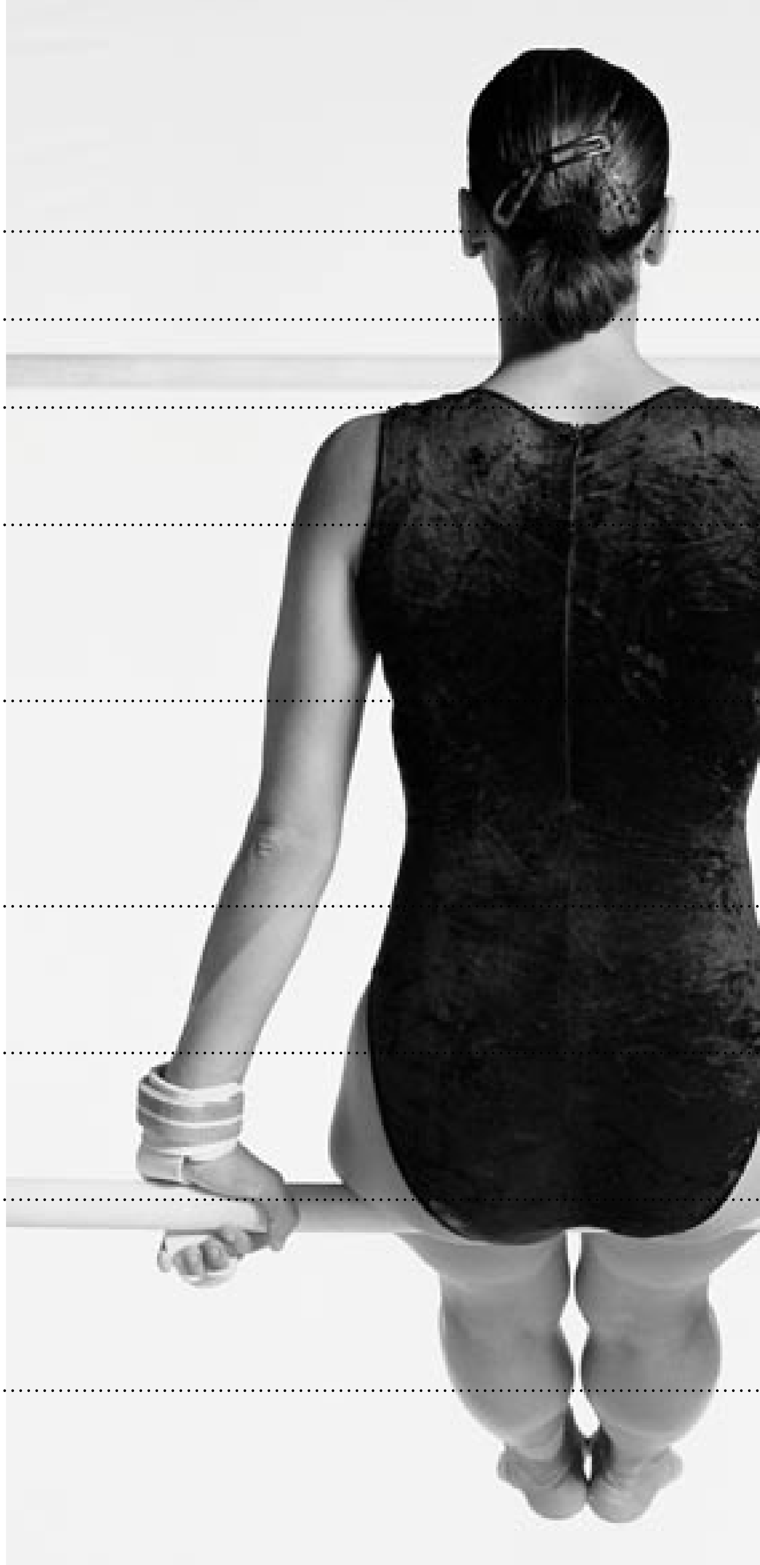
> STATUTORY AND OTHER INFORMATION



> 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	5 Old Bailey London EC4M 7JX
> 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	Charles Stanley & Co. Ltd 25 Luke Street London EC2A 4AR
> Broker	Charles Stanley & Co. Ltd 25 Luke Street London EC2A 4AR
> Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU


“this year we’ve focused our energy and it shows”

I am pleased to present the results for the year ended 31 March 2005.

Over this last year, and the last six months in particular, the Company has gained considerable momentum. Organic growth has been strong and market share, in the growing PRINCE2 and ITIL markets, has been increased; two excellent businesses have been acquired and successfully integrated into the Group; the process of rationalising our activities and focus across the Company has continued; and, most importantly, profits are now being delivered and cash generated.

> Acquisitions

It is the Company's aim to become the leading provider of training products and services in its chosen subjects, and this requires that the Company can offer a broad range of delivery options to its customers. The acquisitions of Computa-Friendly and Mindscope add a strong instructor-led training capability to complement its software products and services.

Computa-Friendly was purchased for £482,500, 2.8 times historical post-tax profits, in cash and shares on 1 October 2004. The business delivers a steady stream of IT related classroom training and consultancy and a suite of data governance e-Learning tutorials. It also has competence in developing bespoke e-Learning solutions, and a well-placed training facility in Notton, Chippenham, which is now used to run project management as well as IT training courses.

The Company's ability to provide instructor-led project management training, which had been started in the first half of the year through hiring of a well-respected trainer, was dramatically enhanced by the acquisition of Mindscope on 1 December 2004. Mindscope was purchased for a total of £1.77 million, of which £500,000 is subject to an earn-out period ending July 2005. Mindscope has seen revenues increase significantly since acquisition with a number of major contracts, and we expect the earn-out criteria to be comfortably met, and to be paid at the end of August 2005 by way of £375,000 in new ordinary shares and £125,000 in cash. This would put the price paid for the business at approximately 6.7 times current post-tax profits.

> Financial Results

Turnover for the year was £3.9 million (2004: £1.6 million) delivering an operating profit before goodwill of £0.66 million (2004: loss of £29,000), a return on sales of 17%. Net profit for the year was £0.37 million (2004: loss of £0.26 million) representing basic earnings per share of 4.79p (2003: loss per share of 7.45p). Stripping out the exceptional items and the goodwill charge, earnings per share increased to 7.86p (2004: loss per share of 2.69p).

> Share Price and Capital Reduction

It is apparent that whilst a great deal has been achieved over the last two years in turning around the fortunes of the Company, this has not been reflected in the share price which has actually declined over the last year from 96.5 pence on 31 March 2004 to 85 pence on 31 March 2005. We believe that this reflects the historical poor performance of the business over previous years, versus the strength of the business as it now stands and its prospects for future growth. Our hope and expectation is that continued news of our progress over the coming months and the delivery of improving financial results will be reflected in the share price.

In order to provide the Company with additional options to ensure that the value created by the business flows through to shareholders, a Capital Reduction is proposed. Subject to shareholder approval and subsequent to the necessary court process, this will allow us to write off accumulated balance sheet losses and create a capital reserve. This will enable the Company to adopt an appropriate dividend policy for coming years, and will also give the option to commence a share buy-back programme should the Board believe it to be appropriate.

> New Broker

I am delighted to announce the appointment of Charles Stanley as Nominated Adviser and Broker to the Company. Charles Stanley has an excellent reputation and will improve the Company's access to both institutional and private client investors. The Board were particularly impressed by the attention given to selecting, developing, and maintaining a strong and close relationship with its clients, and we look forward to excellent support through our next phase of development.

The Board would also like to thank Teather and Greenwood for its efforts over the last two years, in particular the placing that secured the Key Skills acquisition.

> Electronic Communication, ShareGift, and AGM

The Company continues to have in excess of 4,000 shareholders in the register. The Board hopes that with profits and growth now being delivered this will become a considerable advantage to the Company, helping improve liquidity in the shares and a potential source of financing for future acquisitions.

It is recognised that a large number of shareholders have very small holdings, the value of which barely exceeds the usual transaction fees charged by most brokers. The Company continues to support ShareGift, the charity share donation scheme administered by the Orr Mackintosh Foundation, and should you wish to donate small holdings of shares a form is available from our registrar. The Company is also looking to establish a relationship with a low-cost share dealing service to make it more practical for very small shareholders, should they wish, to deal in their shares.

I would like to strongly encourage shareholders to attend the AGM if at all possible. This provides an excellent opportunity not only for you to meet and quiz the Directors, and some of the management team, but also for us to receive feedback from you as investors.

I also encourage you once again, if you have not already done so, to register to receive shareholder communications by email. This can be done by filling out and returning the form enclosed with this annual report.

> Shareholder Discount Scheme

The Company now caters for the training requirements not only of corporate bodies but also a very large number of individuals. The idea of a shareholder discount scheme has been raised a number of times and I am pleased to announce that, effective from 1 July 2005, we will offer a 10% discount on all training courses, and a 20% discount on software products, to all shareholders holding at least 1,000 shares at the time of purchase. The discount is applicable to private individuals only for open course enrolments and single user licences.

> Prospects

In last year's Chairman's statement I wrote that this year should see a doubling of revenues and a move into profit. This has been achieved and the Company is now in a very fit state for continued growth and development. It is our stated strategy to grow both organically from our existing businesses and by further acquisition, where good quality companies can be found and where potential vendors can be realistic about the price they expect for their business.

The centre of gravity for the Company is the vibrant and growing Project and Service management markets which are serviced primarily through the Company's Key Skills and Mindscope brands. This is supported by a portfolio of other training and consultancy services in Business Finance, IT, and Data Governance, supplied under the Intellexis and Computa-Friendly brands. It is our belief that these businesses will see strong organic growth over the coming years as a result of market growth, investment in staff and products, and continued sharing of skills and products across the divisions. The recent winning of a £250,000 contract with a major telecommunications company serves to underline this belief. There is also considerable scope for consolidation in the training sector and there are a number of opportunities for acquisitive growth.

I believe the prospects for the Company over the coming years are very exciting.

I would finally like to formally welcome the staff and management of Computa-Friendly and Mindscope, and again to thank all ILX Group management and staff for their dedicated efforts over a year in which their hard work has borne fruit. We look forward to building on our success in 2005/6.

Paul Lever
Chairman

“we owe all our accomplishments to strong teamwork”

> Introduction

Our stated strategy is to build a sizeable training and software business around a basket of high value business models. This will be achieved both by organic growth and by careful acquisition. The year ended 31 March 2005 has seen strong organic growth coupled with two further successfully integrated acquisitions. The resultant profitable and cash generative base now provides us with a launch pad from which to create further value.

> Financial Results

Profit for the Year

The Company delivered turnover of £3,924,465 for the year (2004: £1,606,493) and an operating profit before amortisation of £656,760 (2004: loss of £29,381). This considerable improvement in the Company's trading resulted from a number of beneficial factors. The full year of Key Skills' trading, which showed considerable growth over previous years; improved profitability at Intellexis; and contributions from the acquisitions of Mindscope and Computa-Friendly, which added £921,908 in turnover and £130,309 in operating profit before amortisation. Particular trends in the Company's trading are identified later in this review.

Goodwill charges of £290,714 (2004: £164,365) represent the continued amortisation over 20 years of all goodwill balances, in line with current accounting practices. Reorganisation costs of £49,116 were also incurred during the year as referred to later in this review.

The Company benefited from an opportunity in the first half of the year to repay at a considerable discount the legacy convertible loan held by Park Row Group plc. Funds were raised by way of a placing of new ordinary shares to repay this loan at a 20% discount to its balance sheet value plus a waiver of all accrued interest. The loan was due to be payable over a further 8 years. Its early repayment has resulted in one-off gains to the profit and loss account of £100,000 (capital) and £34,000 (interest). Excluding these amounts, bank interest payable was £85,738, representing an interest rate of 7.3% on average term debt during the year of £1.17 million.

Profit for the Year transferred to reserves was £373,866 (2004: loss of £256,979). This represents an earnings per share of 4.79p (2004: loss per share of 7.45p). We also believe it is appropriate to present an adjusted earnings per share figure excluding the goodwill charge and also all exceptional items resulting from the repayment of debt and the restructuring. This figure is 7.86p per share (2004: loss of 2.69p per share).

Acquisitions

Two acquisitions were made during the year. Computa-Friendly was acquired for £482,500 in cash and shares, representing a multiple of 2.8 times historical post-tax profits. Established in 1989, it has a strong record of steady trading. The purchase price included £163,532 in net assets (as revalued).

Mindscope was acquired for a total consideration of £1,770,565, primarily in shares, including an earn-out element of £500,000. The earn-out is payable in full if the pre-tax profits of Mindscope for the 12 month period ended 31 July 2005 reach or exceed £375,000. This represents 6.7 times current post-tax profits, assuming the earn-out target is met in full and a notional tax rate of 30% is applied. Net Assets acquired (as revalued) were £326,250 including cash balances of £346,815. As mentioned in the Chairman's statement, we expect the earn-out criteria to be fully met and to be settled by way of £375,000 in new ordinary shares and £125,000 in cash.

Cash Generation and Net Debt

Cash generation from the Company's trading was strong, with Net Cash Inflow from continuing operating activities of £497,059 (2004: Outflow of £297,942), a cash conversion rate of 75% of the Company's Operating Profit before Amortisation.

Net Cash Inflow before Financing was £257,561 (2004: outflow of £2,282,202), after reorganisation costs of £49,116, interest payments of £34,064, payment of the pre-acquisition corporation tax balances of acquired companies of £125,396, capital expenditure of £27,626, and the net cash effect of acquisitions (outflow of £3,296). Almost 50% of the capital expenditure relates to the purchase and implementation of a new accounts system, now accessible from all Company locations, which will greatly enhance visibility and control.

Finally, net cash outflow from the repayment of debt and the issue of new ordinary shares was £129,478 (2004: inflow of £2,642,369) which gave an increase in cash in the period of £128,083 and a closing cash balance of £671,839 (2004: £543,756).

With significant cash balances available and the trading operations now generating cash flow, the Company continues to keep options open as to the uses for that cash. With net debt now down to £404,170 (2004: £1,226,928) the Company is not over-geared and it is likely that the cash will be retained in the immediate future whilst opportunities for investing in the existing business and acquisition opportunities remain. The early repayment of the Company's long term debt does however remain an option, and the proposed capital reduction will pave the way for the Board to consider a suitable dividend policy for coming years as well as the option for a share buy-back programme.

> Markets, Operations, and Strategy

Project and Service Management

The Project and Service Management markets continue to experience growth. These markets are serviced primarily through our Key Skills and Mindscope divisions. The Market for the Company's core PRINCE2 training products continues to expand at a rate estimated at 10-30% per annum, whilst trade in the Company's Computer-Based Training (CBT) products has increased by 51%. Additionally, the acquisition of Mindscope now provides the Company with the capacity to provide a full service offer and the reputation to deliver quality classroom training and consultancy alongside its CBT products.

During the year the Company also entered the Service Management market with the launch of training products for the Information Technology Infrastructure Library (ITIL) qualification. ITIL is a set of books developed by the UK Office of Government Commerce, describing an integrated, process based, best practice framework for managing IT services. To date, these books are the only comprehensive, non-proprietary, publicly available guidance for IT Service Management and are recognised worldwide.

Key Skills

The Key Skills division, having been smoothly integrated into the Company following its acquisition in February 2004, has had a very strong year, delivering revenues of £1.76 million – a year on year increase of 51%. Much of this growth has come in the last six months. Our investment in additional sales personnel in the Key Skills Nantwich office paid off in the second half of the year. Sales during this second half were £1.1 million, delivered by 7 sales staff against £0.6 million delivered by 4 sales staff in the first half of the year.

Sales were further boosted by the continued success of the PRINCE2 Practitioner Gold product, a blended CBT and classroom offering aimed at individuals which was launched in October 2003. The launch of an ITIL Foundation CBT training package which was accredited by ISEB in October last year also played a part. Sales of the blended product increased to almost £0.5 million for the year, whilst sales of the ITIL product since launch have totalled nearly £350,000 and look set to overtake sales of PRINCE2 products in the coming year. The ITIL market is estimated by the accreditation bodies to be considerably larger than that for PRINCE2 and, unlike PRINCE2 which is primarily restricted to the UK and Europe, ITIL is genuinely global.

Early on in the year, the Key Skills division also successfully implemented a smooth transition from perpetual to annual licences, in line with Intellexis and with market practice. In addition to boosting potential sales growth and repeat business, practice has shown that this model also allows greater communication with customers and helps to improve the utilisation of the materials purchased.

Major customers for the Key Skills products included British Telecom, Vodafone, United Nations, Misys, Logica, Nato, and Unisys. In total, Key Skills delivered products to over 1,000 customers, spread across public sector, private sector, and individuals. Sales of Key Skills products by sector with comparatives for last year (including pre-acquisition trade), are illustrated overleaf. As shown, revenues in both private and public sectors have shown strong growth but a step change has been seen in sales to individuals.

> CHIEF EXECUTIVE'S REVIEW

FOR THE YEAR ENDED 31 MARCH 2005 (CONTINUED)

	Increase	Year ended 31.3.2005 £'000s	Year ended 31.3.2004 £'000s
Private Sector	42%	886 (50%)	623 (53%)
Public Sector	30%	520 (30%)	402 (34%)
Individuals	145%	355 (20%)	145 (13%)
	51%	1,761 (100%)	1,170 (100%)

The majority of the business continues to come from UK customers (89%) with small amounts from Europe (7%) and North America (4%).

During the year Key Skills started to make use of its brand name and market presence to enter the market for classroom training. However, the acquisition of Mindscope in December provided the opportunity to rationalise the various revenue streams by passing responsibility for delivery of all classroom training and examination fees to Mindscope, and allowing Key Skills to re-focus purely on CBT revenues.

Mindscope

Mindscope specialises in classroom training of process driven accredited programmes. Founded in August 1998, it is recognised and licensed by the Association for Project Management Group (APMG), Office of Government Commerce (OGC), Information Systems Examination Board (ISEB), the British Computer Society (BCS) and the Association for Project Management (APM) to deliver a range of accredited Project and Programme Management standards. It was clear that Mindscope's delivery capabilities and its excellent reputation provided the ideal complement to the Company's existing products and capabilities and Mindscope was purchased in December 2004.

Kate Blackall, Managing Director of Mindscope, joins our management team and continues to run and develop business under the Mindscope brand. Since joining ILX Group, Mindscope products and services have contributed £560,000 turnover in just 4 months which is a dramatic increase from its previous run rate (turnover for Mindscope for its last financial year ended 31 July 2004 was £821,413). This includes some £70,000 from a £250,000 contract with a major telecommunications company, the remainder of which should be delivered in the next financial year. As a result of joining the Company, Mindscope is now well positioned to secure further large training contracts.

Key to the Mindscope business model is its variable cost base; facilities are hired only to meet demand and although it has a core team of full-time trainers, it is able to attract further high-quality trainers on a per-course basis as required. This gives the business the ability to scale up rapidly to meet demand as well as to remain lean in quieter months. The team of Associate Trainers has expanded rapidly since acquisition and good use has also been made of training room capacity at the Computa-Friendly's facilities in Wiltshire.

The combined products, services, and expertise of the Key Skills and Mindscope teams gives the Company a strong presence in what continues to be a vibrant and growing marketplace.

Finance, IT, and Data Governance

Whilst Project and Service Management remain the key areas of focus, the Company also offers a range of widely-used products in Finance, with particular emphasis on Finance for Non-Financial Managers, Information Technology and Data Governance. Finance training, largely Computer-Based and Web-Based, is provided under the Intellexis banner with the IT and Data Governance products and services provided by the recently acquired Computa-Friendly.

The lack of recognised accreditation in these areas means that demand for training products, particularly at individual level, is not stimulated in the same way as with Project and Service Management. This lack of accreditation leads to lack of market definition and means that market data in these areas is considerably more difficult to obtain. During the year trade in these areas has been relatively buoyant but we have not yet seen evidence of significant growth in the market. During the next financial year we aim to help stimulate greater demand by developing accreditations for a number of these products in conjunction with other organisations where suitable.

Intellexis

A major restructuring took place in the Intellexis division following a very poor first 6 months of the year when revenues fell by 22% against the same period the previous year and delivered a result only marginally above breakeven. As a result of this restructuring, fixed operating costs were cut by 30%. The second half of the year saw a considerably improved performance, with revenues for the half up 11% against last year and a net margin of 37%. For the full year, the division experienced a 7% fall in turnover but at a healthy profit margin of 24%. As part of the restructuring, a £49,116 exceptional charge was incurred as stated in the notes to the accounts.

Major new customers for the Intellexis products included Johnson Controls, Barry Callebaut, Borealis, Ciba Specialty Chemicals, whilst significant repeat orders were received from Rolls-Royce, IBM, Hilton International, the IMD Business School, Heineken, GKN, and Givaudan. Continuing development work worth in excess of £115,000 in the period was also undertaken for a big four accountancy firm.

Contributing to this improved performance were measures implemented in the earlier part of the year to improve the level of leads for the Intellexis sales team. Web-marketing techniques, introduced by the acquisition of Key Skills, now generate in excess of 350 requests and inquiries each month. These are actively followed up and significant business has been generated from these leads, including some of the major new customers listed above. Prior to implementing these techniques the level of incoming requests was minimal and new customers were obtained almost entirely through referral.

Unlike the three other divisions, Intellexis customers are almost exclusively private sector, with less than 1% of turnover from the public sector and from individuals. These both represent opportunities for growth next year which we intend to address through the development of public sector versions and of recognised accreditation. Furthermore, in contrast to other divisions, Intellexis obtained only 39% of its turnover from UK companies, with the remainder coming from mainland Europe (39%), North America (18%), and the Middle and Far East (4%). This is very much in line with last year's geographical split. The division therefore retains a level of exposure to long-term changes in the value of the Euro and US Dollar.

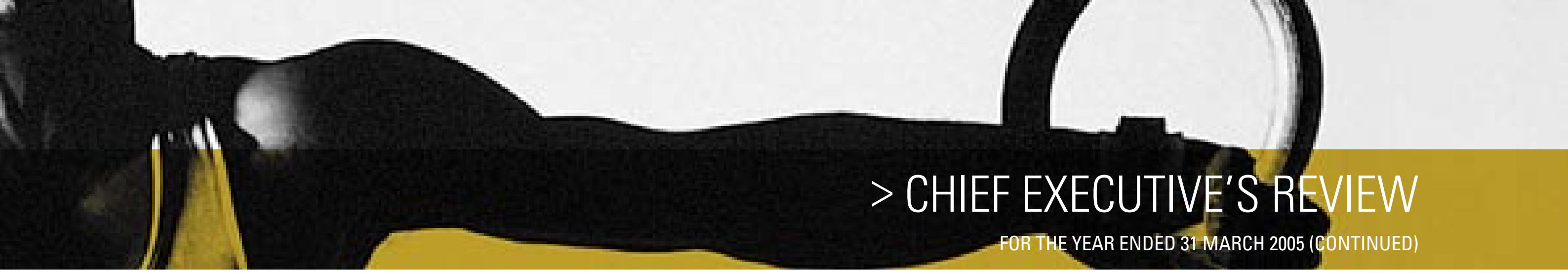
Income from sales of licences, both CDs and web-based licences, remains the dominant revenue stream for Intellexis. This stream increased by 7% year on year despite the fact that, as expected, the e-Peopleserve contract worth £175,000 in the year ended 31 March 2004 did not renew. The division also generates a healthy level of turnover from customisation of its products and selected development projects, which is referred to later on in this report.

Computa-Friendly

Computa-Friendly started life as a software training company in 1989. It now covers a number of areas of IT training, both in industry standard products (such as Microsoft Office) and bespoke systems. IT training is primarily delivered by way of classroom sessions and consultancy, but some CBT products are also available. It also has a portfolio of Data Governance e-Learning and Communication products, covering areas such as Data Protection Act, Freedom of Information Act, and Health and Safety. It is a Microsoft Certified Partner, a Microsoft Office Specialist, an authorised testing centre for the European Computer Driving Licence, and is ISO9001 certified. The consultancy side of the business spans training on bespoke systems, technical authoring, and database development. Additionally, at the time it was acquired in October 2004, it had started to build a steady stream of PRINCE2 training revenue.

Computa-Friendly's facilities are in Wiltshire and its expertise in delivering classroom training provided a clear fit with the Group. In addition, the software development skills of both Computa-Friendly and Intellexis lend themselves to synergies as a result of shared know-how and an increased pool of resources. Finally, the web-marketing techniques that have worked so well for Intellexis had immediate application to Computa-Friendly's e-learning products and, whilst any significant increase in sales from this activity is yet to be seen, the division does now receive around 50 extra leads per month.

Mark Butler, Managing Director of Computa-Friendly, also joins our management team and continues to run and develop business under the Computa-Friendly



brand, taking particular responsibility for development projects. Since joining the Group, Computa-Friendly products and services have delivered £360,000 in 6 months. The range of products is wide and work has been carried out over the last few months determining where best to focus and concentrate our efforts; as a result the division has started the new financial year with greater clarity and we hope for steady growth in this area during the coming year.

Software Development

In addition to the Company's extensive range of educational products, the Company has particular expertise in software development and the use of software for training purposes. In excess of 10% of the Company's turnover for the year came from the following areas:

- Development of bespoke e-learning solutions
- Assessment products and services allowing companies to identify training needs quickly
- Implementation products and services allowing companies to distribute training over a wide and dispersed audience whilst maintaining a full audit trail
- Customisation of products to meet customer-specific requirements

These revenues related almost entirely to the Intellexis and Computa-Friendly divisions. In the coming year it is our intention to enhance the application of these products and services across a wider range of our products, in particular to further enhance our competitive advantage in the Project and Service Management areas.

Management Changes

It is important as we grow as a Company that we maintain and develop a strong management team. I am therefore delighted to welcome Kate Blackall (Managing Director (non-statutory), Mindscope) and Mark Butler (Managing Director (non-statutory), Computa-Friendly) to the team. I would also like to thank David Willis who has managed the Intellexis division since April 2004 and who has overseen the restructuring and the subsequent improved second half performance. David now becomes Managing Director, Intellexis (non-statutory).

Martyn Kinch, who has run Key Skills since its inception, now takes on an expanded role as Commercial Director (non-statutory) of the Group. Martyn will be responsible for implementing best practice in all aspects of our sales and marketing. He will also be responsible for generating incremental business with particular focus on opening new markets.

Denise Maxfield, who has run the sales team at Key Skills for a number of years, steps up to Operations Manager, Key Skills, and again I am delighted to welcome her to the management team.

Future Opportunities

There are a great deal of opportunities open to us as a Company and many challenges ahead. The main focus for the first half of the next year will be on continued organic growth, where there is considerable potential.

It is important that a dialogue can be maintained with all shareholders and that regular news of the Company's progress is available. This is an area which has lacked attention in the past, our efforts having been fully taken up with the building of the business and the delivery of solid financial results.
We are now keen to maintain a more pro-active Investor Relations strategy. The redesigned Annual Report, and the Shareholder Discount programme, are just two of a number of initiatives that we hope will improve news flow and the communications between the Company and you its shareholders. It is in the light of this that I echo Paul Lever's encouragement for as many shareholders as possible to attend the AGM.

It is hoped that continued strong trading, organic growth, and improved investor relations, will bring about a stronger share price. This will assist in the other key element of our strategic plan – growth by acquisition. On this note we continue to consider opportunities and search for others.

As previously stated, our strategy is to build a sizeable training and software business built around a basket of high value business models. This will be achieved both by organic growth and by careful acquisition. This year has allowed us to demonstrate that we can deliver profits, we can deliver growth, and we can deliver well judged acquisitions successfully integrated within the framework of ILX Group plc.

We look forward to exciting times ahead.

Ken Scott
Chief Executive

"our performance has been finely balanced"

The directors present their report and the financial statements for the year ended 31 March 2005.

> Principal Activity and Business Review

The principal activity of the group during the year was as providers of education and 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 Computa-Friendly Ltd, a company specialising software training and e-Learning information systems, and Mindscope Ltd, a company specialising in Project and Service Management training and Consultancy.

> Results and Dividends

The results of the group for the year are set out on page 16. The directors do not recommend payment of a 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
Kate Blackall	1,049,318	11.7
Park Row Group Plc	1,030,652	11.5
Marlborough Fund Managers Ltd	783,447	8.7
Barnard Nominees Ltd	623,330	6.9
Singer & Friedlander AIM 3 VCT	541,600	6.0
Giltspur Nominees Ltd	487,495	5.4
Paul and Judica Palmarozza	410,210	4.6
Investec Trust Guernsey Ltd	318,580	3.6
Martyn and Heather Kinch	311,204	3.5

The investment by Investec Trust Guernsey Limited represents 3.6% 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 13 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 31 March 2005 was 51 (at 31 March 2004: 61).

> Directors and their Interests

The present directors are listed on page 1. The directors served throughout the year. The interests of the directors (including family interests) in the share capital of the Company are listed on page 13.

K P Scott 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 3 June 2005.

On behalf of the Board

J A Pickles
Director

“there are no shortcuts to building a strong company”

> 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 (Chairman), and a Remuneration Committee which also comprises P R S Lever (Chairman), 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. It is also responsible for appointing the auditors, ensuring the auditors' independence is not compromised, and reviewing the reports on the company from the auditors in relation to the accounts and internal control systems.

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

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

> Internal Control

The Combined Code 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.

> 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	124,400	15,600	-	12,500	152,500
J A Pickles	70,000	465	-	1,995	72,460
Non-executive Directors					
P R S Lever	25,625	-	-	-	25,625
J H Davies	12,300	-	-	-	12,300
	232,325	16,065	-	14,495	262,885

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 2004	Granted/ (Waived) during the year	Number of shares under option at 31st March 2005	Exercise Price	Date of Grant
K P Scott	140,500		140,500	110p	30 September 2002
K P Scott	16,875		16,875	70p	31 March 2004
K P Scott		225,000	225,000	96p	1 December 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 A Pickles		122,875	122,875	96p	1 December 2004
P R S Lever	10,000		10,000	140p	7 January 2003
J H Davies	10,000		10,000	110p	9 December 2002
	218,000	339,375	557,375		

As at 31 March 2005, 51 employees (including directors) held options (granted between 19 April 2002 and 24 December 2004) over a total of 921,250 ordinary shares at an average option price of 95p. All options are exercisable between 2 and 10 years from date of grant.

The Company's share price on 31 March 2005 was 85.0 pence (on 31 March 2004: 96.5 pence).

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 2004	Allotted during the year	Vested during the year	Number of shares allotted at 31st March 2005
K P Scott	157,360	-	-	157,360
J A Pickles	53,970	-	-	53,970
Other Management	107,250	-	-	107,250
	318,580	-	-	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 31 March 2005	At 31 March 2004
P R S Lever	36,600	16,600
K P Scott	95,570	76,425
J A Pickles	82,812	83,212
J H Davies	36,600	31,600

P R S Lever bought 10,000 shares on 6 April 2005 at a price of 90p per share. K P Scott purchased 1,000 shares on 6 April 2005 at a price of 92p per share. There were no other changes between 31 March 2005 and 3 June 2005.

"the health of any organisation shows in its figures"

> 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 ILX Group plc

We have audited the financial statements of ILX Group plc for the year ended 31 March 2005 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 Chief Executive's 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.

> 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 31 March 2005 and of its profit 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: 3 June 2005

> CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2005

	Notes	Year ended 31.3.2005 Continuing activities £	Year ended 31.3.2005 Acquisitions £	Year ended 31.3.2005 Total £	Year ended 31.3.2004
Turnover	2	3,002,557	921,908	3,924,465	1,606,493
Cost of sales		(660,503)	(297,054)	(957,557)	(298,960)
Gross Profit		2,342,054	624,854	2,966,908	1,307,533
Distribution costs		(132,462)	(12,445)	(144,907)	(97,050)
Administrative expenses excluding depreciation and goodwill		(1,654,527)	(475,086)	(2,129,613)	(1,194,005)
Earnings before Interest, Tax, Depreciation and Goodwill		555,065	137,323	692,388	16,478
Depreciation		(28,614)	(7,014)	(35,628)	(45,859)
Operating Profit / (Loss) before Goodwill Amortisation		526,451	130,309	656,760	(29,381)
Amortisation of goodwill		(273,264)	(17,450)	(290,714)	(164,365)
Operating Profit / (Loss)	3	253,187	112,859	366,046	(193,746)
Reorganisation costs	4			(49,116)	-
Profit / (Loss) on Ordinary Activities before Interest				316,930	(193,746)
Interest receivable and similar income	5			42,674	1,764
Gain on early repayment of debt	5			100,000	-
Interest payable and similar charges	6			(85,738)	(64,997)
Profit / (Loss) on Ordinary Activities before Taxation				373,866	(256,979)
Tax on profit on ordinary activities	9			-	-
Profit / (Loss) for the Year transferred to Reserves	17			373,866	(256,979)
Earnings / (Loss) per share - basic	10			4.79p	(7.45)p
Earnings / (Loss) per share - excluding goodwill and exceptionals	10			7.86p	(2.69)p

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

> CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2005

	Notes	31.3.2005 £	31.3.2005 £	31.3.2004 £	31.3.2004 £
Fixed Assets					
Intangible assets	11		6,362,149		4,789,956
Tangible assets	12		262,354		220,356
			6,624,503		5,010,312
Current Assets					
Debtors	14	1,059,166		558,605	
Cash at bank and in hand		671,839		543,756	
		1,731,005		1,102,361	
Creditors: Amounts falling due within one year	15	(1,428,065)		(977,385)	
Net Current Assets			302,940		124,976
Total Assets less Current Liabilities			6,927,443		5,135,288
Creditors: Amounts falling due after more than one year	16		(921,247)		(1,543,155)
Net Assets			6,006,196		3,592,133
Capital and Reserves					
Called up share capital	17		3,734,318		3,524,145
Share premium account	17		7,338,490		5,883,466
Shares to be issued - contingent consideration	17		375,000		-
Own shares in trust	17		(300,772)		(300,772)
Profit and loss account	17		(5,140,840)		(5,514,706)
Equity Shareholders' Funds			6,006,196		3,592,133

The financial statements were approved by the board on 3 June 2005 and signed on its behalf by:

J A Pickles ______________________________ Director

K P Scott ______________________________ Director

> COMPANY BALANCE SHEET

AS AT 31 MARCH 2005

	Notes	31.3.2005 £	31.3.2005 £	31.3.2004 £	31.3.2004 £
Fixed Assets					
Intangible assets	11		6,362,149		-
Tangible assets	12		262,354		220,356
Investments	13		-		4,779,530
			6,624,503		4,999,886
Current Assets					
Debtors	14	1,059,166		558,605	
Cash at bank and in hand		671,839		543,756	
		1,731,005		1,102,361	
Creditors: Amounts falling due within one year	15	(1,428,065)		(977,385)	
Net Current Assets			302,940		124,976
Total Assets less Current Liabilities			6,927,443		5,124,862
Creditors: Amounts falling due after more than one year	16		(921,247)		(1,543,155)
Net Assets			6,006,196		3,581,707
Capital and Reserves					
Called up share capital	17		3,734,318		3,524,145
Share premium account	17		7,338,490		5,883,466
Shares to be issued - contingent consideration	17		375,000		-
Own shares in trust	17		(300,772)		(300,772)
Profit and loss account	17		(5,140,840)		(5,525,132)
Equity Shareholders' Funds			6,006,196		3,581,707

The financial statements were approved by the board on 3 June 2005 and signed on its behalf by:

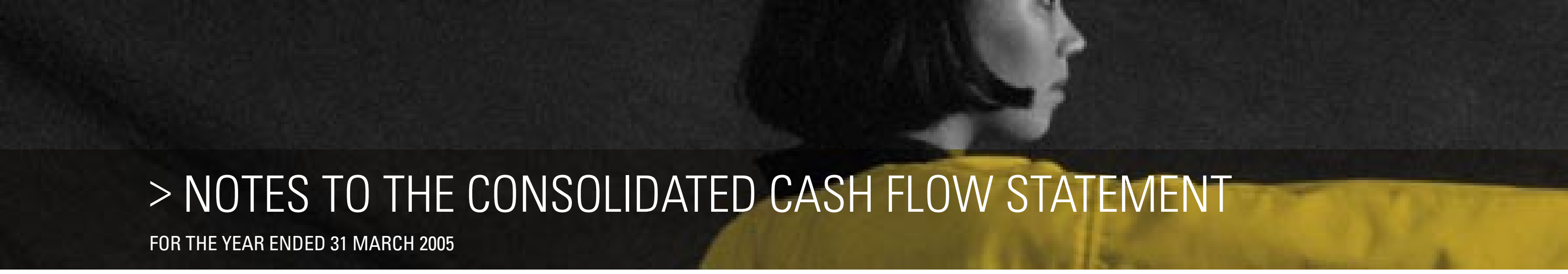
J A Pickles ______________________ Director

K P Scott ______________________ Director

> CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2005

			Year ended 31.3.2005		Year ended 31.3.2004
		£	£	£	£
Net Cash Inflow / (Outflow) from Operating Activities	(i)		447,943		(297,942)
Returns on Investments and Servicing of Finance					
Interest received		8,674		1,764	
Interest paid		(42,738)		(64,997)	
Net Cash Outflow for Returns on Investments and Servicing of Finance			(34,064)		(63,233)
Taxation			(125,396)		-
Capital Expenditure					
Payments to acquire tangible fixed assets		(27,626)		(1,805)	
Payments to acquire investments		-		(160,272)	
Net Cash Outflow for Capital Expenditure			(27,626)		(162,077)
Post-Completion Dividends			(49,791)		-
Acquisitions					
Acquisitions		(372,688)		(1,836,000)	
Acquisition costs		(99,624)		(145,181)	
Net cash acquired with subsidiary		518,807		222,231	
Net Cash Inflow / (Outflow) for Acquisitions			46,495		(1,758,950)
Cash Inflow / (Outflow) before Financing			257,561		(2,282,202)
Financing					
Issue of ordinary share capital		492,398		1,918,458	
Expenses paid in connection with share issues		(27,201)		(169,511)	
Debt due within a year		(66,667)		163,116	
Debt due after a year		(521,908)		766,905	
Capital element of finance lease rental payments		(6,100)		(36,599)	
Net Cash (Outflow) / Inflow from Financing			(129,478)		2,642,369
Increase in Cash	(ii)		128,083		360,167



> NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2005

(i) Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	Year ended 31.3.2005 £	Year ended 31.3.2004 £
Operating profit / (loss)	366,046	(193,746)
Depreciation	35,628	45,859
Amortisation of goodwill and intangible assets	290,714	164,365
Increase in debtors	(239,604)	(282,669)
Increase / (decrease) in creditors	44,275	(31,751)
Net cash inflow / (outflow) from continuing operating activities	497,059	(297,942)
Net cash outflow in respect of reorganisation costs	(49,116)	-
Net cash inflow / (outflow) from operating activities	447,943	(297,942)

(ii) Reconciliation of Net Cash Flow to Movement in Net Debt (Note (iii))

Increase in cash in the period	128,083	360,167
Cash flow from decrease in debt and lease financing	594,675	(893,422)
Change in net debt resulting from cash flows	722,758	(533,255)
Change in net debt resulting from gain on early repayment	100,000	-
Movement in net debt in the period	822,758	(533,255)
Net debt at 31 March 2004	(1,226,928)	(693,673)
Net debt at 31 March 2005	(404,170)	(1,226,928)

(iii) Analysis of Changes in Net Debt

	At 31.03.2004 £	Cash Flow £	Non-Cash Items £	At 31.03.2005 £
Cash at bank and in hand	543,756	128,083	-	671,839
Debt due within one year	(221,429)	66,667	-	(154,762)
Debt due after one year	(1,543,155)	521,908	100,000	(921,247)
Finance leases	(6,100)	6,100	-	-
	(1,770,684)	594,675	100,000	(1,076,009)
Net debt	(1,226,928)	722,758	100,000	(404,170)

(iv) Purchase of Subsidiary Undertaking – Computa-Friendly Ltd

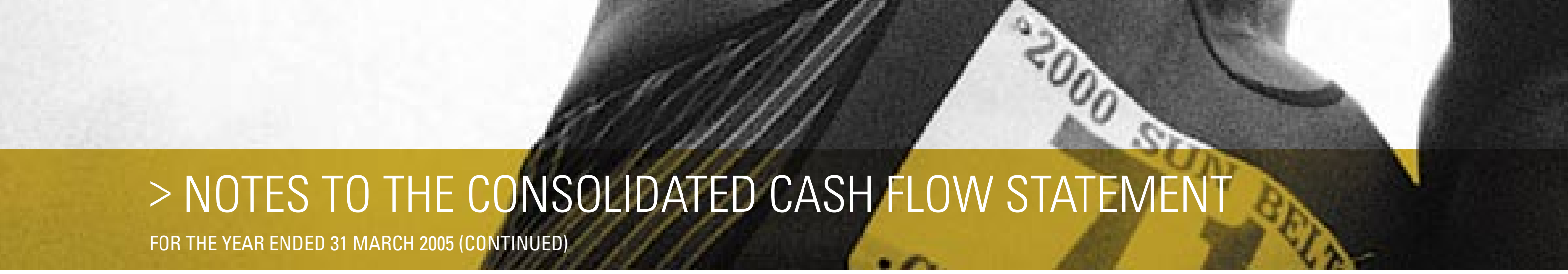
On 1 October 2004 the company acquired 100% of the ordinary share capital of Computa-Friendly Limited. This was acquired for £482,500 in cash and shares. The trade, assets and liabilities of Computa-Friendly Limited were immediately hived up to the parent company.

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	Fair Value
	£	£	£
Tangible fixed assets	54,397	(9,397)	45,000
Debtors	163,188	-	163,188
Cash at bank and in hand	171,992	-	171,992
Trade creditors	(67,701)	-	(67,701)
Dividends payable	(49,791)	-	(49,791)
Corporation tax	(62,283)	-	(62,283)
Deferred income	(36,873)	-	(36,873)
Net assets	172,929	(9,397)	163,532
Acquisition costs			(49,219)
Goodwill			368,187
			482,500
Satisfied By			
Shares allotted			200,000
Cash			282,500
			482,500

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

	5 months ended 30.9.2004	Year ended 30.4.2004
	£	£
Turnover	392,539	807,809
Cost of sales	(151,542)	(324,309)
Gross profit	240,997	483,500
Distribution expenses	-	-
Administrative expenses	(120,152)	(272,219)
Operating profit	120,845	211,281
Interest receivable	1,760	1,690
Interest payable	(277)	(1,146)
Profit on ordinary activities before taxation	122,328	211,825
Taxation	(19,740)	(40,247)
Profit on ordinary activities after taxation	102,588	171,578
Dividends paid	(49,791)	(150,000)
Profit for the year transferred to reserves	52,797	21,578



> NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2005 (CONTINUED)

(v) Purchase of Subsidiary Undertaking – Mindscope Ltd

On 1 December 2004 the company acquired 100% of the ordinary share capital of Mindscope Limited. This was acquired for a maximum £1,770,565 in cash and shares. The trade, assets and liabilities of Mindscope Limited were immediately 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:

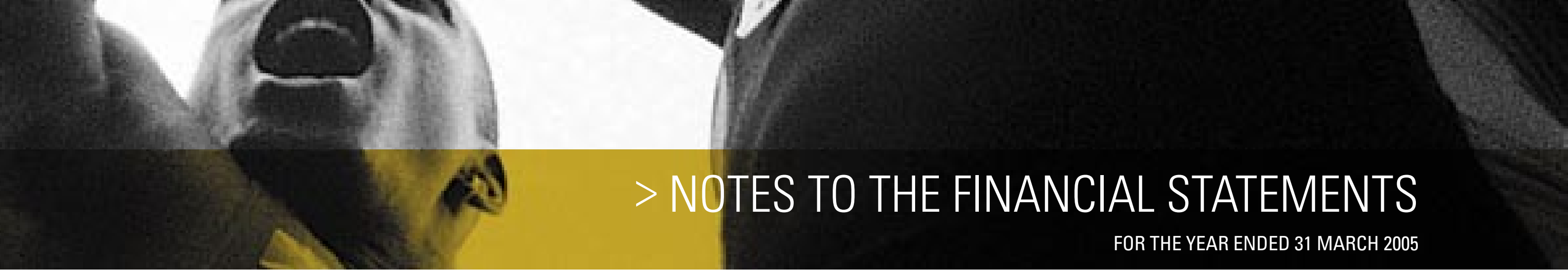
Net Assets Acquired	Book Value	Revaluation	Fair Value
	£	£	£
Tangible fixed assets	5,905	(905)	5,000
Debtors	97,769	-	97,769
Cash at bank and in hand	346,815	-	346,815
Trade creditors	(38,636)	-	(38,636)
Corporation tax	(41,800)	-	(41,800)
Deferred income	(42,898)	-	(42,898)
Net assets	327,155	(905)	326,250
Acquisition costs			(50,405)
Goodwill			1,494,720
			1,770,565
Satisfied By			
Shares allotted			1,000,000
Cash paid			90,188
Cash payable			180,377
Contingent consideration - cash			125,000
Contingent consideration - shares			375,000
			1,770,565

The Cash payable element of the consideration is payable by way of 8 monthly instalments of £22,547 each.

The Contingent consideration is payable at the end of August 2005 by way of £125,000 in cash and £375,000 in shares, subject to performance criteria. The Contingent consideration will be reduced by £4 (£1 in cash and £3 in shares) for each £1 by which operating profits from Mindscope for the period 1 August 2004 to 31 July 2005 fall below £375,000. Full provision for the cash element of payment is made under Current liabilities with the remainder shown under Capital and reserves.

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

	4 months ended 30.11.2004	Year ended 30.7.2004
	£	£
Turnover	324,513	821,413
Cost of sales	(206,062)	(473,108)
Gross profit	118,451	348,305
Distribution expenses	(11,768)	(148,500)
Administrative expenses	(38,182)	(73,769)
Operating profit	68,501	126,036
Interest receivable	3,310	1,907
Profit on ordinary activities before taxation	71,811	127,943
Taxation	(16,000)	(25,800)
Profit for the year transferred to reserves	55,811	102,143



1 Accounting Policies

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

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
Motor Vehicles – 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.

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 31.3.2005 Continuing £	Year ended 31.3.2005 Acquisitions £	Year ended 31.3.2005 Total £	Year ended 31.3.2004 £
United Kingdom	2,044,012	921,908	2,965,920	1,112,283
Rest of Europe	601,701	-	601,701	307,772
North America	296,998	-	296,998	186,438
Other	59,846	-	59,846	-
	3,002,557	921,908	3,924,465	1,606,493

3 Operating Profit

Operating Profit / (Loss) is stated after charging:

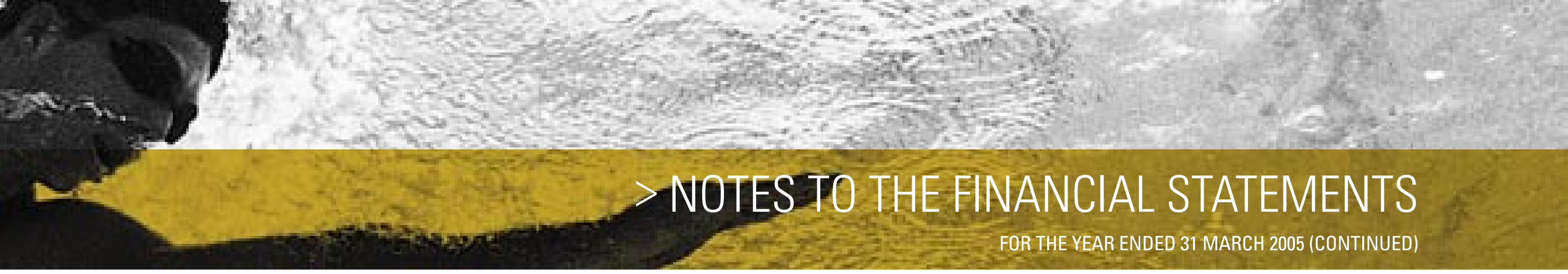
	Year ended 31.3.2005 £	Year ended 31.3.2004 £
Depreciation on assets held under finance leases	1,875	6,283
Auditors' remuneration	17,500	9,220
Auditors' remuneration for non-audit work	7,405	-
Operating lease rentals - land and buildings	81,285	69,396

4 Exceptional Items

Exceptional Items relate to costs incurred in a fundamental reorganisation of the group's continuing operations.

5 Interest Receivable and Similar Income

	Year ended 31.3.2005 £	Year ended 31.3.2004 £
Bank Interest	8,674	1,764
Interest Waived (note 18)	34,000	-
	42,674	1,764
Gain on Early Repayment of Debt (note 18)	100,000	-



6 Interest Payable and Similar Charges

	Year ended 31.3.2005 £	Year ended 31.3.2004 £
On bank loans and overdrafts	80,543	26,602
On other loans	4,316	34,000
Hire purchase interest	879	4,395
	85,738	64,997

7 Employees and Directors' Remuneration

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

	Year ended 31.3.2005 Number	Year ended 31.3.2004 Number
Development and Delivery	11	5
Office and Management	12	6
Sales and Marketing	15	9
	38	20

Their total remuneration was:

	Year ended 31.3.2005 £	Year ended 31.3.2004 £
Wages and salaries	1,732,244	911,143
Social security costs	183,159	99,423
Other pension costs	35,761	60,105
	1,951,165	1,070,671

Directors' emoluments can be analysed as follows:

	Year ended 31.3.2005 £	Year ended 31.3.2004 £
Remuneration and other emoluments	248,390	342,577
Pension contributions	14,495	40,380
	262,885	382,957
	£	£
Highest paid director	152,500	152,129

There is one director to whom retirement benefits are accruing under a money purchase scheme (2004: 1).

A detailed analysis of directors' remuneration is provided on page 12.

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 £15,929 (2004 - £11,310) plus contributions made directly to directors' and employees' personal pension schemes which amounted to £19,832 (2004 - £48,795).

9 Taxation

	Year ended 31.3.2005 £	Year ended 31.3.2004 £
Current Tax Charge	-	-
Factors affecting the tax charge for the year		
Profit / (Loss) on ordinary activities before taxation	373,866	(256,979)
Profit / (Loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2003: 30%)	112,160	(77,094)
Effects of:		
Non-deductible expenses	2,858	2,717
Depreciation and non-allowable amortisation	54,392	63,067
Capital Allowances	(11,938)	(7,923)
Other tax adjustments	(2,927)	-
Tax Losses utilised / (carried forward)	(154,545)	19,233
	(112,160)	77,094
Current Tax Charge	-	-

Unrelieved tax losses of approximately £3,824,000 remain available to offset against future taxable profits.

10 Earnings per Share

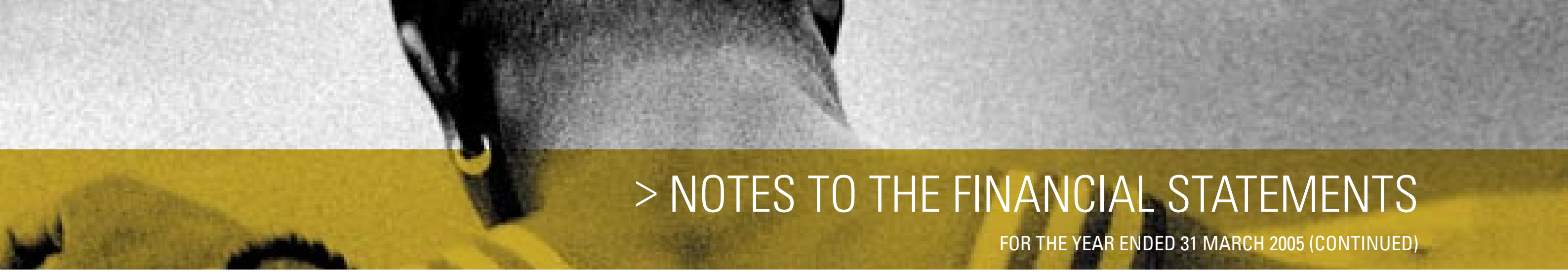
The calculation of earnings per share is based on the profit for the year after tax of £373,866 (2004 – loss of £256,979) and on the weighted average number of shares in issue during the year of 7,803,413 (2004 - 3,449,304).

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

The calculation of earnings per share excluding goodwill and exceptionals is based on the profit for the year after adding back Goodwill Amortisation of £290,714 (2004: £164,365), Reorganisation Costs of £49,116 (2004: nil) and deducting the Gain on Early Repayment of Debt of £100,000 (2004: nil).

11 Intangible Fixed Assets - Goodwill

Group	Total
Cost	£
At 31 March 2004	5,697,267
Additions	1,862,907
At 31 March 2005	7,560,174
Amortisation	
At 31 March 2004	907,311
Charge for the year	290,714
At 31 March 2005	1,198,025
Net Book Value	
At 31 March 2005	6,362,149
At 31 March 2004	4,789,956



11 Intangible Fixed Assets - Goodwill (cont'd)

Company	Total
Cost	£
At 31 March 2004	-
Additions	6,652,863
At 31 March 2005	6,652,863
Amortisation	
At 31 March 2004	-
Charge for the year	290,714
At 31 March 2005	290,174
Net Book Value	
At 31 March 2005	6,362,149
At 31 March 2004	-

12 Tangible Fixed Assets

Group and Company	Freehold Property	Motor Vehicles	Fixtures, Fitting and Equipment	Computer Equipment	Total
Cost	£	£	£	£	£
At 31 March 2004	180,000	-	56,010	169,875	405,885
Additions	-	15,000	15,379	47,247	77,626
Disposals	-	-	-	(67,672)	(67,672)
At 31 March 2005	180,000	15,000	71,389	149,450	415,839
Depreciation					
At 31 March 2004	-	-	29,714	155,815	185,529
Charge for the year	3,600	1,875	14,001	16,152	35,628
Disposals	-	-	-	(67,672)	(67,672)
At 31 March 2005	3,600	1,875	43,715	104,295	153,485
Net Book Value					
At 31 March 2005	176,400	13,125	27,674	45,155	262,354
At 31 March 2004	180,000	-	26,296	14,060	220,356

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

Asset description	2005 Net Book Value	2005 Depreciation Charge	2004 Net Book Value	2004 Depreciation Charge
	£	£	£	£
Motor Vehicle	13,125	1,875	-	-
Computer Equipment	-	-	-	6,283

13 Investments

Company	Shares in Group Undertakings (at cost)
Cost	£
At 31 March 2004	4,779,530
Acquired during the year	2,352,689
Written off during the year	(7,132,219)
At 31 March 2005	-

Investments in the Company's own shares held in trust under the Medium Term Incentive plan are now shown under Capital and Reserves (see note 17) rather than Investments in accordance with UITF 38. Previous year's comparatives have also been restated.

Investments in shares in group undertakings have been fully written down in the year as all group companies are dormant and all trade and assets, including goodwill, have been fully hived up to the parent company.

The company has the following subsidiary undertakings:

Name	*Principal Activity*	*Holding*	*Registered*
Mindscope Limited	Non-trading	100%	England & Wales
Computa-Friendly Limited	Non-trading	100%	England & Wales
Intellexis Limited	Non-trading	100%	England & Wales
Key Skills Limited	Non-trading	100%	England & Wales
Intellexis International Limited	Non-trading	100%	England & Wales

These companies have all prepared accounts to 31 March 2005.

14 Debtors

	At 31.3.2005	At 31.3.2004
	£	£
Trade debtors	974,999	453,586
Other debtors	97	-
Prepayments	71,808	84,020
Accrued income	12,262	20,999
	1,059,166	558,605

15 Creditors: Amounts falling due within one year

	At 31.3.2005 £	At 31.3.2004 £
HSBC 10-year term loan	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
Trade creditors	261,285	122,303
Corporation Tax	68,525	89,838
Other taxes and social security costs	225,187	138,821
Other creditors	1,654	3,067
Deferred and contingent consideration	305,377	-
Net obligations under finance leases and hire purchase contracts	-	6,100
Accruals	183,528	146,034
Deferred income	227,747	249,793
	1,428,065	977,385

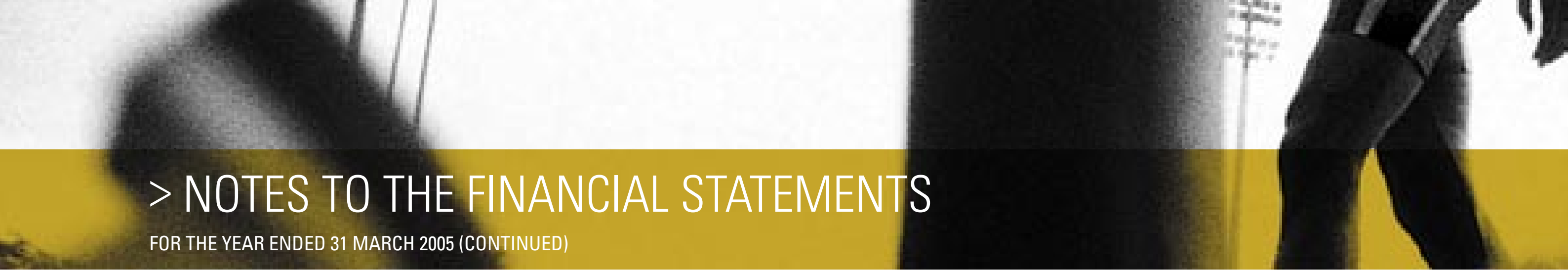
The convertible loan stock was repaid in full during the year (see note 18).

16 Creditors: Amounts falling due after more than one year

	At 31.3.2005 £	At 31.3.2004 £
HSBC 10-year term loan	172,917	197,917
HSBC 7-year term loan	636,352	728,571
HSBC 15-year mortgage	111,978	116,667
Convertible loan stock	-	500,000
	921,247	1,543,155
Loans		
Repayable in one year or less, or on demand (note 15)	154,762	221,429
Repayable between one and two years	154,762	221,429
Repayable between two and five years	464,286	664,287
Repayable in five years or more	302,199	657,439
	1,076,009	1,764,584
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	-	6,100
Repayable between one and five years	-	-
	-	6,100

The HSBC loans, and an overdraft facility currently undrawn, are secured by a Debenture granted by ILX Group Plc in favour of HSBC Bank Plc dated 23 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 ILX Group Plc.

The convertible loan stock was repaid in full during the year (see note 18).



17 Shareholders' Funds

Company share capital

	At 31.3.2005	At 31.3.2004
Authorised equity:	£	£
Ordinary shares of 10p each	1,663,074	1,663,074
Allotted, called up and fully paid equity:		
Ordinary shares of 10p each	897,392	687,219
Special Non-voting Deferred Shares	2,836,926	2,836,926
	3,734,318	3,524,145

Share options

As at 31 March 2005, 51 employees (including directors) held options (granted between 19 April 2002 and 24 December 2004) over a total of 921,250 ordinary shares at an average option price of 95p, as follows:

Date of grant	Number of shares under option at 31st March 2004	Granted/ (Waived) during the year	Number of shares under option at 31st March 2005	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	86,500	(26,500)	60,000	110p	9 December 2012
7 January 2003	10,000		10,000	140p	7 January 2013
1 February 2004	107,375	(32,875)	74,500	70p	1 February 2014
31 March 2004	23,985	(7,110)	16,875	70p	31 March 2014
1 December 2004		347,875	347,875	96p	1 December 2014
24 December 2004		271,500	271,500	90p	24 December 2014
	376,860	544,390	921,250		

All options are exercisable between 2 and 10 years from date of grant. Details of directors' share options can be found on page 12. The Company's share price on 31 March 2005 was 85.0 pence (on 31 March 2004: 96.5 pence).

Movements on capital and reserves

Group	Called up Share Capital £	Share Premium Account £	Contingent Consideration	Own Shares in Trust £	Profit and Loss Account £	Total £
Balance at 31 March 2004	3,524,145	5,883,466		(300,772)	(5,514,706)	3,592,133
Profit for the year					373,866	373,866
Issue of shares	210,173					210,173
Contingent consideration			375,000			375,000
Premium on issue of shares		1,482,225				1,482,225
Costs relating to share issue		(27,201)				(27,201)
At 31 March 2005	3,734,318	7,338,490	375,000	(300,772)	(5,140,840)	6,006,196

17 Shareholders' Funds (cont'd)

Movements on capital and reserves

Company	Called up Share Capital £	Share Premium Account £	Contingent Consideration	Own Shares in Trust £	Profit and Loss Account £	Total £
Balance at 31 March 2004	3,524,145	5,883,466		(300,772)	(5,525,132)	3,581,707
Profit for the year					384,292	384,292
Issue of shares	210,173					210,173
Contingent consideration			375,000			375,000
Premium on issue of shares		1,482,225				1,482,225
Costs relating to share issue		(27,201)				(27,201)
At 31 March 2005	3,734,318	7,338,490	375,000	(300,772)	(5,140,840)	6,006,196

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 3.6% of the total called up share capital. These shares become payable to directors and senior management, as set out on page 13, on the achievement of certain performance criteria.

These shares are now shown under Capital and Reserves rather than Investments (see note 13) in accordance with UITF 38. Previous year's comparatives have also been restated.

18 Related Party Transactions

During the year agreement was reached with Park Row Group plc for early repayment of the convertible loan at a discount. Payments of £466,667 were made to Park Row Group plc in full and final settlement of the loan and any accrued interest. This resulted in a gain on early repayment of £100,000 and a write-back of £34,000 interest accrued, as shown in the accounts.

The deal was financed by a new issue of shares in which Park Row Group plc subscribed £100,000, taking their holding to 11.5%.

Park Row Group plc are related by way of their significant shareholding in the Company.

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 31 March 2005 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	-	430,000	430,000
Financial Liabilities			
Bank loans denominated in sterling	1,076,009	-	1,076,009

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 3.2% - 3.6%. Operating cash balances are maintained at a minimum and attract no interest. 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%.

The Company has taken out a 5-year Base Rate Collar Agreement with HSBC, from 23 February 2004 to 6 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.

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.

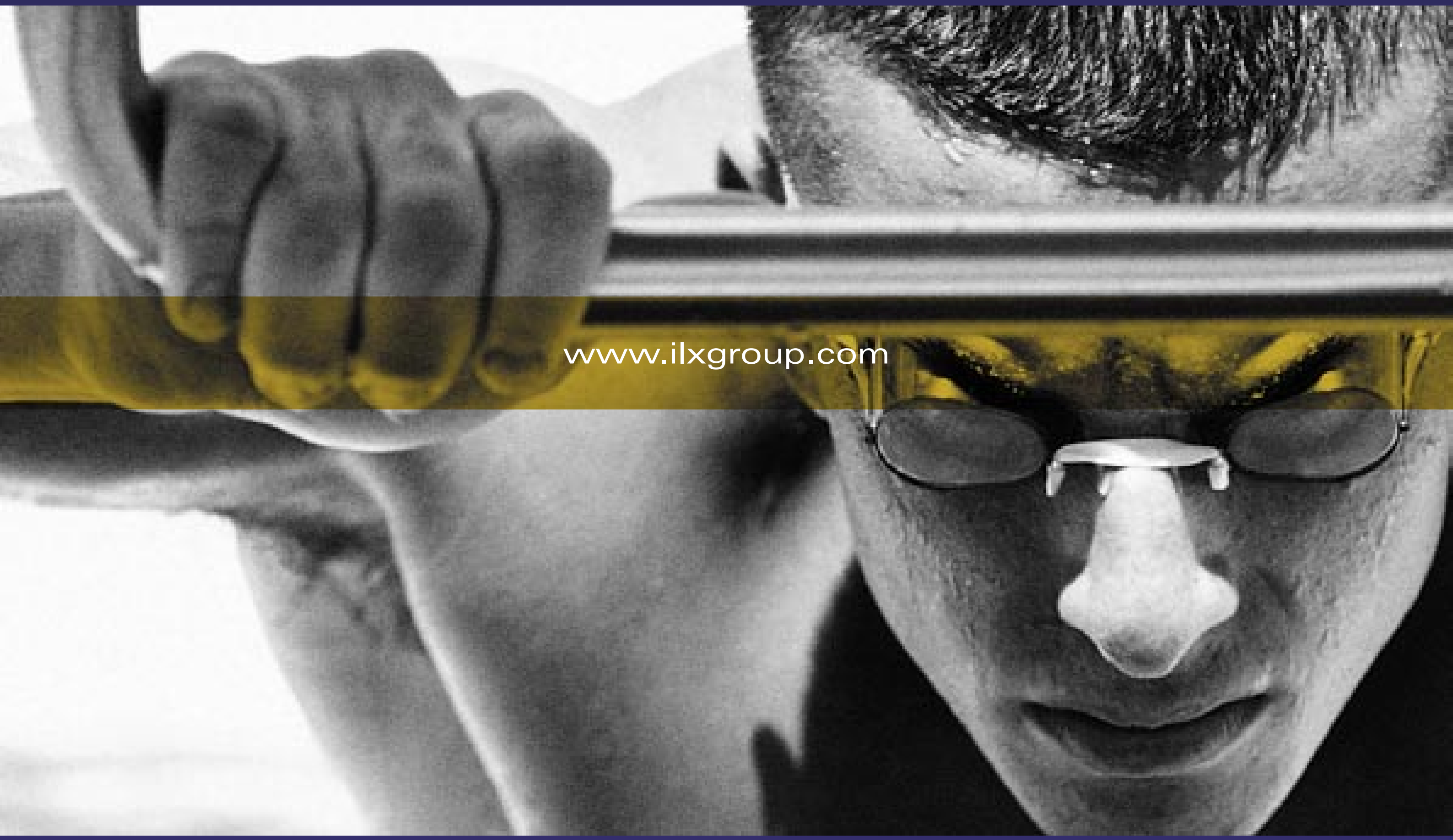
21 Operating Leases

At 31 March 2005 the group had annual commitments under operating leases as set out below:

	Land and Buildings 31.3.2005	Land and Buildings 31.3.2004
Leases which expire:	£	£
in one year	66,667	57,059
in second to fifth year	49,452	-
	116,119	57,059

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.



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