Financial Statements

Digital Learning Marketplace Plc

For the nine months ended 31 December 2011

Company No. 5212388

Company information

Company registration number:	5212388 - incorporated in England
Registered office:	Windsor House 55-56 St James's Street London SW1A 1LA
Directors:	Angus Forrest – Chairman Bruce Leith – Non-Executive Director Paul Henry – Non-Executive Director
Broker:	Northland Capital Partners Limited 60 Gresham Street London EC2V 7BB Peterhouse Capital Corporate Broking 31 Lombard Street London EC3V 9BQ
Registrar:	Computershare Investor Services Plc PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH
Nominated Advisor:	Beaumont Cornish Limited 2nd Floor, Bowman House 29 Wilson Street London EC2M 2SJ
Auditors:	Grant Thornton UK LLP Statutory Auditor Chartered Accountants 2 Broadfield Court Sheffield South Yorkshire S8 0XF
Website:	www.dlmplc.com

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Chairman's statement

Learning Market

The learning marketplace is changing. The advent of digital and mobile technologies is a key enabler for change: first, the creation of learning materials allowing new features to be included is increasing effectiveness; second, the concept of "Cloud Computing" is now commonly accepted and the increased availability and affordability of mobile browsing has encouraged the wider use of smart phones and tablets (eg iPads) for learning; and third, platforms like Facebook and LinkedIn are now accepted components of marketing and relationship development for business. These changes offer new market and distribution opportunities and make personalised learning a realistic prospect for the first time.

Review of the period 1 April to 31 December 2011

Our business continues to offer a wide range of effective learning solutions. The acquisition of PIXELearning Ltd ("Pixel") in May 2011 broadened our offering at the premium end of the market by including the use of serious games in educational courses. Gamification is proven to increase the effectiveness of learning through greater engagement and participation. Customers are motivated by the improved effectiveness of this method of learning and consequently the shorter timeframe necessary to achieve a specified level of attainment. Whilst the initial cost of learning incorporating gamification may be higher, better effectiveness leads to an overall reduction in cost.

In September 2011, we appointed a new CEO, Andy Hasoon, bringing industry experience, new vision and strategy to exploit the changes in the market.

The existing business was reorganised and went through a significant transformation process during the period. Our objective was to restructure the business so that we could grow the business aggressively including a 'Buy and Build' acquisition strategy. The team began with particular focus on restructuring our bespoke products business. We have improved efficiency in this creative division, increasing production capacity, broadening the range of offerings, whilst maintaining quality of delivery.

We started a consultancy division, DLM Professional Services Ltd, to offer advice to our customers at Board level on the use of learning programmes to enhance performance and meet objectives through improvements to workforce behaviour.

Financial Review

Over the past 21 months as the Company has been reorganised, the Statement of Financial Position has strengthened by £732,000 (2011(£117,888) and 2010 (£849,946)). Importantly this strengthening would assist the Company to support its new 'Buy and Build' strategy.

Of the £1,271,080 of liabilities in the Statement of Financial Position more than 42% of these, ie £535,000, relate either to timing differences or are provisions payable in shares over the next 18 months, such as the Pixel earn out.

The Statement of Comprehensive Income was affected by a fall in turnover of £451,000 as a result of the sale of the LMS distribution business in April 2010. As well as a general increase in overheads as the business began to build the infrastructure necessary for growth, there were several one-off costs such as write-downs of intangible assets and goodwill. Finally, the new CEO recruited new managers and began to execute the new 'Buy and Build' acquisition strategy.

Chairman's statement

Strategy

In order to validate our future strategy, we commissioned market research in 2011 from a leading industry consultancy. Based on the findings of this research, we embarked on a new plan to take advantage of technical and market changes.

The Company developed a strategy with two components:

1. 'Buy and Build': becoming a consolidator in the learning industry, which is very fragmented. The advantages of scale include a wider breadth of customers and markets, larger size of contracts, greater value perceived by acquirers. We appointed Europa Partners to help execute the acquisition strategy as the partners have previous extensive experience of making and assimilating multiple acquisitions including obtaining cross-fertilisation growth opportunities whilst delivering efficiencies.

2. Innovation: we are building new products and services. We are creating our Digital Learning Marketplace software platform, ("DLMP"), which has been likened to an Amazon™ or an iTunes™ for corporate learning. The DLMP will be a revolutionary new learning platform to allow corporations, SMEs and professionals to access their day-to-day learning requirements from a single repository. The DLMP is being built in partnership with Pearson Learning and is part-funded by a grant from the Technology Strategy Board.

Employees

We have been recruiting high quality people with relevant industry expertise to help us execute our growth strategy and to broaden and strengthen the team. I would like to thank all employees for their contribution in the period.

In August 2012 Andy Hasoon resigned as a director but has agreed to continue in an advisory role.

Post year end

After the year end the group increased its overheads to implement internal growth and to support the proposed acquisition strategy, which was to be funded by raising new finance. In July 2012, it became clear that it was not possible for the Company to raise significant funds for acquisitions and working capital in the market environment, so the Directors decided to revise its strategy. At least for the short-term, it will concentrate on its more traditional revenue streams and profitable trading, operating at a reduced cost base with a lower working capital requirement. The Directors also implemented a programme to reduce and manage the liabilities of the group including voluntary agreements with creditors. As noted above, as part of this restructuring, it was agreed that Andy Hasoon would resign as a Director but continue in an advisory role.

The Company has secured £150,000 of additional working capital funding contingent on the re-listing of its shares and is working with its brokers to arrange further additional funding in the near term.

In order to bring the number of shares in issue more in line with the Company's size, resolutions will be proposed at the forthcoming AGM to consolidate the Ordinary Shares.

Outlook

The results for H1 2012 will be affected by the changes begun in 2011 and referred to above. The Directors believe the benefits of these changes will not be realised until H2 2012 and the technical challenges of developing new products and services may cause cost-overruns and/or delay launches, and lead times for winning orders may be longer than expected.

Chairman's statement

The revisions to the strategy are to ensure that we meet customers' expectations and that the business model is self-sustaining whilst we build credibility with customers, partners and investors. The Directors believe that following the restructuring referred to earlier which includes a lower cost base and, assuming successful negotiations with creditors of one of the Group's subsidiaries, the outlook for the business, while more limited, is realistic and within control of the Board. In due course, the Board intends to reconsider the Buy and Build strategy.

In the interim DLM is progressing with the launch of new digital products and the Digital Learning Marketplace Platform, so establishing sustainable competitive advantages for the Company, particularly in the development of truly personalised learning.

We are working with both customers and strategic partners on several major projects which are expected to launch in 2012 and look forward to announcing new services and products.

I would like to welcome new shareholders and thank all shareholders for their support during the period.

Angus Forrest

Chairman
8 August 2012

Report of the directors

The directors present their report together with financial statements for the nine months ended 31 December 2011.

Principal activities and review of the business

The principal activity of the company was that of a holding company. The principal activity of the trading subsidiaries is that of e-Learning specialists, consultants and training. The period under review includes the activities of Intellego Group Limited which ceased trading in June 2011.

A detailed review of the Group's activities during the period and of its prospects is contained within the Chairman's statement.

The company has changed its year end to December and therefore the current period financial statements are for the nine months to 31 December 2011.

The company changed its name from Intellego Holdings Plc to Digital Learning Marketplace plc which was chosen as it better describes the future of the business.

Update on CVA

Both Intellego Group Limited (a subsidiary) and Digital Learning Marketplace Plc (when the company was named Intellego Holdings plc) entered into a CVA with their creditors in June 2010 and July 2010 respectively. Payments under the CVA were required to be made for six months for Digital Learning Marketplace Plc and for sixty months for Intellego Group Limited. Digital Learning Marketplace Plc CVA was completed and satisfied on 6 June 2011. On 23 June 2011 the directors decided that the continuation of the CVA for Intellego Group Limited was no longer viable and the Supervisor of the CVA was asked to wind up Intellego Group Limited. A winding up order was granted by the court on 20 February 2012. This has resulted in a release to the consolidated statement of comprehensive income in Digital Learning Marketplace Plc of £571,406 in the current period financial statements.

Results and dividends

The consolidated statement of comprehensive income for the year is set out on page 19.

The directors do not propose the payment of a dividend.

Financial risk management objectives and policies

The financial risk management objectives and policies are detailed in note 17.

Directors

The directors who served during the period and their beneficial interests in the shares of the company as at 1 April 2011 (or date of appointment if later) and 31 December 2011 were as follows:

	31 December 2011		1 April 2011	
	Shares	Options	Shares	Options
A G P Forrest	18,510,234	5,500,000	18,510,234	5,500,000
B H Leith	6,430,000	5,000,000	6,430,000	5,000,000
A S M Hasoon (appointed 6 May 2011 resigned 7 August 2012)	-	-	-	-
R A L Murphy (resigned 26 September 2011)	-	-	2,000,000	3,000,000

A G P Forrest owns 13,793,921 shares in his own name and 4,716,313 in his SIPP.

Report of the directors

Details of share options are set out in note 18 to the financial statements.

Paul Henry was appointed as a non-executive director on 9 May 2012.

Corporate Governance

Although not required to provide corporate governance disclosures by the AIM rules issued by the London Stock Exchange, the directors recognise the benefits of good governance and endeavour to adopt procedures appropriate to the Group's size and circumstances. In this regard, the directors have considered the guidance of the Quoted Companies' Alliance with regard to smaller companies wishing to establish governance procedures to comply with those elements of the UK Corporate Governance Code pertinent to the Group's circumstances.

Audit Committee

The audit committee comprises two directors, A G P Forrest and B H Leith, and is chaired by A G P Forrest. The committee is primarily responsible for monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported on and for reviewing reports from the auditors relating to accounting and internal controls.

The audit committee notes that the audit for the period to 31 December 2011 will be Mike Redfern's sixth year as audit partner. Given the changes in senior management in the group during the year the board requested that Mike Redfern continue as audit partner for the current year rather than rotating off as audit partner after the five year period as is expected under the Ethical Standards.

AIM Compliance Committee

The AIM compliance committee reports on compliance with the AIM Rules. It comprises the two directors, A G P Forrest and B H Leith and is responsible for establishing that procedures, resources and controls are in place to ensure AIM Rule compliance within the company is operating effectively from time to time.

Remuneration Committee

The remuneration committee comprises two directors, AGP Forrest and BH Leith, and is chaired by B H Leith. The committee is responsible for determination of the terms, conditions and remuneration of the executive directors.

Nominations Committee

The nominations committee comprises three directors, AGP Forrest, B H Leith and Paul Henry and is chaired by AGP Forrest. The committee leads the process for identifying and making recommendations to the Board on candidates for appointment as Directors and Company Secretary.

Going Concern

The directors have considered the position of the Company and have a reasonable expectation that the Company will continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing the financial statements. See note 1 of the financial statements for further detail.

Internal Controls

The directors acknowledge their responsibility for the Group's system of internal controls. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material mis-statement or loss.

Directors' responsibilities for the financial statements

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Report of the directors

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the directors must not approve the financial statements unless that are satisfied they give a true and fair view of the state of affairs and the profit or loss of the Company and Group for that period. In preparing these 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 UK accounting standards or International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:
- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Payment policy

The Company and its subsidiaries agree terms and conditions for their transactions with suppliers. The average number of days for the Group to settle suppliers' invoices in the period was 127 days (Mar 2011: 102 days).

Substantial shareholdings

At 24 July 2012 the Company had been notified of the following substantial shareholdings (over 3%):

Pershing Nominees Limited 14.67%
Rivington Street Stockbrokers Limited 10.62%
Wcs Nominees Limited 8.65%
Pershing Nominees Limited 8.06%
JIM Nominees Limited 7.04%
BNY (Ocs) Nominees Limited 6.03%
W B Nominees Limited 4.60%
Netdimensions (Holdings) Limited 3.98%

Report of the directors

Auditors

Grant Thornton UK LLP have expressed willingness to continue in office. In accordance with Section 489(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD
A G P Forrest
Director
8 August 2012

Grant Thornton

Independent auditor's report to the members of Digital Learning Marketplace Plc

We have audited the financial statements of Digital Learning Marketplace Plc for the period ended 31st December 2011 which comprise the group and company principal accounting policies, the consolidated statement of comprehensive income, the consolidated statement of financial position and parent company balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the group and parent company related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 4-5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2011 and of the group's loss for the period then ended;

- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;

- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report (continued)

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group and parent company's ability to continue as a going concern. The group made a loss of £426,845 during the period ended 31 December 2011 and, at that date, the group's liabilities exceeded its total assets by £117,888.

These conditions, along with other matters as set out in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the group and company's ability to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Michael Redfern (Senior Statutory Auditor)
For and on behalf of
GRANT THORNTON UK LLP
STATUTORY AUDITOR
CHARTERED ACCOUNTANTS

SHEFFIELD

8 August 2012

Principal accounting policies

Basis of preparation

These consolidated financial statements of Digital Learning Marketplace Plc are for the period ended 31 December 2011. These consolidated financial statements have been prepared in accordance with the accounting policies set out below which are based on International Financial Reporting Standards (IFRS) in issue as adopted by the European Union (EU) and are effective at 31 December 2011.

These consolidated financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies.

Many of the amounts included in the consolidated financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the consolidated financial statements. Information about such judgements and estimates is contained in the accounting policies and/or the notes to the consolidated financial statements and the key areas are summarised below:

Judgements in applying accounting policies

- the directors must judge whether all of the conditions required for revenues to be recognised in the statement of comprehensive income of the financial year, as set out in the revenue accounting policy below, have been met;
- an assessment has been made as to the extent to which the Group has retained the risks and rewards of ownership of trade receivables under factoring agreements and as such have not derecognised trade receivables, rather a separate financial asset and liability have been presented;
- the directors have made a judgement that despite the losses in both the current and prior year (pre-release of CVA liabilities) it is appropriate to adopt the going concern basis in the preparation of the financial statements. This is based on the future prospects of the business which have been detailed within the Chairman's Statement and note 1 to the financial statements.

Principal accounting policies

Sources of estimation uncertainty

- estimates of future profitability are required for the decision whether or not to create a deferred tax asset;
- estimates are required as to asset carrying values and impairment charges. These are assessed by reference to budgeted profits and cash flows for future periods for the relevant cash generating units and an estimate of their values in use. The carrying values affected are detailed in note 10.
- valuation of intangible assets on acquisition.

Standards and interpretations in issue not yet effective

The following standards and interpretations have been issued, but are not effective and have not been adopted by the Group.

IFRS 9 Financial Instruments (effective 1 January 2015)
IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
IFRS 11 Joint Arrangements (effective 1 January 2013)
IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
IFRS 13 Fair Value Measurement (effective 1 January 2013)
IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)
IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (effective 1 January 2012)
Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (effective 1 July 2012)
Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective 1 January 2013)
Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)
Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)

Going concern

The Group has incurred losses in both the current and prior year (pre-release of CVA liabilities). Notwithstanding this, the directors consider that it is appropriate to adopt the going concern basis in the preparation of these financial statements on the basis of the future prospects of the business which have been detailed further within the Chairman's Statement and note 1 of the financial statements.

Basis of consolidation

The Group's consolidated financial statements incorporate the financial statements of the parent company and all of its subsidiaries drawn up to 31 December 2011. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in

Principal accounting policies

accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of the fair value of the consideration transferred over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Acquisition costs are expensed as incurred.

Business combinations completed prior to date of transition to IFRS

The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to 1 April 2006, the date of transition. Accordingly the classification of the combination (acquisition, reverse acquisition or merger) remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at date of transition if they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement.

Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding VAT and trade discounts. Revenue is recognised upon the performance of services or transfer of risk to the customer.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods which is generally when a software licence is delivered.
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold which is generally when the licence key is delivered,
- it is probable that the economic benefits associated with the transaction will flow to the entity, and
- the amount of revenue and the costs associated with the transaction can be measured reliably.

Related ancillary services such as support and maintenance and system hosting are recognised over the period of the contract. Content development sales are recognised on a work performed basis. Where training or support services are invoiced but not supplied by the period end, the value of these services is recorded in current liabilities as deferred income.

The outcome of the transaction is deemed to be able to be estimated reliably when all the following conditions are satisfied:

- the stage of completion of the transaction at the reporting date can be measured reliably and is estimated by reference to the period of the contract,
- it is probable that the economic benefits associated with the transaction will flow to the entity, and
- the amount of revenue and costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Segmental reporting

In identifying its operating segments, management generally follows the Group's service lines, which represent the main products and services provided by the Group. The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements. The disclosure is based on the information that is presented to the chief operating decision maker, which is considered to be the board of Digital Learning Marketplace Plc. There have been no changes from prior periods in the measurement methods used to determine segment profit or loss.

Principal accounting policies

Exceptional items

Exceptional items are those by which their size or nature are considered by the directors to be necessary to be disclosed separately so as to inform users of the financial statements. The release of CVA liabilities have been disclosed as such.

Goodwill

Goodwill, representing the excess of the fair value of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired, is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses.

Intangible assets

Distribution rights are initially recognised at cost, then amortised to the statement of comprehensive income over their estimated economic life.

Software development costs relate to expenditure on the development of certain new products and service projects where the outcome of those projects is assessed as being reasonably certain as regards viability and technical feasibility. Such expenditure is capitalised and amortised over the expected sales life of the software, being generally a period not longer than five years commencing in the year the sales of the product were first made. Development costs incurred on specific projects are capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale
- the Group intends to complete the intangible asset and use or sell it
- the Group has the ability to use or sell the intangible asset
- the intangible asset will generate probable future economic benefits
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred.

Assets acquired as part of a business combination

In accordance with IFRS 3 Business Combinations revised, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the group of assets is recognised as a single asset separately from goodwill .

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets.

Principal accounting policies

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment.

Disposals

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment by equal annual instalments where it reflects the basis of consumption of the asset over their estimated useful economic lives. The rates/periods generally applicable are:

Fixtures, fittings and equipment	20-25% straight line
Computer hardware	33 1/3 % straight line
Improvements to leasehold	Over the term of the lease

Material residual value estimates are updated to current value as required, but at least annually.

Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, cash-generating units that include goodwill, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula.

Principal accounting policies

Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease costs are charged to the statement of comprehensive income on a straight line basis over the lease term.

Financial assets

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognised at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables and cash and cash equivalents are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the statement of comprehensive income.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

A financial asset is de-recognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for de-recognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for de-recognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Principal accounting policies

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value and all transaction costs are recognised immediately in the income statement. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities categorised as at fair value through profit or loss are re-measured at each reporting date at fair value, with changes in fair value being recognised in the income statement. All other financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

A financial liability is de-recognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Equity

Equity comprises the following:

"Share capital" represents the nominal value of equity shares.
"Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
"Merger reserve" represents the fair value of the consideration received in excess of the nominal value of equity shares in connection with acquisitions where the company has exercised entitlement to the merger relief offered by the Companies Act 2006.
"Profit and loss reserve" represents retained profits.

Principal accounting policies

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. Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the statement of comprehensive income in the period in which they arise.

Share-based payment

For equity-settled share options, the services received from employees are measured by reference to the fair value of the share options. The fair value is calculated at grant date and recognised in the statement of comprehensive income, together with a corresponding credit to "other reserves", on a straight-line basis over the vesting period, based on the best available estimate of the number of options that are expected eventually to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value.

IFRS 2 has been applied, in accordance with IFRS 1, to equity-settled share options granted on or after 7 November 2002 and not vested at 1 April 2006.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium. The fair value of share options have been assessed and the charge arising is not significant to the accounts and therefore no charge has been included.

Consolidated statement of comprehensive income

	Note	Nine months to Dec 2011	Year to Mar 2011
			£
Revenue	2	**901,441**	1,598,245
Sale of distribution rights	2	**-**	407,838
		901,441	2,006,083
Cost of sales		**(405,417)**	(574,062)
Gross profit		**496,024**	1,432,021
Operating charges before depreciation and amortisation and exceptional items		**(1,349,060)**	(1,485,671)
Exceptional items	4	**571,406**	386,519
EBITDA* after exceptional items		**(281,630)**	332,869
Depreciation and amortisation		**(139,583)**	(176,193)
(Loss)/profit before financing		**(421,213)**	156,676
Finance cost	5	**(5,632)**	(10,800)
(Loss)/profit on ordinary activities before taxation	3	**(426,845)**	145,876
Taxation	6	**-**	-
(Loss)/profit on ordinary activities after taxation and total comprehensive income		**(426,845)**	145,876
Basic and diluted loss per share	9	**(0.08)p**	0.05p

The accompanying accounting policies and notes form an integral part of these financial statements.

* EBITDA represents earnings before depreciation and amortisation, finance income, finance costs and UK income tax.

Consolidated statement of financial position

	Note	Dec 2011	Mar 2011	Mar 2010
		£	£	£
Assets				
Non-Current Assets				
Property, plant and equipment	12	566	1,803	51,599
Goodwill	10	464,189	206,289	206,289
Other intangible assets	11	326,319	142,920	198,817
		791,074	351,012	456,705
Current Assets				
Inventory	13	7,875	7,589	12,000
Trade and other receivables	14	310,756	347,553	588,856
Cash and cash equivalents		43,487	38,943	8,029
		362,118	394,085	608,885
Total Assets		1,153,192	745,097	1,065,590
Liabilities				
Non-Current Liabilities				
Trade and other payables	15	160,800	220,000	-
Long term borrowings	16	49,750	91,350	131,960
		210,550	311,350	131,960
Current Liabilities				
Trade and other payables	15	1,060,530	768,737	1,678,127
Borrowings	16	-	40,600	105,449
		1,060,530	809,337	1,783,576
Total Liabilities		1,271,080	1,120,687	1,915,536
Net Liabilities		(117,888)	(375,590)	(849,946)
Equity				
Share capital	18	1,071,040	924,134	853,017
Share premium		2,200,052	1,802,411	1,545,048
Merger reserve		171,000	31,000	31,000
Profit and loss account		(3,559,980)	(3,133,135)	(3,279,011)
Total Equity		(117,888)	(375,590)	(849,946)

The financial statements were approved by the Board of Directors on 8 August 2012.

A G P Forrest

Director

The accompanying accounting policies and notes form an integral part of these financial statements

Consolidated statement of changes in equity

	Share capital	Share premium	Merger reserve	Profit and loss account	Total equity
	£	£	£	£	£
Balance at 1 April 2010	853,017	1,545,048	31,000	(3,279,011)	(849,946)
Shares issued in year	71,117	257,363	-	-	328,480
Profit for the year and total comprehensive income	-	-	-	145,876	145,876
Balance at 31 March 2011	924,134	1,802,411	31,000	(3,133,135)	(375,590)
Balance at 1 April 2011	924,134	1,802,411	31,000	(3,133,135)	(375,590)
Shares issued in year	146,906	397,641	140,000	-	684,547
Profit for the year and total comprehensive income	-	-	-	(426,845)	(426,845)
Balance at 31 Dec 2011	1,071,040	2,200,052	171,000	(3,559,980)	(117,888)

Consolidated statement of cash flows

	Note	Nine months to 31 Dec 2011 £	Year to 31 March 2011 £
Cash flows from operating activities			
Loss/(profit) after taxation		(426,845)	145,876
Adjustments for:			
Depreciation		3,385	49,796
Amortisation		136,198	126,397
Impairment		-	-
Finance income		-	-
Interest expense		5,632	10,800
Decrease in trade and other receivables		77,818	241,303
(Increase)/decrease in inventories		(286)	4,411
Decrease in trade and other payables		(151,958)	(689,390)
Cash used in operations		(356,056)	(110,807)
Interest paid		(5,632)	(10,800)
Net cash used in operating activities		(361,688)	(121,607)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,596)	-
Investment in intangible assets		(24,865)	(70,500)
Cash acquired with business		96	-
Finance income		-	-
Net cash used in investing activities		(26,365)	(70,500)
Cash flows from financing activities			
Net proceeds from issue of share capital		524,547	328,480
Net movement on bank and other loans		(131,950)	(46,631)
Net cash generated from financing activities		392,597	281,849
Net increase in cash and cash equivalents		4,544	89,742
Cash and cash equivalents at beginning of period		38,943	(50,799)
Cash and cash equivalents at end of period	19	43,487	38,943

Notes to the group financial statements

1 Going concern

The consolidated accounts for the current period show a loss of £426,845 after the release of CVA liabilities and as at 31 December 2011 the group's liabilities exceeded its total assets by £117,888. The directors have considered that it is appropriate to adopt the going concern basis in the preparation of the financial statements. In reaching this conclusion the directors have considered the cash flow forecasts, current trading and prospects as further detailed in the Chairman's statement together with the Company Voluntary Arrangement which is detailed below.

Company Voluntary Arrangement (CVA)

Both Intellego Group Limited and Digital Learning Marketplace Plc entered into a CVA with their creditors in June 2010 and July 2010 respectively. Payments under the CVA were required to be made for six months for Digital Learning Marketplace Plc and for sixty months for Intellego Group Limited. Digital Learning Marketplace Plc CVA was completed and satisfied on 6 June 2011. On 23 June 2011 the directors decided that the continuation of the CVA for Intellego Group Limited was no longer viable and the Supervisor of the CVA was asked to wind up Intellego Group Limited. A winding up order was granted by the court on 20 February 2012. This has resulted in a release to the consolidated statement of comprehensive income of £571,406 in the current period financial statements (see note 4).

Forecasts

Forecasts have been prepared by the directors for the years to December 2012 and December 2013 based on the directors assessment of achievable sales. The forecasts show that the group will have sufficient funds during the period covered by the forecast based on the following key assumptions:

- That the revised strategy will provide the basis for the refocused group to generate net cash from its operations
- That the negotiations with creditors of one of the group's subsidiaries will be successful
- That the fund raising will raise the £300,000 anticipated in the forecasts

As detailed further in the Chairman's statement the group have reorganised the existing business in the period. Following the year end there has been investment in a major new project, the Digital Learning Marketplace platform.

Should the group not deliver its business plan and liabilities arise as a result of the wind up of Intellego Group Limited, and sufficient funding is not in place to cover its obligations, there would be significant doubt about the group's ability to continue as a going concern, which therefore indicates a material uncertainty. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

Notes to the group financial statements

2 Segment analysis

The accounting policy for identifying segments is based on internal management reporting information that is regularly reviewed by the chief operating decision maker. DLM operates three main segments Professional Services, Bespoke and Products. The activity undertaken by the Professional Services segment is the resale of software developed by third parties. The Bespoke segment includes consultancy, customisation, including development of content, and integration of e-learning systems. Maintenance of these systems is undertaken by the Bespoke segment. The Products segment includes the sale of internally generated content. The revenues and net result generated by each of DLM plc's segments are summarised as follows:

Nine months to 31 December 2011

	Professional Services	Bespoke	Products	Group
	£	£	£	£
Revenue	83,478	646,814	171,149	901,441
Profit / (loss) for the period before exceptional items	42,890	(912,278)	(128,863)	(998,251)
Exceptional items	571,406	-	-	571,406
Segment assets	-	1,073,791	79,401	1,153,192
Segment liabilities	-	(1,234,872)	(36,208)	(1,271,080)
Segment depreciation and amortisation	-	121,971	17,612	139,583
Segment capital additions	-	24,865	-	24,865

Year to 31 March 2011

	Professional Services	Bespoke	Products	Group
	£	£	£	£
Revenue and sale of distribution rights	1,150,619	626,650	228,817	2,006,083
Profit / (loss) for the period	(47,814)	91,656	102,034	145,876
Segment assets	61,019	506,476	177,602	745,097
Segment liabilities	(681,976)	(362,297)	(76,414)	(1,120,687)
Segment depreciation and amortisation	-	152,709	23,484	176,193
Segment capital additions	-	70,500	-	70,500

Notes to the group financial statements

Year to 31 March 2010

	Professional Services	Bespoke	Products	Group
	£	£	£	£
Revenue	1,051,588	530,692	270,986	1,853,266
Loss for the period	(463,581)	(477,860)	(102,374)	(1,043,815)
Segment assets	224,160	264,698	576,732	1,065,590
Segment liabilities	(887,675)	(479,079)	(548,782)	(1,915,536)
Segment depreciation and amortisation	73,247	80,472	79,732	233,451
Segment capital additions	-	22,818	-	22,818

The Group's revenues from external customers may also be summarised by geographical area as follows. All operations are located in the UK:

	Dec 2011	Mar 2011
	£	£
United Kingdom	666,747	1,851,269
North America	99,614	44,983
Europe	135,080	109,831
	901,441	2,066,083

Sale of distribution rights

The sale of distribution rights in the prior year of £407,838 related to the sale in April 2010 of UK distribution rights for the EKP range of Learning Management software back to NetDimensions UK Limited. The income does not meet the definition of revenue in accordance with IAS 18 – Revenue on the basis that it is not part of the ordinary trading activity of the group. The income has therefore been disclose separately from revenue in the consolidated statement of comprehensive income.

Notes to the group financial statements

3 Profit/(loss) before taxation

Profit/(loss) before taxation is stated after charging:

	Dec 2011 £	Mar 2011 £
Amortisation and impairment of intangible assets	136,198	126,397
Depreciation of plant, property and equipment		
- owned by the group	3,385	49,796
Auditors' remuneration:		
Fees payable to the company's auditors for the audit of the company's annual accounts	3,000	3,000
Fees payable to the company's auditors for other services:		
- The audit of the company's subsidiaries, pursuant to legislation	15,300	14,000
- Taxation services	4,200	3,000
- Other services	1,500	1,500
Operating lease rentals		
- other operating leases	54,616	52,000

4 Exceptional items

	Dec 2011 £	Mar 2011 £
Release of liabilities resulting from the CVA	571,406	386,519

Company Voluntary Arrangement (CVA)
As further detailed in note 1 Intellego Holdings Plc (now renamed Digital Learning Marketplace Plc) entered into a CVA with its creditors in June 2010. Payments under the CVA were required to be made for six months. All contributions under the CVA through to December 2010 were paid and the CVA was recorded as completed on 6 June 2011.

Intellego Group Limited entered into a CVA with its creditors in June 2010. Payments under the CVA were required to be made for sixty months. On 23 June 2011 the directors decided that the continuation of the CVA for Intellego Group Limited was no longer viable and the Supervisor of the CVA was asked to wind up Intellego Group Limited. A winding up order was granted by the court on 20 February 2012. This has resulted in a release of liabilities not payable (being the remaining CVA liabilities and other liabilities in Intellego Group Limited) to the consolidated statement of comprehensive income of £571,406 (March 2011 £ 386,519) as stated above.

5 Finance costs

	Dec 2011 £	Mar 2011 £
Finance costs		
On bank loans and overdrafts	-	-
On other loans wholly repayable within five years	5,632	10,800
	5,632	10,800

Notes to the group financial statements

6 Taxation

No provision has been made for corporation tax due to group trading losses being available for relief against the future profits of the Group. At 31 December 2011 the Group had £1,450,000 (March 2011: £710,000) of excess trading losses to offset against future profits. There is an unprovided deferred tax asset of approximately £363,000 at 31 December 2011 (Mar 2011: £184,000) arising from these losses.

Analysis of the charge for the period;

	Dec 2011 £	Mar 2011 £
Current tax	-	-

The tax assessed for the period differs from that calculated at the standard rate of corporation tax in the UK. The difference is explained below:

	Dec 2011 £	Mar 2011 £
(Loss)/profit on ordinary activities before taxation	(426,845)	145,876
(Loss)/profit on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 26% (Mar 2011: 28%)	(110,980)	40,845
Effects of:		
Expenses not deductible for tax purposes	7,782	-
Excess of depreciation and amortisation over capital allowances	22,043	13,518
Tax losses	229,720	53,717
Exceptional items	(148,565)	(108,080)
Over provision in respect of prior year	-	-
Tax charge for the period	-	-

7 Directors and employees

Staff costs during the period were as follows:	Dec 2011 £	Mar 2011 £
Wages and salaries	851,688	868,896
Social security costs	43,079	98,794
	894,767	967,690

The average number of employees (including directors) of the Group during the period were as follows:

	Dec 2011 Number	Mar 2011 Number

Notes to the group financial statements

Sales, Administration and Technical	29	23

8 Directors

Key management are considered to be the Directors. Remuneration in respect of directors is disclosed as follows.

December 2011	Emoluments £	Total £
Emoluments receivable		
A Forrest	78,333	78,333
B Leith	52,496	52,496
A Hasoon	80,000	80,000
R Murphy	20,170	20,170
Emoluments receivable	230,999	230,999

March 2011	Emoluments £	Total £
Emoluments receivable		
A Forrest	50,000	50,000
B Leith	49,167	49,167
R Murphy	54,425	54,425
Emoluments receivable	153,592	153,592

There were no pension contributions made or payable during the year.

For detail on directors' share options see page 5.

9 Loss per share

The calculation of loss per share is based on a loss for the period of £(426,845) (Mar 2011: profit £145,876) and on 514,849,637 (Mar 2011: 294,649,148) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

In the current period the loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the purpose of calculating the diluted earnings per share are identical to those used for the loss per share. This is because the exercise of share options and warrants would have the effect of reducing the loss per share and is therefore not dilutive under the terms of IAS 33. For the prior year the weighted average number of shares for the purpose of calculating the diluted earnings per share was 304,549,148 ordinary shares.

	Dec 2011	Mar 2011
Basic (loss)/earnings per share	(0.08)p	0.05p
Diluted (loss)/earnings per share	(0.08)p	0.05p

Notes to the group financial statements

10 Goodwill

Dec 2011	Goodwill
	£
Cost after impairment	
At 1 April 2011	206,289
Acquisitions (see note 20)	257,900
Impairment	-
At 31 December 2011	464,189

Mar 2011	Goodwill
	£
Cost after impairment	
At 1 April 2010	206,289
Impairment	-
At 31 March 2011	206,289

The goodwill relates to the acquisition of Copia Limited in November 2007, The Professional Development Partnership Limited in April 2008, the business and assets of Zenosis Limited in May 2008 and Pixelearning Limited in April 2011.

Impairment review

Goodwill is tested annually for impairment by reference to the recoverable amount of the relevant cash generating units. The carrying amount of goodwill totalling £464,189 has been allocated to the cash generating units as follows.

	£
Professional services	-
Bespoke	449,189
Products	15,000
	464,189

The recoverable amount for each of the cash-generating units was determined based on value-in-use calculations.

This is calculated on the basis of projected cash flows for the following five years derived from detailed budgets for this ensuing year, with subsequent years including modest nominal rates of sales and cost growth ranging from zero to 5% per annum and steady gross margins. These cash flows are adjusted to present day values at a discount rate based on a cost of capital of 15% per annum. The discount rate is consistent for all segments on the basis that they all operate in similar markets and are exposed to similar risks. The residual value at the end of five years, computed by reference to projected year six cash flows and discounted, is also included.

The directors have considered the sensitivity of the key assumptions and have concluded that any possible changes that may be reasonably contemplated in these key assumptions would not result in the value in use falling below the carrying value of goodwill, given the amount of headroom available.

No impairment is considered to be required for the current year.

Notes to the group financial statements

11 Other intangible assets

Dec 2011	Distribution rights	Software development	Content modules	Customer relationships	Total
	£	£	£	£	£
Cost					
At 1 April 2011	29,500	292,723	123,250	89,942	535,415
Additions	-	24,865	-	-	24,865
Acquisitions	-	294,732	-	-	294,732
Disposals	-	-	-	-	-
At 31 December 2011	29,500	587,455	148,115	89,942	855,012
Amortisation					
At 1 April 2011	29,500	218,067	72,088	72,840	392,495
Charge for the year	-	101,483	17,613	17,102	136,198
Disposals	-	-	-	-	-
At 31 December 2011	29,500	319,550	89,701	89,942	528,693
Net book amount at 31 December 2011	-	267,905	58,414	-	326,319
Net book amount at 31 March 2011	-	74,656	51,162	17,102	142,920

Mar 2011	Distribution rights	Software development	Content modules	Customer relationships	Total
	£	£	£	£	£
Cost					
At 1 April 2010	29,500	222,223	123,250	89,942	464,915
Additions	-	70,500	-	-	70,500
At 31 March 2011	29,500	292,723	123,250	89,942	535,415
Amortisation					
At 1 April 2010	29,500	138,395	48,604	49,599	266,098
Charge for the year	-	79,672	23,484	23,241	126,397
At 31 March 2011	29,500	218,067	72,088	72,840	392,495
Net book amount at 31 March 2011	-	74,656	51,162	17,102	142,920
Net book amount at 31 March 2010	-	83,828	74,646	40,343	198,817

Notes to the group financial statements

12 Property, plant and equipment

December 2011	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 April 2011	25,330	357,702	383,032
Additions	-	1,596	1,596
Acquisitions		552	552
Disposals	(25,330)	-	(25,330)
At 31 December 2011	-	359,850	359,850
Depreciation			
At 1 April 2011	25,330	355,899	381,229
Charge for the year	-	3,385	3,385
Disposals	(25,330)	-	(25,330)
At 31 December 2011	-	359,284	356,917
Net book amount at 31 December 2011	-	566	566
Net book amount at 31 March 2011	-	1,803	1,803

March 2011	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 April 2010	25,330	357,702	383,032
Additions	-	-	-
At 31 March 2011	25,330	357,702	383,032
Depreciation			
At 1 April 20010	25,330	306,103	331,433
Charge for the year	-	49,796	49,796
At 31 March 2011	25,330	355,899	381,229
Net book amount at 31 March 2011	-	1,803	1,803
Net book amount at 31 March 2010	-	51,599	51,599

13 Inventory

	Dec 2011 £	Mar 2011 £	Mar 2010 £
Stocks	-	250	2,000
Work in progress	7,875	7,339	10,000
	7,875	7,589	12,000

Notes to the group financial statements

14 Trade and other receivables

	Dec 2011	Mar 2011	Mar 2010
	£	£	£
Trade receivables	166,901	248,884	251,683
Other receivables	106,904	79,816	278,066
Prepayments and accrued income	36,951	18,853	59,107
	310,756	347,553	588,856

Included in trade receivables are amounts totalling £2,833 (Mar 2011: £2,473, 2010: £20,400) which are provided for.

The carrying amount of trade receivables is considered a reasonable approximation of fair value.

All of the Group's trade and other receivables have been reviewed for indicators of impairment.

The age of financial assets past due but not impaired is as follows:

	Dec 2011	Mar 2011	Mar 2010
			£
Not more than three months	15,058	6,048	90,340
More than three months but not more than six months	18,837	12,033	25,709
More than six months but not more than one year	-	-	-
More than one year	-	-	-
	33,895	18,081	116,049

15 Trade and other payables

Current	Dec 2011	Mar 2011	Mar 2010
	£	£	£
Trade payables	460,008	305,454	693,366
Taxes and social security costs	130,015	119,266	396,339
Accruals and deferred income	355,507	219,017	588,422
Deferred contingent consideration	80,000	-	-
Directors' loans	35,000	50,000	-
CVA liabilities	-	75,000	-
	1,060,530	768,737	1,678,127

Non current			
Deferred contingent consideration	160,800	-	-
CVA liabilities	-	220,000	-
	160,800	220,000	-

Notes to the group financial statements

All trade and other payables are short term. The carrying values are considered to be a reasonable approximation of fair value.

16 Borrowings

	Dec 2011	Mar 2011	Mar 2010
	£	£	£
Current			
Bank overdraft and short term financing	-	-	58,828
Bank loans	-	40,600	46,621
	-	40,600	105,449
Non current			
Other loans	49,750	-	-
Bank loans	-	91,350	131,960
	49,750	91,350	131,960
The bank loan can be analysed as falling due:			
Within one year	-	40,600	46,621
After one and within two years	-	40,600	40,600
After two and within five years	-	50,750	91,360
	-	131,950	178,581

17 Financial instruments

The Group's financial instruments comprise borrowings, cash and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from its financial instruments are interest rate, liquidity, foreign currency and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below together with a sensitivity analysis. These policies have remained unchanged from previous years.

Interest rate risk

The Group finances its operations through a mixture of bank borrowings and equity capital. All borrowings are at floating rates of interest. The Group does not enter into any interest rate derivative transactions to manage interest rate risk. The Group's interest rate exposure arises in respect of its overdraft, the interest on which is linked to base rates.

The Group's sensitivity to interest rate change is as follows:

	Dec 2011	Mar 2011	Mar 2010
	£	£	£
Bank loans and overdraft outstanding at year end	-	131,950	237,409
Impact on pre tax loss of a 1% change in LIBOR	-	(1,320)	(2,374)
Impact on equity of a 1% change in LIBOR	-	(1,320)	(2,374)

The impact on equity and pre tax loss are consistent as the Group is not in a corporation tax paying position.

Notes to the group financial statements

Liquidity risk
The Group seeks to manage financial risk by ensuring liquidity is available to meet foreseeable needs and by investing cash assets safely and profitably.

Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of a rolling 30-day projection. Long term liquidity needs are identified monthly.

As at 31 December 2011 the Group's liabilities have contractual maturities which are summarised below:

31 December 2011	Current			Non current
	Within 6 months	6 to 12 months	1 to 5 years	later than 5 years
	£	£	£	£
Bank overdraft	-	-	-	-
Other loans	-	-	49,750	-
Trade and other payables	1,060,530	-	160,800	-
	1,060,530	-	210,550	-

Included in trade and other payables are accruals and deferred income of £355,507 (Mar 2011:£219,017)

This compares to the maturity of the Group's financial liabilities in previous reporting periods as follows:

31 March 2011	Current			Non current
	Within 6 months	6 to 12 months	1 to 5 years	later than 5 years
	£	£	£	£
Bank overdraft	-	-	-	-
Bank loan	20,300	20,300	91,350	-
Trade and other payables	731,237	37,500	220,000	-
	754,537	60,800	311,350	-

31 March 2010	Current			Non current
	Within 6 months	6 to 12 months	1 to 5 years	later than 5 years
	£	£	£	£
Bank overdraft	58,828	-	-	-
Bank loan	23,311	23,310	131,960	-
Trade and other payables	1,678,127	-	-	-
	1,760,266	23,310	131,960	-

Notes to the group financial statements

Foreign currency risk

Some training software purchased by the Group for resale to UK customers is purchased from overseas suppliers. These suppliers invoice in US Dollars and Euros. The Group settles using spot exchange rates; no forward currency contracts are used as the directors consider that the risks are not significant.

Foreign currency denominated financial assets and liabilities (which all relate to US dollars and Euros) at the closing rate and their sensitivity to changes in foreign exchange rate are as follows.

	Dec 2011	Mar 2011	Mar 2010
	£	£	£
Financial assets	-	2,158	-
Financial liabilities	-	(10,728)	(168,698)
Exposure	-	(8,570)	(168,698)
Impact on pre tax loss of a 5% variation in exchange rate on year end residual exposure	-	(408)	(8,033)
Impact on equity of a 5% variation in exchange rate on year-end residual exposure	-	(408)	(8,033)

The impact on equity and pre tax loss are consistent as the Group is not in a corporation tax paying position.

Credit risk

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the balance sheet date, as follows:

	Dec 2011	Mar 2011	Mar 2010
	£	£	£
Trade and other receivables	310,756	347,553	588,856
Cash and cash equivalents	43,487	38,943	8,029
	354,243	386,496	596,885

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit controls. Where available at reasonable cost external credit ratings and / or reports on customers and other counter parties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Notes to the group financial statements

Financial instruments measured at fair value

The Group adopted the amendments to IFRS 7 Improving Disclosures about Financial Instruments effective from 1 January 2009. These amendments require the Group to present certain information about financial instruments measured at fair value in the statement of financial position specifically the fair value hierarchy. The fair value hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair values of the financial assets and liabilities. The fair value hierarchy has the following levels; Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) and Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). No financial assets or liabilities are measured at fair value in the statement of financial position.

Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as follows:

	Dec 2011	Mar 2011	Mar 2010
	£	£	£
Current assets			
Trade and other receivables	310,756	347,553	588,856
Cash and cash equivalents	43,487	38,943	8,029
Loans and receivables	354,243	386,496	596,885
Current liabilities			
Borrowings	-	40,600	105,449
Trade and other payables	1,060,530	768,737	1,678,127
Other financial liabilities	1,060,530	809,337	1,783,576
Non current liabilities			
Trade and other payables	160,800	220,000	-
Long term borrowings (other financial liabilities)	49,750	91,350	131,960
	210,550	311,350	131,960
Net financial liabilities	(916,837)	(734,191)	(1,318,651)
Intangible assets	790,508	349,209	405,106
Property, plant and equipment	566	1,803	51,599
Inventory	7,875	7,589	12,000
Non financial assets	798,949	358,601	468,705
Total equity	(117,888)	(375,590)	(849,946)

Notes to the group financial statements

Capital management policies and procedures

The Group's management objectives are:

- To ensure the Group's ability to continue as a going concern, and
- To provide an adequate return to shareholders

by pricing services commensurately with the levels of risk.

The Group monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented on the face of the balance sheet. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets or reduce debt.

18 Share capital

The authorised share capital of the Company is shown below:

	Dec 2011 £	Mar 2011 £
Authorised		
1,300,000,000 ordinary shares of 0.05p each	650,000	650,000
300,000,000 deferred shares of 0.45p	1,350,000	1,350,000
	2,000,000	2,000,000

Allotted, called up and fully paid	Ordinary Shares 0.5p	Ordinary Shares of 0.05p	Deferred shares of 0.45p	Nom value ords 0.5p £	Nom value ords 0.05p £	Nom value def ords 0.45p £	Premium net of costs (inc merger reserve) £	Total £
1 April 2009	132,313,349	-	-	661,567	-	-	1,454,849	2,116,416
April 2009	34,000,000	-	-	170,000	-	-	(7,500)	162,500
	166,313,349	-	-	831,567	-	-	1,447,349	2,278,916
September 2009	(166,313,349)	166,313,349	166,313,349	(831,567)	83,157	748,410	-	-
December 2009	-	42,900,000	-	-	21,450	-	128,699	150,149
31 March 2010	-	209,213,349	166,313,349	-	104,607	748,410	1,576,048	2,429,065
April 2010	-	35,833,333	-	-	17,917	-	89,583	107,500
May 2010	-	18,000,000	-	-	9,000	-	45,000	54,000
November 2010	-	88,400,000	-	-	44,200	-	122,780	166,980
31 March 2011	-	351,446,682	166,313,349	-	175,724	748,410	1,833,411	2,757,545
Pixelearning	-	40,000,000	-	-	20,000	-	140,000	160,000
Working capital	-	253,812,500	-	-	126,906	-	397,641	524,547
31 December 2011	-	645,259,182	166,313,349	-	322,630	748,410	2,371,052	3,442,092

Notes to the group financial statements

The deferred shares of 0.45p carry no right to payment of dividend or on a return of capital.

On 30 April 2011 40,000,000 ordinary shares of 0.05p were issued at a price of 0.40p per share as the initial consideration for the acquisition of Pixelearning Ltd.

In addition the following ordinary shares of 0.05p were issued during the year for working capital requirements.

8 April 2011 40,000,000 at a price of 0.35p per share.
4 August 2011 150,000,000 at a price of 0.20p per share.
28 November 2011 63,812,500 at a price of 0.20p per share.

The market price of the company's ordinary shares on 31 December 2011 was 0.16p, the highest price during the period was 0.41p and the lowest price during the year was 0.16p.

Share options

Share options totalling 4,500,000 ordinary shares that were granted on 29 March 2007 to directors at 2p per share were cancelled and subsequently reissued on 6 September 2007 within an EMI approved scheme. These options are exercisable between the third and tenth anniversaries of the original grant.

Share options totalling 1,500,000 ordinary shares were granted on 5 September 2007 to staff at 3.25p per share.
Share options totalling 600,000 ordinary shares were granted on 5 September 2007 to staff at 2.13p per share.

2,000,000 ordinary shares were granted on 1 August 2008 to directors at 0.88p per share.

Share options totalling 13,000,000 ordinary shares were granted on 30 September 2010 to directors at 0.25p per share.

19 Analysis of change in cash and cash equivalents

	At 1 April 2011 £	Cashflow £	At 31 December 2011 £
Net cash:			
Cash at bank and in hand	38,943	4,544	43,487
Bank overdrafts	-	-	-
	38,943	4,544	43,487

Notes to the group financial statements

20 Acquisition

On 30 April 2011 Digital Learning Marketplace Plc acquired 100% of the equity instruments of Pixelearning Limited. The acquisition of Pixelearning Limited was made as part of the strategy of developing Gaming expertise.

The initial consideration was £160,000, satisfied by the issue of 40,000,000 new ordinary shares at a price of 0.4 pence per share with further issues dependent on performance for the years ending 30 April 2012 and 2013. The fair value of this contingent consideration has been estimated at £240,800, based on the expected performance, the number of shares to be issued as a result and the estimated share price at the issue date and this has been reflected in financial liabilities. The contingent consideration will be satisfied by the issue of new Ordinary Shares.

The allocation of the purchase price to the assets and liabilities of Pixelearning Limited was completed in May 2011. The amounts recognised for each class of the acquiree's assets, liabilities and contingent liabilities recognised at the acquisition date are as follows;

	Pre-acquisition carrying amount £	Adjustment to fair value £	Recognised at acquisition date £
Non-Current assets			
Intangible assets	36,252	258,480	294,732
Property, plant and equipment	552	-	552
	36,804	258,480	295,284
Current assets			
Trade and other receivables	41,021	-	41,021
Cash at bank and in hand	96	-	96
	41,117	-	41,117
Total assets	77,921	258,480	336,401
Current liabilities			
Trade creditors	35,629	-	35,629
Other creditors	157,872	-	157,872
Total liabilities	193,501	-	193,501
Net identifiable assets and liabilities	(115,580)	258,480	142,900
Consideration			
Initial consideration			160,000
Fair value of deferred consideration			240,800
Total consideration			400,800
Goodwill			257,900

No major line of business will be disposed of as a result of the combination. On acquisition £258,480 has been recognised as intangible assets representing the value attributed to Pixelearning Limited's "Learning Beans" suite of proprietary development tools. Deferred tax arising on the intangibles acquired of £65,000 has been offset by an equivalent deferred tax asset in respect of losses and therefore neither the liability nor the asset have been separately provided.

Notes to the group financial statements

The goodwill represents synergies arising as part of combining the acquired business with the existing business as well as other intangibles which cannot be allocated separately, notably the expertise of the work force acquired. This is not deductible for tax as it arises on a group basis.

Pixelearning Limited contributed £(40,992) to the consolidated loss for the eight months from 1 May to the balance sheet date. If Pixelearning Limited had been acquired on 1 April 2011 revenue of the Group for the period ended 31 December 2011 would have been £938,768.

21 Financial commitments

At 31 December 2011 the Group had total commitments under non-cancellable operating leases as follows:

	Land and buildings Dec 2011	Land and buildings Mar 2011	Land and buildings 2010
	£	£	£
Within one to five years	**-**	**42,250**	**52,000**

22 Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not required to be disclosed.

23 Contingent liabilities

At the balance sheet date, the Group had no known contingent liabilities or commitments other than those shown in the financial statements.

24 Ultimate controlling party

There was no single controlling party throughout the current or previous periods.

Company balance sheet

	Note	Dec 2011	Mar 2011
		£	£
Fixed assets			
Tangible fixed assets	3	10,258	12,625
Intangible assets	4	144,463	160,743
Investments	5	550,800	150,000
		705,521	323,368
Current assets			
Debtors	6	388,665	355,022
Cash at bank and in hand		622	-
		389,287	355,022
Creditors: amounts falling due within one year	7	487,554	112,167
Net current (liabilities)/assets		(98,267)	242,855
Total assets less current liabilities		607,254	566,223
Creditors: amounts falling due after more than one year	8	160,800	-
Total assets less current liabilities		446,454	566,223
Capital and reserves			
Called up share capital	9	1,071,040	924,134
Share premium	10	2,200,052	1,802,411
Merger reserve	10	171,000	31,000
Profit and loss account	10	(2,995,637)	(2,191,322)
Equity shareholders' funds	11	446,454	566,223

The financial statements were approved by the Board of Directors on 8 August 2012

AG P Forrest

Director

Company Registration number - 5212388

The accompanying accounting policies and notes form an integral part of these financial statements

Principal accounting policies - company

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and under the historical cost convention.

The principal accounting policies of the company are set out below. The policies have remained unchanged from the previous year.

Intangible fixed assets

Goodwill arising from the acquisition of subsidiaries is calculated as the difference between the fair value of the consideration payable and the fair value of the net assets acquired at the date of acquisition. Goodwill is capitalised and amortised through the profit and loss account on a straight line basis over its estimated useful economic life, which is up to 10 years depending on the nature of the business acquired.

Investments

Fixed asset investments are stated at cost except where, in the opinion of the directors, there has been a permanent diminution in the value of the investment.

The directors have reviewed the recoverability of both the investments and intercompany debtors in respect of subsidiary companies which has resulted in a combined impairment of £681,848.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the company financial statements

1 Loss for the year

The parent company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these Company financial statements.

The loss of the Company on ordinary activities after taxation for the year under UK GAAP was £ (804,315) (Mar 2011: loss £(477,877)) after making a £681,848 (Mar 2011: £569,083) provision against the full value of the Company's investment in and trading balance with its subsidiary, Intellego Group Limited.

2 Directors and employees

No wages and salaries were paid through the parent company. The emoluments of directors have also been paid through a subsidiary company and have been disclosed in note 8 of the Group financial statements.

3 Intangible assets

Dec 2011	Goodwill
	£
Cost	
At 1 April 2011 and 31 December 2011	225,405
Amortisation	
At 1 April 2011	64,662
Charge for the year	16,280
At 31 December 2011	80,942
Net book amount at 31 December 2011	144,463
Net book amount at 31 March 2011	160,743

Goodwill relates to the acquisition of the business and selected assets and liabilities of eMedit Limited and Zenosis Limited.

Notes to the company financial statements

4 Tangible fixed assets

2011	Fixtures and fittings £
Cost at 1 April 2011	12,625
Additions	-
At 31 December 2011	12,625
Depreciation	
At 1 April 2011	-
Charge for the year	2,367
At 31 December 2011	2,367
Net book amount at 31 December 2011	10,258
Net book amount at 31 March 2011	12,625

5 Fixed asset investments

	Capital contribution 2011 £	Shares in subsidiary undertaking 2011 £	Total 2011 £
At 1 April 2011	-	150,000	150,000
Additions	-	400,800	400,800
Impairment	-	-	-
At 31 December 2011	-	550,800	550,800

All investments are unlisted.

The Group's principal subsidiary undertakings are as follows:

Principal subsidiaries	Country of Incorporation	Percentage of ordinary shares held	Principal activity
Pixelearning Limited	England and Wales	100%	E-learning services
The Serious Sales Game Company Ltd	England and Wales	100%	Dormant
Intellego PDP Limited	England and Wales	100%	E-learning services
Intellego Knowledge Solutions Limited	England and Wales	100%	E-learning services

Notes to the company financial statements

6 Debtors

	Dec 2011 £	Mar 2011 £
Amounts owed by group undertakings	352,607	321,318
Other debtors	21,531	12,625
Prepayments	14,527	21,079
	388,665	355,022

A provision of £681,848 (Mar 2011: £219,083) has been made against amounts owed by group undertakings of £681,848 (Mar 2011: £540,401) to adjust the value to its recoverable amount.

7 Creditors: amounts falling due in less than one year

	Dec 2011 £	Mar 2011 £
Trade creditors	216,803	64,667
Other taxes and social security costs	30,955	-
Other creditors	64,750	-
Deferred contingent consideration	80,000	
Accruals and deferred income	95,046	47,500
	487,554	112,167

8 Creditors: amounts falling due in more than one year

	Dec 2011 £	Mar 2011 £
Deferred consideration	160,800	-

Notes to the company financial statements

9 Share capital

The authorised share capital of the Company is shown below:

	Dec 2011 £	Mar 2011 £
Authorised		
1,300,000,000 ordinary shares of 0.05p each	650,000	650,000
300,000,000 deferred shares of 0.45p	1,350,000	1,350,000
	2,000,000	2,000,000

Allotted, called up and fully paid	Ordinary Shares 0.5p	Ordinary Shares of 0.05p	Deferred shares of 0.45p	Nom value ords 0.5p £	Nom value ords 0.05p £	Nom value def ords 0.45p £	Premium net of costs (inc merger reserve) £	Total £
1 April 2009	132,313,349	-	-	661,567	-	-	1,454,849	2,116,416
April 2009	34,000,000	-	-	170,000	-	-	(7,500)	162,500
	166,313,349	-	-	831,567	-	-	1,447,349	2,278,916
September 2009	(166,313,349)	166,313,349	166,313,349	(831,567)	83,157	748,410	-	-
December 2009	-	42,900,000	-	-	21,450	-	128,699	150,149
31 March 2010	-	209,213,349	166,313,349	-	104,607	748,410	1,576,048	2,429,065
April 2010	-	35,833,333	-	-	17,917	-	89,583	107,500
May 2010	-	18,000,000	-	-	9,000	-	45,000	54,000
November 2010	-	88,400,000	-	-	44,200	-	122,780	166,980
31 March 2011	-	351,446,682	166,313,349	-	175,724	748,410	1,833,411	2,757,545
Pixelearning	-	40,000,000	-	-	20,000	-	140,000	160,000
Working capital	-	253,812,500	-	-	126,906	-	397,641	524,547
31 December 2011	-	645,259,182	166,313,349	-	322,630	748,410	2,371,052	3,442,092

The deferred shares of 0.45p carry no right to payment of dividend or on a return of capital.

On 30 April 2011 40,000,000 ordinary shares of 0.05p were issued at a price of 0.40p per share as the initial consideration for the acquisition of Pixelearning Ltd.

In addition the following ordinary shares of 0.05p were issued during the year for working capital requirements.

8 April 2011 40,000,000 at a price of 0.35p per share.
4 August 2011 150,000,000 at a price of 0.20p per share.
28 November 2011 63,812,500 at a price of 0.20p per share.

Notes to the company financial statements

The market price of the company's ordinary shares on 31 December 2011 was 0.16p, the highest price during the period was 0.41 pand the lowest price during the year was 0.16p.

Share options

Share options totalling 4,500,000 ordinary shares that were granted on 29 March 2007 to directors at 2p per share were cancelled and subsequently reissued on 6 September 2007 within an EMI approved scheme. These options are exercisable between the third and tenth anniversaries of the original grant.

Share options totalling 1,500,000 ordinary shares were granted on 5 September 2007 to staff at 3.25p per share.
Share options totalling 600,000 ordinary shares were granted on 5 September 2007 to staff at 2.13p per share.

2,000,000 ordinary shares were granted on 1 August 2008 to directors at 0.88p per share.

Share options totalling 13,000,000 ordinary shares were granted on 30 September 2010 to directors at 0.25p per share.

10 Reserves

	Share premium account £	Merger reserve £	Profit and loss account £
Balance at 1 April 2011	1,802,411	31,000	(2,191,322)
Retained loss for the year	-	-	(804,315)
Arising on the issue of shares	397,640	140,000	-
Balance at 31 December 2011	2,200,051	171,000	(2,995,637)

11 Reconciliation of movements in shareholders' funds

	Dec 2011 £	Mar 2011 £
Loss for the financial year	(804,315)	(477,877)
Shares issued during the year	684,547	328,480
Increase /(decrease) in shareholders' funds	552,962	(149,397)
Opening shareholders' funds	566,223	715,620
Closing shareholders' funds	446,454	566,223

12 Related party transactions

The company has had no related party transactions in the year.

13 Contingent liabilities

At the balance sheet date the company had no known contingent liabilities or commitments other than those shown in the financial statements.