Intellego Holdings plc

Financial statements for the year ended 31 March 2007

Directors and advisors

Company registration number:	5212388 - incorporated in England
Registered office:	1 Orlando House, High Street Teddington, Middlesex TW11 8LZ
Directors:	Michael Couzens - Non-Executive Chairman Angus Forrest - Non-Executive Director Andrew Green - Group Managing Director Ranjit Roy-Choudhuri, ACA - Group Finance Director
Company Secretary:	Ranjit Roy-Choudhuri, ACA
Broker:	Ellis Stockbrokers Limited, Talisman House Jubilee Walk, Three Bridges, Crawley, W. Sussex RH10 1LQ
Solicitors:	Vizards Tweedie, 86 Fetter Lane, London EC42 1AD
Bankers:	Lloyds TSB Bank plc
Registrar:	Computershare Investor Services plc, PO Box 82 The Pavilions, Bridgwater Road, Bristol BS99 7NH
Nominated Advisor:	Beaumont Cornish Limited 10 - 12 Copthall Avenue, London EC2R 7DE
Financial Public Relations:	Bishopsgate Communications Limited 5-11 Worship Street, London EC2A 2BH
Auditors:	Grant Thornton UK LLP 2 Broadfield Count, Sheffield, South Yorkshire S8 0XF
Website:	www.intellego-systems.com

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Chairman's statement

Intellego provides eLearning content development and learner management solutions (LMS) to medium and large organisations. eLearning enables an organisation to deliver learning programmes over the internet or its own corporate intranet, to train many people quickly even in remote locations and at different times.

The market is growing rapidly as training for change increases; common uses include Business Process and Systems, Compliance and Communications.

Financial Highlights

- Revenues UP 70% to £1,051,000 (2006 £615,198);
- Gross Profit UP 60% to 658,897 (2006 £410,055);
- Gross Margin stable at 63% (2006 66%);
- Loss before tax and exceptionals improved at £335,765 (2006 £543,565);
- Improvement in second half; and
- Acquired business trading profitably in period to 31 March 2007.

Business Highlights

- Acquired content development business in December renamed Intellego Interactive Limited strengthening the Company's presence in the pharmaceutical sector;
- Business mix changes continue to evolve with :
    - Content sales up 100% from 15% to 30%
    - LMS sales up over 50% from 14% to 22%
    - Tools & Installation Services down 50% from 36% to 24% each;
- Company personnel increased by 100% from 10 to 20 people; and
- Market leadership in Home Information Pack (HIPs) training for Estate Agents.

"This has been a year of considerable change and improvement for Intellego Holdings plc with: hiring a full time Finance Director; the acquisition of a content development company, which was profitable in its first quarter and a significant improvement in the trading results in the second half of the year which has continued into the start of the current year."

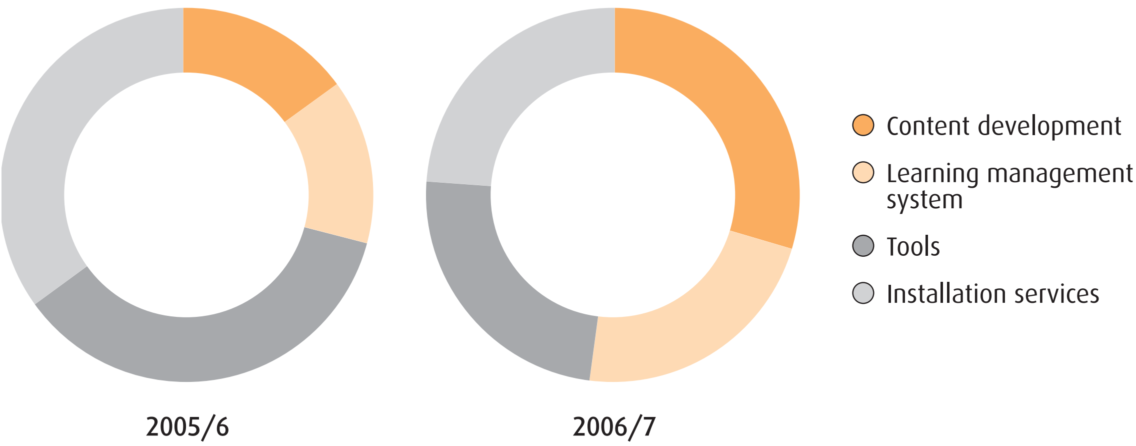
Michael Couzens
Chairman

Chairman's statement continued

I am pleased to announce the final results for Intellego for the year ended 31 March 2007.

Our Group

During the course of this financial year, the Company grew revenues and gross profit whilst moving from a reseller of on-line building tools to a full service eLearning content developer, with the acquisition of eMedit Limited on 22 December 2006 (a specialist developer in the pharmaceutical and medical training sectors). eMedit Limited was subsequently renamed Intellego Interactive and has traded profitably in its first quarter under the Intellego banner.



The change in the business mix can be seen from the above charts. The proportion of higher margin content development has increased by 100% from 15% of our business to 30% of our mix, whilst our overall Learning Management System sales, (which chart all forms of training taken by students), has increased by 50% and now stands at 22% of our total business. Conversely, our sales of lower margin rapid tools and the installation services that go with these tools, has dropped to represent only 24% of our mix respectively.

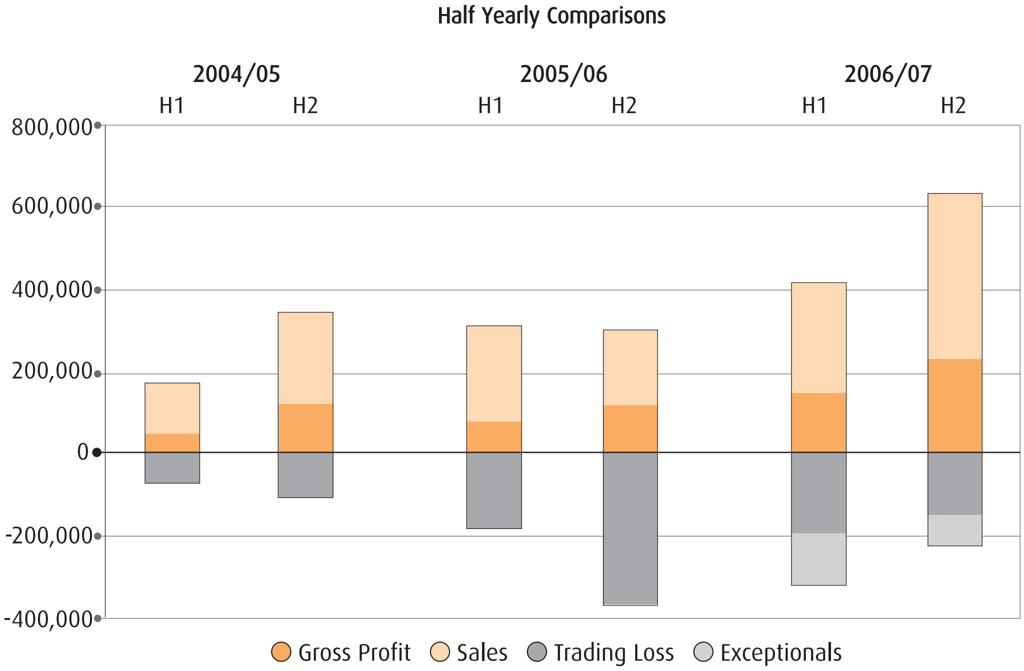
Our Results

I am pleased to report that revenues in the year rose by 70% to take us to £1,051,000 (2006: £615,198) and over the £1 million mark for the first time in our short history; this was despite continuing to hold around 10% of our revenues in deferred income for services to be delivered in the next financial year.

The quality of our gross margin remained good at 63% (2006: 66%) with the ever pressurised and declining reseller product margins bolstered by higher margin content development work.

Despite losing one of our founders, the Commercial Director, in the middle of the financial year, we have been able to re-group and turn around the profitability of the group in the second half of the year. Excluding exceptional items, the underlying losses for the year have been reduced by some 32% to -£335,765 (2006: -£543,565) and the Board is confident that the improvements will continue in the coming financial year.

Chairman's statement continued



Our attendance at training industry trade shows has continued to expand, with participation at three shows this year, including our first attendance at a Human Resources specialist show. This, coupled with a revamping of our website, has increased the number and quality of the prospects that have approached us regarding their eLearning development needs.

Our Markets

The eLearning market continues to expand, principally on the back of decreasing time-to-market for product launches, increased regulation in the pharmaceutical sector, new government initiatives, such as Home Information Packs (HIPs) and the increasing pressure on all companies, in all sectors, to find effective ways of training more employees at lower cost.

There is evidence of inevitable consolidation in the expanding, but fragmented, market with acquisition and merger amongst the top 10 players being commonplace. We expect this process to continue aggressively over the next few years, as sub-optimal training companies aggregate sales and take out back office costs to create more profitable, bigger organisations.

Chairman’s statement continued

An example of an application of eLearning

HIPs (Home Information Packs) were to become a legal requirement for house vendors selling from 1 June 2007. Thousands of Estate Agents across the country found themselves delaying training until the last minute and on-line training has proved to be the instant solution, Intellego has become the market leader in the supply of eLearning systems for HIPs training. The Commercial Director, of one of the UK's leading Estate Agency Groups, commented on 14 May 2007: "We are simply amazed at the early success of the HIPs training programme. We knew our members needed to focus on preparing their customers and employees for this huge change in the way residential properties are marketed. Over 3,500 Agents benefiting in the first 2 weeks of launch clearly highlights the value placed on this time efficient and cost effective solution. Many agents that successfully pass the exam are also using their personalised certificates in their marketing. We are encouraging all our members to complete the training before 1 June but will keep it available to help members train new staff."

Intellego's success in the HIPs market will be replicated in other sectors and once we become the market leader we will use our sector knowledge to further exploit that sector both increasing the number of clients and the range of training products sold.

Our Future

We plan to continue the rapid growth of the business whilst increasingly concentrating on the financial performance and returns of the company. The current year has started with sales significantly above the levels achieved at the same time last year and the sales pipeline is buoyant. We believe we will be able to grow organically by developing opportunities with our existing customers as well as expanding our client base.

Additionally, there may be occasions when the Group can be expanded by acquisition. We have held discussions with several possible acquisition targets and we continue to look for others. Our primary objective is to grow the value of the Company.

I would like to record my thanks to all of our staff, advisors, customers and investors, for making the past year an inflexion point in the history of Intellego Holdings plc.

Michael Couzens Bsc Msc - Chairman

Group managing director’s report

I am pleased to report that Intellego has grown significantly during the year. We are seeing the benefits of previous investment in new infrastructure. The sales growth of 70% is attributable to:

Our increased expertise in delivering complex e-learning solutions including learner management systems and services; and

Our customers committing to larger investment in e-learning as the business benefits are recognised at Board level.

We continue to develop our routes to market. We have formed relationships with third parties to jointly market our products and services and or to complement the third parties' offering.

As I stated in last year's report, our customers are increasingly turning to us to help them build their content solutions. Working with e-medit, our complementary products and services had a 100% success rate when we pitched. Therefore, when the opportunity arose we decided to acquire e-medit, now renamed Intellego Interactive.

Intellego Interactive has an excellent reputation for serving the medical and pharmaceutical communities by producing quality content and service. We will leverage these skills into our current client base and sectors. I welcome all the new employees and look forward to their becoming part of an increasingly successful business.

As Intellego's reputation and specialisation evolves, so we are building our client base and becoming the specialist supplier of e-learning to specific sectors. This focus allows us to provide greater value. I expect this process to continue this coming year.

I reported in my statement last year that the property market is an excellent example of the strengths of Intellego as a supplier of e-learning. This year, Intellego has leveraged its initial client relationships in the property market to become the market leading supplier of e-learning solutions to other HIPs' provider.

We continue to believe there are further opportunities in the rapidly growing e-learning market to grow both organically and by focussed acquisition.

Andy Green - Group Managing Director

Report of the directors

The directors present their report together with financial statements for the year ended 31 March 2007.

Principal activities and review of the business

The principal activity of the company was that of a holding company. The principal activity of the subsidiary companies, Intellego Systems Limited, Intellego Interactive Limited and Intellego TTS Limited, is that of e-Learning specialists and consultants.

A detailed review of the Group's activities during the year and of its prospects is contained within the Chairman's statement and the Group managing director's report.

Results and dividends

The consolidated profit and loss account for the year is set out on page 13.

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 18.

Directors

The beneficial interests of the directors in the shares of the company as at 1 April 2006 and 31 March 2007 were as follows:

	31 March 2007		1 April 2006	
	Shares	**Options**	Shares	Options
M R J Couzens	**235,294**	**500,000**	235,294	-
A G P Forrest	**2,482,553**	**500,000**	470,588	-
A L Green	**10,700,000**	**1,000,000**	10,000,000	-
R Roy-Choudhuri (appointed 26 April 2006)	**560,000**	**2,500,000**	-	-
C Saltrick (resigned on 26 April 2006)	-	-	150,000	-
E A Arnett (Resigned on 18 October 2006)	-	-	10,000,000	-

A G P Forrest owns 1,070,588 shares in his own name and 1,411,965 in his SIPP. He also holds warrants to acquire 470,588 ordinary 0.5p shares at 4.25p per share, exercisable on or before 17 December 2007.

M R J Couzens owns 560,000 shares through Bi-Golf Limited a company he controls.

Details of share options are set out in note 19 to the financial statements.

Report of the directors continued

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 Combined Code pertinent to the Group's circumstances.

Audit Committee

The audit committee comprises the two non-executive directors 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.

Remuneration Committee

The remuneration committee comprises the two non-executive directors and is chaired by M R J Couzens. The committee is responsible for determination of the terms, conditions and remuneration of the executive directors.

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.

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.

The directors have appointed non-executive directors to provide objective review of the internal control systems.

Directors' responsibilities for the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 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 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 and the group will continue in business.

Report of the directors continued

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 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.

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.

International Financial Reporting Standards

The group is required to issue its financial statements for the year ending 31st March 2008 in accordance with IFRS, including the September 2007 interims, in line with mandatory AIM rules. The directors have started to consider the implications of these requirements, and in particular which areas of the group's balance sheet and results would be significantly affected by the adoption of IFRS. This process has not been completed to date.

Payment policy

The Company and its subsidiaries agree terms and conditions for their transactions with suppliers. Generally payment is made in accordance with these terms. The average number of days for the Group to settle suppliers' invoices in the year was 66 days (2006: 128 days).

Substantial shareholdings

At 7 June 2007, the Company had not been notified that other than the directors, of any shareholder being interested in 3% or more of the issued ordinary capital of the Company:

Auditors

The auditors, Grant Thornton UK LLP, having been appointed by the directors to fill a casual vacancy during the year, offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

R Roy-Choudhuri
Director

11 June 2007

Report of the independent auditors to the members of Intellego Holdings Plc

We have audited the financial statements of Intellego Holdings Plc for the year ended 31 March 2007 which comprise the principal accounting policies, consolidated profit and loss account, balance sheets, consolidated cash flow statement and notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

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 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 the directors and auditors

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement and Group managing director's report that is cross referred from the business review section of the Report of the directors.

In addition we report to you if, in our opinion, 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 directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Directors, the Chairman's Statement and the Group managing director's report. 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 opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

Report of the independent auditors to the members of Intellego Holdings Plc continued

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company and the Group as at 31 March 2007 and of the Group loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements for the year ended 31 March 2007.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
SHEFFIELD

11 June 2007

Principal accounting policies

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, apart from the adoption of FRS 20. This change is described in more detail below.

Going Concern

The group has incurred losses in both the current year and prior year. Notwithstanding this, the directors consider that it is appropriate to adopt the going concern basis in the preparation of these financial statement on the basis of the future prospects of the business which have been detailed within the Chairman statement and Group managing directors report.

Change in accounting policy

In preparing the financial statements for the current year, the group has adopted the following Financial Reporting Standard:

FRS 20 - Share based payments

The adoption of FRS 20 has resulted in a change in accounting policy in respect of share options granted since the incorporation of the company that had not vested prior to 1 January 2006. The standard requires share-based payments to be recognised at fair value as an expense commencing in the year of grant. Previously share-based payments had not been recognised in the profit and loss account. This change in accounting policy has no material effect on figures previously reported or on the results for the year.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its trading subsidiary undertakings made up to 31 March 2007. Intra-group sales and profits are eliminated fully on consolidation.

The Group has applied the principles of merger accounting for the acquisition of Intellego Systems Limited during 2004.

For acquisitions made in the current financial year acquisition accounting has been used.

Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Turnover is recognised on the delivery of goods or fulfilment of the Group's obligations under agreement of service.

Sales of software licenses are recognised in the month of delivery. 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 achievement of agreed milestones or on delivery. Where training or support services are invoiced but not supplied by the year end, the value of these services is recorded in current liabilities as deferred income.

Intangible fixed assets

Acquired distribution rights are amortised to the profit and loss account over their estimated economic life.

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.

Principal accounting policies continued

Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

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

Software development costs
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 three years commencing in the year the sales of the product were first made.

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 considered the capital contribution of £1,000,000 to a subsidiary company for impairment and this has not resulted in a reduction in value.

Stocks
Stocks are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks.

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.

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 unless hedged by forward currency exchange contracts, in which they are translated at the contract rate. Exchange differences are dealt with through the profit and loss account.

Consolidated profit and loss account

	Note	Continuing operations 2007 £	Acquisitions 2007 £	Group Total 2007 £	Group Total 2006 £
Turnover	1	903,140	148,606	1,051,746	615,198
Cost of sales		(386,253)	(6,596)	(392,849)	(205,143)
Gross profit		516,887	142,010	658,897	410,055
Administrative expenses (excluding exceptional items)		(835,019)	(131,809)	(966,828)	(933,105)
Exceptional items	3	(204,966)	-	(204,966)	-
Administrative expenses		(1,039,985)	(131,809)	(1,171,794)	(933,105)
Operating (loss)/Profit	2	(523,098)	10,201	(512,897)	(523,050)
Interest receivable				649	315
Interest payable	4			(28,483)	(20,830)
Loss on ordinary activities before taxation				(540,731)	(543,565)
Taxation	5			-	-
Loss on ordinary activities after taxation	20			(540,731)	(543,565)
Loss per share - basic	9			(0.92)p	(1.34)p
- diluted				(0.92)p	(1.34)p

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

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

Balance sheets

	Note	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Fixed assets					
Intangible assets	10	141,091	241,452	85,405	-
Tangible assets	11	98,030	118,379	-	-
Investments	12	-	-	1,120,490	274,089
		239,121	359,831	1,205,895	274,089
Current assets					
Stocks	13	6,476	19,428	-	-
Debtors - amounts due within one year	14	503,675	579,484	19,673	-
Debtors - amounts due after more than one year	15	-	-	332,151	877,940
Cash at bank and in hand		128,665	-	9,076	-
		638,816	598,912	360,900	877,940
Creditors: amounts falling due within one year	16	(665,182)	(566,430)	(47,083)	(704)
Net current (liabilities)/assets		(26,366)	32,482	313,817	877,236
Total assets less net current (liabilities)/assets		212,755	392,313	1,519,712	1,151,325
Creditors: amounts falling due after more than one year	17	(20,451)	(27,665)	-	-
		192,304	364,648	1,519,712	1,151,325
Capital and reserves					
Called up share capital	19	415,138	235,500	415,138	235,500
Share premium	20	1,104,574	762,226	1,104,574	762,226
Shares to be issued	20	-	153,599	-	153,599
Profit and loss account	20	(1,327,408)	(786,677)	-	-
Equity shareholders' funds	21	192,304	364,648	1,519,712	1,151,325

The financial statements were approved by the Board of Directors on 11 June 2007.

A L Green Director
R Roy-Choudhuri Director

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

Consolidated cash flow statement

	Note	2007 £	2006 £
Net cash outflow from operating activities	22	(337,443)	(439,098)
Returns on investments and servicing of finance	23	(27,834)	(20,515)
Capital expenditure and financial investments	23	(16,077)	(147,744)
Acquisition and disposals	23	(8,092)	-
Net cash outflow before financing		(389,446)	(607,357)
Financing	23	431,492	389,690
Increase / (decrease) in cash	24	42,046	(217,667)

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

Notes to the financial statements

1. Turnover

An analysis of turnover for the one class of business by geographical destination is given below:

	2007 £	2006 £
United Kingdom	1,021,500	580,253
North America	18,346	-
Ireland	11,900	34,945
	1,051,746	615,198

2. Operating loss

	2007 £	2006 £
Operating loss is stated after charging:		
Amortisation of intangible fixed assets	32,167	11,758
Depreciation of tangible assets		
- owned by the company	43,980	22,205
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	3,000	3,000
Fees payable to the company's auditor for other services:		
- The audit of the company's subsidiaries, pursuant to legislation	13,000	12,000
- Taxation services	3,500	3,000
Operating lease rentals		
- other operating leases	23,000	23,000

3. Exceptional items

	2007 £	2006 £
Stock written off	12,952	
Long standing bad debts and prepayments written off	163,789	-
Fixed assets written off	28,225	-
	204,966	-

Notes to the financial statements continued

4. Interest payable

	2007 £	2006 £
On bank loans and overdrafts	**714**	888
On other loans wholly repayable within five years	**2,306**	2,255
On finance leases and hire purchase contracts	-	630
On amounts payable to factors	**25,463**	17,057
	28,483	20,830

5. Taxation

On the basis of these financial statements, no provision has been made for corporation tax due to group trading losses available for relief against the future profits of the Group. At 31 March 2007, the Group had £1,338,007 (2006: £812,189) of excess trading losses to offset against future profits. There is an unprovided deferred tax asset of approximately £401,000 at 31 March 2007 (2006: £244,000) arising from these losses.

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2007 £	2006 £
Loss on ordinary activities before taxation	**(540,731)**	(543,565)
Loss on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 30% (2006: 30%)	**(162,219)**	(163,070)
Effects of:		
Expenses not deductible for tax purposes	**1,912**	22,004
Capital allowances (in excess of)/in deficit of depreciation and amortisation	**2,564**	(3,655)
Tax losses carried forward	**157,743**	144,721
Current tax charge for the year	-	-

6. Loss for the financial year

As permitted by section 230 of the Companies Act 1985, the Holding Company's profit and loss account has not been included in these financial statements.

The loss for the financial year dealt within the accounts of the parent company was £ nil (2006: £nil).

Notes to the financial statements continued

7. Directors and employees

Staff costs during the year were as follows:

	2007 £	2006 £
Wages and salaries	**485,793**	437,094
Social security costs	**61,806**	49,315
	547,599	486,409

The average number of employees (including directors) of the group during the year were as follows:

	2007 Number	2006 Number
Sales and technical	**13**	13

8. Directors

Remuneration in respect of directors was as follows:

	2007 £	2006 £
Emoluments receivable	**131,528**	171,000

The highest paid director received £50,529 (2006: £66,000).

No amounts are accruing under money purchase pension schemes on behalf of the directors.

9. Loss per share

The calculation of basic loss per share is based on a loss for the period of £540,731 (2006: £543,565) and on 58,646,896 (2006: 40,625,000) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

During the year under review, the company has recorded exceptional items (see note 3 for detail). The net pre-tax loss before this exceptional item ("adjusted loss") is £335,765. The adjusted loss per share, based on 58,646,896 ordinary shares, being the weighted average number of ordinary shares in issue during the year, is 0.57p (2006:1.34p).

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 basic loss per share. Similarly, the adjusted loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the purposes of calculating the diluted adjusted loss per share are identical to those used for the adjusted 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 FRS 22.

Notes to the financial statements continued

10. Intangible fixed assets

Company	Goodwill £
Cost and net book value:	
At 1 April 2006	-
Additions	85,405
At 31 March 2007	**85,405**

The goodwill relates to the acquisition of the business and selected assets and liabilities of eMedit Limited which outlined in note 26.

Group	Goodwill £	Distribution rights £	Software Development £	Total £
Cost:				
At 1 April 2006	174,064	29,500	57,021	260,585
Additions	85,405	-	-	85,405
Adjustment (see note 20)	(153,599)	-	-	(153,599)
At 31 March 2007	**105,870**	**29,500**	**57,021**	**192,391**
Amortisation:				
At 1 April 2006	1,535	13,519	4,079	19,133
Charge for the year	4,554	15,981	11,632	32,167
At 31 March 2007	**6,089**	**29,500**	**15,711**	**51,300**
Net book amount at 31 March 2007	**99,781**	**-**	**41,310**	**141,091**
Net book amount at 31 March 2006	172,529	15,981	52,942	241,452

The goodwill relates to the acquisition of Modinex Limited in 2005 and the acquisition of the business and selected assets and liabilities of eMedit Limited which is outlined in note 26.

Notes to the financial statements continued

11. Tangible fixed assets

Group	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
Cost:			
At 1 April 2006	16,386	137,605	153,991
On acquisition	-	73,016	73,016
Additions	-	16,077	16,077
At 31 March 2007	**16,386**	**226,698**	**243,084**
Depreciation:			
At 1 April 2006	3,277	32,335	35,612
On acquisition	-	65,462	65,462
Charge for the year	3,277	40,703	43,980
At 31 March 2007	**6,554**	**138,500**	**145,054**
Net book amount at 31 March 2007	**9,832**	**88,198**	**98,030**
Net book amount at 31 March 2006	13,109	105,270	118,379

12. Fixed asset investments

Company	Capital Contribution 2007 £	Shares in Subsidiary undertaking 2007 £	Total 2007 £
At 1 April 2006	-	274,089	274,089
Less Modinex contingent element (see note 20)	-	(153,599)	(153,599)
Capital contribution to subsidiary company	1,000,000	-	1,000,000
At 31 March 2007	**1,000,000**	**120,490**	**1,120,490**

All investments are unlisted. The acquisition of the business and certain assets and liabilities of eMedit Limited is described in note 26.

The Group's principal subsidiary undertakings are as follows:

Principal subsidiaries	Country of Incorporation	Percentage of ordinary shares held	Principal activity
Intellego Systems Limited	England and Wales	100%	E-learning services
Intellego TTS Limited	England and Wales	100%	E-learning services
Intellego Interactive Limited	England and Wales	100%	E-learning services

Notes to the financial statements continued

13. Stocks

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Goods for resale	6,476	19,428	-	-

14. Debtors: amounts falling due within one year

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Trade debtors	416,740	480,013	-	-
Other debtors	17,050	6,455	-	-
Prepayments and accrued income	69,885	93,016	19,673	-
	503,675	579,484	19,673	-

Included in trade debtors are amounts totalling £149,033 (2006: £66,492) which are factored.

15. Debtors: amounts falling due after more than one year

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Amounts owed by Group undertakings	-	-	332,151	877,940

The amount owed by Group undertakings represents advances made to Intellego Systems Limited.
There are no formal terms for repayment and it is not expected that the loan will be repaid in full within one year.

16. Creditors: amounts falling due within one year

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Bank overdraft and loans	156,247	69,628	-	704
Trade creditors	245,469	116,000	47,083	-
Taxes and social security costs	109,019	88,739	-	-
Accruals and deferred income	154,447	292,063	-	-
	665,182	566,430	47,083	704

Notes to the financial statements continued

17. Creditors: amounts falling due after more than one year

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Bank loans	**20,451**	27,665	-	-

The bank loan can be analysed as falling due:

	2007 £	2006 £
Within one year	**7,214**	7,214
After one and within two years	**7,214**	7,214
After two and within five years	**13,237**	20,451

The bank loan is repayable by monthly instalments and carries interest at a rate of 3.5% over the base rate of Lloyds TSB Bank plc. The bank loan is secured by way of a debenture dated 9 December 2003.

18. Financial instruments

The Group's financial instruments comprise borrowings, cash and liquid resources, and various items, such as trade debtors, trade creditors etc., that arise directly from its operations. Trade debtors and creditors are not discussed further in this note other than currency risk. It is the Group's policy and has been throughout the year that no trading in financial instruments shall be undertaken.

The main risks arising from its financial instruments are interest rate risk, liquidity risk and foreign currency risk. The policies for managing each of these risks adopted during the year are summarised below. These policies have remained unchanged throughout the year.

Interest rate risk
The Group finances its operations through a mixture of bank borrowings, including factoring loans, 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.

Liquidity risk
Short-term flexibility is provided by the use of factoring loans. All eligible sales invoices are factored. To assist with liquidity, certain of the Group's borrowings are term loans, requiring repayment over seven years.

Foreign currency risk
Most of the training software purchased by the Group for resale to UK customers is purchased from overseas suppliers. These suppliers invoice in US dollars. The Group settles using spot exchange rates; no forward currency contracts are used.

Interest rate risk profile of financial assets and financial liabilities

Financial assets
The Group has no financial assets other than short-term debtors and cash held on bank current account.

Financial liabilities
The interest rate profile of the Group's financial liabilities, ignoring short-term creditors, was as follows (all borrowings in sterling):

Notes to the financial statements continued

18. Financial instruments continued

Total	Floating rate financial liabilities	Fixed rate financial liabilities
£48,033	**£48,033**	-

The floating rate financial liabilities comprise factoring loans and bank borrowings that bear interest at rates between 2.75% and 3.5% above the lender's base rate.

Currency exposures
At 31 March 2007, the Group had monetary liabilities that were not denominated in sterling of £30,870. These liabilities were denominated in US dollars.

Borrowing facilities
The Group had no undrawn borrowing facilities at 31 March 2007.

Fair values of financial assets and liabilities
There was no material difference between the fair values of financial assets and liabilities and their book values at 31 March 2007.

19. Share capital

	2007 £	2006 £
Authorised		
100,000,000 ordinary shares of 0.5p each	**500,000**	500,000
Allotted, called up and fully paid		
83,027,585 (2006: 47,100,000) ordinary shares of 0.5p each	**415,138**	235,500

The following share placements occurred during the year. The purpose of the placements were for working capital requirements and to fund an acquisition.

From June to July 2006, 10.5 million ordinary shares of 0.5p at a price of 2p per share were issued realising gross proceeds of £210,000.

During September 2006, 0.96 million ordinary shares of 0.5p at a price of 3.125p per share were issued realising gross proceeds of £30,000.

During December 2006, 3,067,585 ordinary shares of 0.5p at a price of 1.63p per share were issued as consideration for the acquisition of the assets and liabilities of eMedit Limited.

From January to February 2007, 21.4 million ordinary shares of 0.5p at a price of 1.25p per share were issued realising gross proceeds of £267,500.

The company has one class of ordinary share which carries no right to fixed income.

Share Options
Share options totalling 4,500,000 ordinary shares were granted on 29 March 2007 to directors at 2p per share, exercisable between the third and tenth anniversaries of grant.

The market price of the company's Ordinary shares on 31 March 2007 was 1.63 p, the highest price during the year was 4.1p on 12 April 2006, the lowest price during the year was 1.3p on 7 February 2007.

Warrants
Warrants exist entitling the holders to acquire 1.412 million ordinary 0.5p shares at a price of 4.00p per share. These Warrants are exercisable on or before 17 December 2007. Any warrants which have not been exercised by this dates will lapse.

Notes to the financial statements continued

20. Reserves

	Group and company Share premium account £	Group and company Shares to be issued £	Group Profit and loss account £
Balance at 1 April 2006	762,226	153,599	(786,677)
Retained loss for the year	-	-	(540,731)
Deferred consideration on the acquisition of Modinex Limited (subsequently renamed Intellego TTS Limited)	-	(153,599)	-
Arising on the issue of shares	342,348	-	-
Balance at 31 March 2007	**1,104,574**	-	**(1,327,408)**

The deferred consideration in respect of the Modinex Limited acquisition has been released in the year.

21. Reconciliation of movements in shareholders funds

	2007 £	2006 £
Loss for the financial year	**(540,731)**	(543,565)
Shares issued during the year	**521,986**	403,980
Shares to be issued	**(153,599)**	153,599
(Withdrawal from)/additions to shareholders' funds	**(172,344)**	14,014
Opening shareholders' funds	**364,648**	350,634
Closing shareholders' funds	**192,304**	364,648

22. Reconciliation of operating loss to net cash outflow from operating activities

	2007 £	2006 £
Operating loss	**(512,897)**	(523,050)
Depreciation of tangible assets	**43,980**	22,205
Amortisation of intangible assets	**32,167**	11,758
Decrease/(increase) in stocks	**12,952**	(15,432)
Decrease/(increase) in debtors	**162,983**	(153,784)
(Decrease)/increase in creditors	**(76,628)**	219,205
Net cash outflow from operating activities	**(337,443)**	(439,098)

Notes to the financial statements continued

23. Cash flows netted in the cash flow statement

	2007 £	2006 £
Returns on investments and servicing of finance		
Interest received	649	315
Interest paid	(28,483)	(20,200)
Finance lease interest paid	-	(630)
	(27,834)	(20,515)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(16,077)	(75,638)
Research and development expenditure	-	(57,021)
Purchase of fixed assets investments	-	(15,085)
	(16,077)	(147,744)
Acquisition and disposals		
Overdraft acquired with business assets	(8,092)	-
Financing		
Net proceeds on issue of ordinary shares	471,986	398,600
Principal payment of bank loan	(40,494)	(7,214)
Principal payment of finance leases	-	(1,696)
	431,492	389,690

24. Reconciliation of net cash flow to movement in net debt

	2007 £	2006 £
Increase / (decrease) in cash in year	42,046	(217,667)
Net cash inflow from bank loans	40,494	7,214
Cash outflow in respect of finance leases	-	1,696
Change in net debt resulting from cash flows	82,540	(208,757)
Debt acquired on acquisition	(33,280)	-
Movement in net debt in period	49,260	(208,757)
Net debt 1 April 2006	(97,293)	111,464
Net debt 31 March 2007	(48,033)	(97,293)

Notes to the financial statements continued

25. Analysis of net debt

	At 1 April 2006 £	Cashflow £	On acquisition £	Non-cash changes £	**At 31 March 2007 £**
Net cash:					
Cash at bank and in hand	-	128,665	-	-	**128,665**
Bank overdrafts	(62,414)	(86,619)	-	-	**(149,033)**
	(62,414)	42,046	-	-	**(20,368)**
Debt:					
Debts falling due within one year	(7,214)	40,494	(33,280)	(7,214)	**(7,214)**
Debts falling due after one year	(27,665)	-	-	7,214	**(20,451)**
	(34,879)	40,494	(33,280)	-	**(27,665)**
Net (debt)/funds	(97,293)	82,540	(33,280)	-	**(48,033)**

26. Acquisition of business

On 22 December 2006 the Company announced that it acquired, the business, selected assets and liabilities of eMedit Limited to provide complementary e-learning content development skills. Consideration of £50,000 was settled in new Intellego Holdings Plc shares at completion. The purchase has been accounted for as an acquisition in these financial statements.

The selected assets and liabilities were subsequently transferred to Intellego Interactive Limited (previously NetDimensions (UK) Limited).

The net liabilities on acquisition were £35,405 and can be summarised as follows;

	£
Tangible fixed assets	7,554
Debtors	87,174
Overdraft	(8,092)
Loan	(33,280)
Trade creditors	(20,669)
Other non trading creditors	(68,092)
	(35,405)

The goodwill arising on this acquisition totals £85,405 (being the total of the consideration less net liabilities at acquisition). This goodwill will be amortised through the profit and loss account on a straight-line basis over 10 years. For the four months since the date of acquisition the company contributed £143,591 revenue and an operating profit of £10,201.

Notes to the financial statements continued

27. Financial commitments

At 31 March 2007 the group had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings 2007 £	Land and Buildings 2006 £
Expiry date:		
Within five years	**23,000**	23,000

28. Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

Bi-Golf Limited a company controlled by Mike Couzens received £11,250 relating to fees for his services.

During the current and prior years a balance arose between the Company and E A Arnett, which at maximum amounted to £70,000. This was repaid by Mr Arnett during the year.

29. Contingent liabilities

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

30. Ultimate controlling party

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

Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 9.30am on 19 July 2007 at the offices of Intellego Holdings Plc, 1 Orlando House, High Street, Teddington, Middlesex, TW11 8LZ for the purpose of considering and, if thought fit, passing the following resolutions, 1, 2, 3, 4 and 5 as ordinary resolutions of the Company and 6 and 7 as special resolutions of the Company:

Ordinary Business

1. THAT the audited accounts of the Company for the financial year ended 31 March 2007, the directors' report, auditors' report on those accounts and the report on remuneration be received and adopted.

2. THAT Grant Thornton UK LLP be appointed auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which audited accounts are laid and to authorise the directors to fix their remuneration.

3. THAT Angus Forrest be re-appointed as a director of the Company in accordance with the Articles of Association of the Company.

4. THAT the authorised share capital of the Company be hereby increased from £500,000 to £1,000,000 by the creation of 100,000,000 new ordinary shares of 0.5 pence each having the rights set out in the Articles of Association of the Company ranking pari passu in all respects with the existing ordinary shares;

Special Business

As an Ordinary Resolution

5. THAT in substitution for all existing authorities under that section, the directors be and they are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities (as defined in Section 80(2) of the Act) of the Company up to a maximum nominal value of £250,000 to such persons, at such times and generally on such terms and conditions as the directors (subject to the Articles of Association of the Company from time to time) in their absolute discretion may determine during the period commencing on the date of the passing of this resolution and expiring (unless previously renewed, varied or revoked by the Company in general meeting) 15 months from the date of the passing of this resolution or, if earlier, on conclusion of the next Annual General Meeting of the Company save that the Company may make an offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority and the directors may allot relevant securities pursuant to such an offer or agreement as if the authority hereby conferred had not expired.

As Special Resolutions

6. THAT in substitution for all existing authorities and subject to the passing of resolution 5 above, the directors be and they are hereby empowered, pursuant to Section 95 of the Companies Act 1985 ("the Act"), to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred by resolution 5 above as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited:
   (a) to the allotment of equity securities in connection with a rights issue in favour of shareholders where the equity securities respectively attributable to the interest of all shareholders are proportionate (as nearly as may be) to the respective numbers of shares held by them on the record date for such allotment subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body, in any territory: or
   (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an amount not exceeding £250,000 and shall expire on the date of the next Annual General Meeting of the Company or fifteen months after the passing of this resolution, whichever is earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement after such expiry as if the power conferred hereby had not expired.

Notice of annual general meeting continued

7. THAT the Company be generally and unconditionally authorised pursuant to Section 166 of the Act to make one or more market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares of 0.5p each in the capital of the Company ("ordinary shares") provided that:

   (a) the maximum aggregate number of ordinary shares authorised to be purchased is 8,300,000;

   (b) the minimum price which may be paid for an ordinary share is 0.5p being the par value of such share, from time to time, exclusive of expenses;

   (c) the maximum price which may be paid for an ordinary share shall be the lower of an amount equal to 5 per cent above the average middle-market quotations for the ordinary shares as derived from the AIM Appendix of the London Stock Exchange Daily Official List for the five dealing days immediately preceding the day on which the purchase is made, and the amount stipulated by article 5(1) of Commission Regulation (EC) No 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilisation of financial instruments, exclusive of expenses;

   (d) subject as provided in paragraph (e) below, unless previously revoked, varied or renewed, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the company next following the date of the passing of this resolution or on the date eighteen months from the date of the passing of this resolution, whichever shall be the earlier; and

   (e) the company may contract to purchase ordinary shares under the authority hereby conferred before the expiry of such authority, which will or may be completed wholly or partly after the expiry of such authority, and may purchase ordinary shares pursuant to any such contract as if such authority had not expired.

By order of the Board

Registered office: 1 High Street, Teddington, Middlesex TW11 8LZ

R Roy-Choudhuri
Company Secretary

11 June 2007

notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company.

2. To be effective, the instrument appointing a proxy and any authority under which it is executed (or a notarially certified copy of such authority) must be deposited at the office of the Company's Registrars Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol, BS13 8FB not less than 48 hours before the time for holding the meeting. A form of proxy is enclosed with this notice. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting.

3. Copies of all directors' service contracts of more than one year's duration, or where any such contract is not reduced to writing, a memorandum of the terms thereof, will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the meeting and at the offices of Intellego Holdings Plc, 1 Orlando House, High Street, Teddington, Middlesex, TW11 8LZ for at least 15 minutes prior to and at the meeting.

4. The register of directors' interests maintained by the Company under Section 325 of the Companies Act 1985 shall be produced at the commencement of the meeting and remain open and accessible during the continuance of the meeting to any person attending the meeting.

Intellego Holdings plc

1 Orlando House
High Street
Teddington
Middlesex
TW11 8LZ

Tel: +44(0) 870 428 1250
Fax: +44(0) 870 428 1251

www.intellego-plc.com