Intellego Holdings plc

Financial statements for the year ended 31 March 2009

Intellego

Company No. 5212388

Company information

Company registration number:	5212388 - incorporated in England
Registered office:	Livingston House 2 Queens Road Teddington Middlesex TW11 0LB
Directors:	Angus Forrest – Non-Executive Chairman Andrew Green - Group Managing Director Ranjit Roy-Choudhuri, ACA - Group Finance Director Bruce H. Leith – Non–Executive Director
Company Secretary:	Ranjit Roy-Choudhuri, ACA
Broker:	Dowgate Capital Stockbrokers Limited Talisman House Jubilee Walk Three Bridges Crawley W. Sussex RH10 1LQ
Solicitors:	Vizards Tweedie 86 Fetter Lane London EC4A 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 2nd Floor, Bowman House, 29 Wilson Street London EC2M 2SJ
Financial Public Relations:	Bishopsgate Communications Limited 5-11 Worship Street London EC2A 2BH
Auditors:	Grant Thornton UK LLP Registered Auditors Chartered Accountants 2 Broadfield Court Sheffield South Yorkshire S8 0XF
Website:	www.intellego.co.uk

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Chairman's statement

During the period your Company continued to undergo considerable development and change, continuing the transformation we have seen over the last two years. As a result the business has achieved greater scale through a combination of organic growth and acquisition. This provides Intellego with a platform for further growth and for profitable trading. Importantly our revenue mix has changed with a shift from distribution - now publishing and services provide the main streams of income.

In the face of the tough economic climate the shifting sales mix provides the Company with higher margin business and increased visibility.

Acquisitions

Zenosis Limited publishes regulatory e-learning for the pharmaceutical industry. We have invested significantly in developing these courses to increase the customer appeal. All the major customers renewed their subscriptions and we are negotiating contracts with several new opportunities.

PDP provides instructor lead training serving the financial services industry. We have invested in developing eLearning products for sale alongside the more traditional training.

Having fully integrated the new businesses the Company continues to restructure with the aim of reducing fixed overheads by up to 20% per annum. This should improve Intellego's profitability and generate positive cash flow in 2009.

Underlying operations

During the period we increased sales of our own published material, enabling the Company to resell the same material repeatedly so increasing the yield from the cost of development.

We also expanded our library of published material. Intellego owns libraries of: pharmaceutical compliance and regulation, post qualification medical study material, training for retailers and financial services.

As a result the Company is well placed to more than double recurring revenues in the coming year.

Chairman's statement

Financials

Income statement

Sales increased by 40% to £2.3 million (2008: £1.7 million) and gross margin by 34% to £1.6 million (2008:£1.2 million).

While overall losses grew to £502,608 (2008: £408,118) this figure includes non-recurring annual costs and those related to the restructuring, which was announced in February, totalling £423,914. Losses also included an increase of £48,000 depreciation and amortisation which is a non-cash charge relating to the businesses acquired in the year.

Balance sheet

The Company has taken a conservative approach to accounting for its acquisitions depreciating fixed assets and amortising intangible assets acquired over no more than four years. Your Directors believe that whilst this is the correct accounting treatment under IFRS it does not fairly represent the cost of setting up the business, building the customer base and libraries of published material. If starting from scratch we believe that this would cost significantly in excess of £3 million, compared with the value shown in the balance sheet of £667,000.

Post balance sheet events

Following the year-end Intellego's financial position was strengthened significantly:

- Placing on 23 April raised £170,000;
- Bank loan arranged in June, providing the Company with £200,000 to be repaid over five years;
- Agreement with HMRC to repay £460,000 by way of instalment.

These three agreements with a total value of £830,000 go a long way to improve the Company's financial position and secure its future.

As your Company continues to expand quickly the Board is aware of the need to strengthen the management team and reorganise in order to better manage the existing business and its growth.

We are very pleased to announce John Hammond's arrival in August to head up the sales function. John has experience in all aspects of the sale of computer solutions and training since his early training with IBM in their graduate programme and subsequently with training specialist Silverlake UK Ltd, and leading systems house Logicalis Computing Solutions Ltd and subsequently Centiq Ltd.

We expect there will be further recruitment and announcements as we continue to put together a team capable of building the business to annual sales of £10 million + .

Chairman's statement

Outlook

In common with many businesses we have been affected by the recession, but with the cost reduction programme referred to earlier and a determination to continue to grow the business we plan to outperform our peer group. I expect Intellego will show further revenue growth this year which will enable the Company to qualify as a top 50 IT training company for the first time.

The Board of your Company remains focussed on creating value. The profile and focus of the business has changed and evolved significantly over the past two and a half years. We are optimistic that the actions we have taken to transform the business will begin to improve the cash generation and profitability of the business.

During the year we identified a number of acquisition opportunities however we were unable to agree terms that in the Board's view, would have represented good short term value for Intellego shareholders. We will continue to evaluate this strategy in the coming period.

I would like to thank all shareholders for their support throughout the year, also to welcome Bruce Leith to the Board and acknowledge the contributions of all our staff, advisers, customers and suppliers.

Angus Forrest

Chairman

31 July 2009

Report of the directors

The directors present their report together with financial statements for the year ended 31 March 2009.

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 Group Limited, Copia Limited and Professional Development Partnership Limited is that of e-Learning specialists, consultants and training.

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

Results and dividends

The consolidated income statement 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.

Post balance sheet events

On 23 April 2009 Intellego Holdings Plc successfully placed 34,000,000 0.5p ordinary shares at 0.5p per share raising £170,000.

Directors

The directors who served during the year and their beneficial interests in the shares of the company as at 1 April 2008 and 31 March 2009 were as follows:

	31 March 2009		1 April 2008	
	Shares	**Options**	Shares	Options
M R J Couzens (resigned on 21 August 2008)	**-**	**-**	2,128,627	500,000
A G P Forrest	**7,220,234**	**500,000**	7,220,234	500,000
A L Green	**10,700,000**	**2,000,000**	10,700,000	1,000,000
R Roy-Choudhuri	**5,611,435**	**3,500,000**	4,611,435	2,500,000
B H Leith (appointed on 7 January 2009)	**-**	**-**	-	-

A G P Forrest owns 4,503,921 shares in his own name and 2,716,313 in his SIPP.

R Roy-Choudhuri and his wife own 2,002,740 in their name and a further 3,608,695 in his SIPP.

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

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

Report of the directors

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.

AIM Compliance Committee
The AIM compliance committee reports on compliance with the AIM Rules. It comprises the two non-executive 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 are operating effectively from time to time.

Remuneration Committee
The remuneration committee comprises the two non-executive directors and is chaired by B H Leith. 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.

Report of the directors

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 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 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 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 and the Group will continue in business.

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.

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 106 days (2008: 60 days).

Substantial shareholdings

At 30 June 2009, the Company had been notified that Charles Denton owned 14.9% of the 166,313,350 issued shares of the Company.

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
R Roy-Choudhuri
Director
31 July 2009

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

We have audited the Group financial statements of Intellego Holdings Plc for the year ended 31 March 2009 which comprise the principal accounting policies, the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in shareholders' equity and notes 1 to 24. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Intellego Holdings Plc for the year ended 31 March 2009.

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 Annual Report and the Group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union 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 Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the Group financial statements. The information given in the directors' report includes that specific information presented in the chairman's statement that is cross referred from the business review section of the directors' report.

In addition we report to you if, in our opinion, 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 Group financial statements. The other information comprises only the directors' report and the chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit 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 Group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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 Group 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 Group financial statements

Report of the independent auditors (continued)

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs at 31 March 2009 and of its loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the Group financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

SHEFFIELD
31 July 2009

Principal accounting policies

Basis of preparation

These consolidated financial statements of Intellego Holdings Plc are for the year ended 31 March 2009. 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) as adopted by the European Union (EU) and are effective at 31 March 2009.

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

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.

Critical accounting estimates

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 estimation 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 income statement 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 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

- depreciation rates are based on estimates of the useful lives and residual values of the assets involved;
- 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 income generating units and an estimate of their values in use. The carrying values affected are detailed in note 10 and 11.

Standards and interpretations in issue not yet effective

The following standards and Interpretations have been issued, but are not yet effective and have not been early adopted by the Group:

IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009)

IAS 23 Borrowing costs (revised 2007) (effective 1 January 2009)

Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009)

IAS 27 Consolidated and Separate Financial Statements (revised 2008) (effective 1 July 2009)

Amendment to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations (effective 1 January 2009)

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements - Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009)

Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items (effective 1 July 2009)

Improvements to IFRSs (effective 1 January 2009 other than certain amendments effective 1 July 2009)

IFRS 3 Business Combinations (revised 2008) (effective 1 July 2009)

IFRS 8 Operating Segments (effective 1 January 2009)

IFRIC 15 Agreements for the Construction of Real Estate (effective 1 January 2009)

IFRIC 16 Hedge of a Net Investment in a Foreign Operation (effective 1 October 2008)

IFRIC 17 Distribution of Non-cash Assets to Owners (effective 1 July 2009)

Principal accounting policies

IAS 1 Presentation of Financial Statements (Revised 2007) will result in changes to the presentation of the Group's financial statements as the former currently adopted Statements of Changes in Equity will no longer be permitted. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with sub totals or in two separate statements (a separate income statement followed by a statement of other comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. Management are currently assessing the detailed impact of this amendment on the Group's financial statements.

IFRS 3 Business Combinations (Revised 2008) will apply to any future business combinations that the Group may undertake once it is in force. The Group has no plan to adopt the revised standard in advance of its mandatory implementation date and it is not possible to quantify the effect of the standard on future business combinations until those combinations take place.

The other Standards and Interpretations are not expected to have any significant impact on the Group's financial statements.

Going concern

The group has incurred losses in both the current and prior year. 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 March 2009. 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 purchase method. The purchase 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 balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Principal accounting policies

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. Deferred tax and minority interests are adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

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 balance sheet 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.

Goodwill

Goodwill, representing the excess of the cost of acquisition 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.

Principal accounting policies

Intangible assets

Distribution rights are initially recognised at cost, then amortised to the income statement 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, 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 where the individual fair values of the assets in the Group are not reliably measurable.

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 income statement.

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 income statement 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 income statement.

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

Principal accounting policies

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 if ownership but does transfer control of that asset.

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 section 131 of the Companies Act 1985.

“Shares to be issued” represent deferred consideration issued in the form of shares.

"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 income statement 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 income statement, 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 adoption of IFRS 2 has had no material effect on the figures previously reported or on the results for the year.

Consolidated income statement

	Note	2009 £	2008 £
Revenue	2	**2,342,124**	1,671,967
Cost of sales		**(674,903)**	(429,592)
Gross profit		**1,667,221**	1,242,375
Operating charges before depreciation and amortisation and restructuring		**(1,947,114)**	(1,544,233)
EBITDA[1] before restructuring costs		**(279,893)**	(301,858)
Restructuring costs	4	**(73,914)**	-
EBITDA		**(353,807)**	(301,858)
Depreciation and amortisation		**(126,403)**	(77,605)
Operating loss	3	**(480,210)**	(379,463)
Finance income		**1,310**	3,343
Finance cost	5	**(31,062)**	(31,998)
Loss on ordinary activities before taxation		**(509,962)**	(408,118)
Taxation	6	**7,354**	-
Loss on ordinary activities after taxation		**(502,608)**	(408,118)
Basic and diluted loss per share	9	**(0.40)p**	(0.42)p

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

[1] EBITDA represents earnings before depreciation and amortisation, profit on sale of non-current assets, finance income, finance costs and UK income tax.

Consolidated balance sheet

	Note	2009 £	2008 £
Assets			
Non-Current Assets			
Property, plant and equipment	12	**81,668**	81,746
Goodwill	10	**278,295**	179,070
Other intangible assets	11	**307,376**	142,672
		667,339	403,488
Current Assets			
Inventory	13	**4,575**	5,472
Trade and other receivables	14	**691,802**	576,577
Cash and cash equivalents		**92,905**	370,738
		789,282	952,787
Total Assets		**1,456,621**	1,356,275
Liabilities			
Non-Current Liabilities			
Long term borrowings	16	**29,022**	48,236
		29,022	48,236
Current Liabilities			
Trade and other payables	15	**1,373,330**	773,020
Borrowings	16	**173,049**	150,057
		1,546,379	923,077
Total Liabilities		**1,575,401**	971,313
Net Assets		**(118,780)**	384,962
Equity			
Share capital	18	**661,567**	649,314
Share premium		**1,423,849**	1,423,849
Merger reserve		**31,000**	29,387
Shares to be issued		**-**	15,000
Profit and loss account		**(2,235,196)**	(1,732,588)
Total Equity		**(118,780)**	384,962

The financial statements were approved by the Board of Directors on 31 July 2009.

A L Green **Director**

R Roy-Choudhuri **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	Shares to be issued	Profit and loss account	Total equity
	£	£	£	£	£	£
Balance at 1 April 2007	415,138	1,104,574	-	-	(1,324,470)	195,242
Shares issued	234,176	319,275	29,387	-	-	582,838
Shares to be issued in respect of Copia acquisition	-	-	-	15,000	-	15,000
Loss for the year and total income and expense	-	-	-	-	(408,118)	(408,118)
Balance at 31 March 2008	649,314	1,423,849	29,387	15,000	(1,732,588)	384,962
Balance at 1 April 2008	**649,314**	**1,423,849**	**29,387**	**15,000**	**(1,732,588)**	**384,962**
Shares issued in respect of Professional Development Partnership Limited	**4,753**	**-**	**410**	**-**	**-**	**5,163**
Reversal of shares to be issued in respect of Copia acquisition	**7,500**	**-**	**1,203**	**(15,000)**	**-**	**(6,297)**
Loss for the year and total income and expense	**-**	**-**	**-**	**-**	**(502,608)**	**(502,608)**
Balance at 31 March 2009	**661,567**	**1,423,849**	**31,000**	**-**	**(2,235,196)**	**(118,780)**

Consolidated cash flow statement

	Note	Year to 31 March 2009 £	Year to 31 March 2008 £
Cash flows from operating activities			
Loss after taxation		**(502,608)**	(408,118)
Adjustments for:			
Depreciation		**45,322**	47,975
Amortisation		**81,081**	29,630
Investment income		**(1,310)**	(3,343)
Interest expense		**31,068**	31,998
Increase in trade and other receivables		**(97,572)**	(10,132)
Decrease in inventories		**897**	1,001
Increase in trade and other payables		**581,021**	144,852
Cash generated from/(used in) operations		**137,899**	(166,137)
Interest paid		**(31,068)**	(31,998)
Net cash generated from/(used in) operating activities		**106,831**	(198,135)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(45,244)**	(26,906)
Investment in intangible assets		**(128,969)**	-
Overdraft acquired with business		**(8,155)**	(19,991)
Acquisition of business		**(191,990)**	(18,750)
Interest received		**1,310**	3,343
Net cash used in investing activities		**(373,048)**	(62,304)
Cash flows from financing activities			
Net proceeds from issue of share capital		**(15,394)**	532,837
Principal payment of long-term bank loan		**(19,214)**	(12,135)
Net cash (used in)/generated from financing activities		**(34,608)**	520,702
Net (decrease)/increase in cash and cash equivalents		**(300,825)**	260,263
Cash and cash equivalents at beginning of period		**239,895**	(20,368)
Cash and cash equivalents at end of period	19	**(60,930)**	239,895

Notes to the group financial statements

1 Going concern

The Group incurred losses in both the current and prior year. As announced in January the Group underwent a cost reduction programme in the last quarter of the year to March 2009 which included reducing the number of operating locations from three to one and reducing the number of staff. Details of the savings in a full year are shown in the table below.

The office costs and wages and salaries costs for the current year in respect of the operating locations that have been closed and the employees who have been made redundant are shown below under the discontinued operating charges column together with the direct costs associated with the office closure and redundancies under the reorganisation costs column. Both these costs will be non-recurring in the year to 31 March 2010.

Re-organisation overview

	Discontinued operating charges 2009 £	Reorganisation costs 2009 £	Total 2009 £
Wages and Salaries	270,000	59,484	329,484
Office costs	80,000	14,430	94,430
	350,000	73,914	423,914

The savings identified above will have a major impact on the financial results of the Group in the current and future years.

The Directors of the business having considered the cash forecasts believe that with the re-organisation savings in the region of £350,000 per annum, current trading and prospects together with the recent injection of equity and loan capital totalling £370,000 there is a reasonable expectation that the funds available to the Group are sufficient to meet the requirements indicated by those forecasts. Therefore it is appropriate to adopt the going concern basis in the preparation of these financial statements.

Notes to the group financial statements

2 Segment analysis

The Group's primary reporting format is business segment and its secondary format is geographical segment by origin of revenue.

Intellego operates three main business segments Distribution, Services and Publishing. The activity undertaken by the Distribution segment is the resale of software developed by third parties. The Services segment includes consultancy, customisation, including development of content, and integration of e-learning systems. Maintenance of these systems is undertaken by the Distribution segment. The Publishing segment includes the sale of internally generated content. The revenues and net result generated by each of Intellego plc's business segments are summarised as follows:

Year to 31 March 2009

	Distribution	Services	Publishing	Group
	£	£	£	£
Revenue	808,353	1,169,191	364,580	2,342,124
Loss for the period	(194,017)	(289,267)	(19,324)	(502,608)
Segment assets	376,548	643,127	436,946	1,456,621
Segment liabilities	(764,964)	(597,143)	(213,294)	(1,575,401)
Segment depreciation and amortisation	39,660	43,572	43,171	126,403
Segment capital additions	7,354	29,224	8,666	45,244

Notes to the group financial statements

Year to 31 March 2008

	Distribution	**Services**	**Publishing**	**Group**
	£	**£**	**£**	**£**
Revenue	776,442	744,195	151,330	1,671,967
Loss for the period	(203,644)	(179,065)	(25,409)	(408,118)
Segment assets	443,473	757,347	155,455	1,356,275
Segment liabilities	(458,651)	(468,876)	(43,786)	(971,313)
Segment depreciation and amortisation	38,058	38,524	1,023	77,605
Segment capital additions	18,055	8,465	386	26,906

Inter segment pricing is performed at an arms length basis.

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

	2009	2008
	£	£
United Kingdom	**2,112,408**	1,620,965
North America	**54,948**	38,358
Europe	**174,768**	12,644
	2,342,124	1,671,967

Notes to the group financial statements

3 Loss before taxation

Loss before taxation is stated after charging:

	2009 £	2008 £
Amortisation of intangible fixed assets	**81,081**	29,630
Depreciation of plant, property and equipment		
- owned by the group	**45,322**	47,975
Auditors' remuneration:		
Fees payable to the company's auditors for the audit of the company's annual accounts	**3,500**	3,500
Fees payable to the company's auditors for other services:		
- The audit of the company's subsidiaries, pursuant to legislation	**13,000**	13,000
- Taxation services	**3,500**	3,500
- Other services	**5,000**	8,000
Operating lease rentals		
- other operating leases	**47,792**	31,000

4 Restructuring costs

As detailed in the Chairman's Statement the Group has undergone a restructuring in the last quarter of the year to 31 March 2009 which has included reducing the number of operating locations from three to one and reducing the staff base through a restructuring programme. The direct costs associated with the office closure and the staff restructuring are as follows. The annual cost savings which should result from this restructuring will be in the region of £350,000 per annum.

	Restructuring costs 2009 £
Wages and salaries	**59,484**
Office costs	**14,430**
	73,914

Notes to the group financial statements

5 Finance cost

	2009 £	2008 £
On bank loans and overdrafts	**265**	1,496
On other loans wholly repayable within five years	**3,500**	4,570
On amounts payable to factors	**27,297**	25,932
	31,062	31,998

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 March 2009 the Group had £2,145,000 (2008: £1,683,000) of excess trading losses to offset against future profits. There is an unprovided deferred tax asset of approximately £601,000 at 31 March 2009 (2008: £471,000) arising from these losses. The deferred tax arising on intangibles acquired as part of the acquisitions in the year totalling £30,800 has been offset by the deferred tax asset in respect of losses and therefore neither the liability nor the asset has been separately provided.

Analysis of the charge for the year;

	2009 £	2008 £
Current tax – prior year	**(7,354)**	-
Deferred tax	**-**	-
	(7,354)	-

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

	2009 £	2008 £
Loss on ordinary activities before taxation	**(509,962)**	(408,118)
Loss on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 28% (2008: 30%)	**(142,789)**	(122,435)
Effects of:		
Expenses not deductible for tax purposes	**612**	3,010
Excess of depreciation and amortisation over capital allowances	**12,402**	17,152
Tax losses carried forward	**129,775**	102,273
Over provision in respect of prior year	**(7,354)**	-
Tax charge for the year	**(7,354)**	-

Notes to the group financial statements

7 Directors and employees

Staff costs during the year were as follows:	**2009**	2008
	£	£
Wages and salaries	**1,184,205**	1,004,909
Social security costs	**129,204**	108,709
	1,313,409	1,113,618

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

	2009	2008
	Number	Number
Sales, Administration and Technical	**33**	29

8 Directors

Key management is considered to be Directors. Remuneration in respect of directors was as follows:

	2009	2008
	£	£
Emoluments receivable	**166,000**	136,000

The highest paid director received £91,000 (2008: £71,000).

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

9 Loss per share

The calculation of loss per share is based on a loss for the period of £502,608 (2008: £408,118) and on 131,060,569 (2008: 96,896,360) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

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.

	2009	2008
Basic and diluted loss per share	**(0.40)p**	(0.42)p

Notes to the group financial statements

10 Goodwill

2009	**Goodwill**
	£
Cost	
At 1 April 2008	**179,070**
Additions	**99,225**
At 31 March 2009	**278,295**

2008	
	Goodwill
	£
Cost	
At 1 April 2007	72,006
Additions	107,064
At 31 March 2008	179,070

The goodwill relates to the acquisition of Modinex Limited in 2005, the acquisition of the business and selected assets and liabilities of eMedit Limited in December 2006, the acquisition of Copia Limited in November 2007, the acquisition of Professional Development Partnership Limited in April 2008 and the business and assets of Zenosis Limited in May 2008.

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 £278,295 has been allocated to the cash generating units as follows.

	£
Distribution	**20,465**
Services	**174,947**
Publishing	**82,883**
	278,295

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 the 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 10% per annum.

As more fully explained in the Chairman's statement the Group is migrating away from the distribution sector and focusing on the more profitable services and publishing sector. On this basis the Directors consider the cash flow projections for the service, publishing and distribution sectors to be achievable.

There was no requirement for any impairment provision as at 31 March 2009 or 31 March 2008.

Notes to the group financial statements

11 Other intangible assets

2009	Distribution rights	Software development	Content modules	Customer relationships	Total
	£	£	£	£	£
Cost					
At 1 April 2008	**29,500**	**126,640**	**12,434**	**50,556**	**219,130**
Additions	**-**	**89,583**	**-**	**39,386**	**128,969**
On acquisitions	**-**	**6,000**	**110,816**	**-**	**116,816**
At 31 March 2009	**29,500**	**222,223**	**123,250**	**89,942**	**464,915**
Amortisation					
At 1 April 2008	**29,500**	**39,637**	**3,108**	**4,213**	**76,458**
Charge for year	**-**	**36,923**	**22,012**	**22,146**	**81,081**
At 31 March 2009	**29,500**	**76,560**	**25,120**	**26,359**	**157,539**
Net book amount at 31 March 2009	**-**	**145,663**	**98,130**	**63,583**	**307,376**
Net book amount at 31 March 2008	-	87,003	9,326	46,343	142,672

2008	Distribution rights	Software development	Content modules	Customer relationships	Total
	£	£	£	£	£
Cost					
At 1 April 2007	29,500	76,917	12,434	-	118,851
On acquisitions	-	49,723	-	50,556	100,279
At 31 March 2008	29,500	126,640	12,434	50,556	219,130
Amortisation					
At 1 April 2007	29,500	16,707	621	-	46,828
Charge for the year	-	22,930	2,487	4,213	29,630
At 31 March 2008	29,500	39,637	3,108	4,213	76,458
Net book amount at 31 March 2008	-	87,003	9,326	46,343	142,672
Net book amount at 31 March 2007	-	60,210	11,813	-	72,023

Notes to the group financial statements

12 Property, plant and equipment

2009	Leasehold improvements	Fixtures, fittings and equipment	Total
	£	£	£
Cost			
At 1 April 2008	**25,330**	**289,640**	**314,970**
Additions	**-**	**45,244**	**45,244**
At 31 March 2009	**25,330**	**334,884**	**360,214**
Depreciation			
At 1 April 2008	**17,200**	**216,024**	**233,224**
Charge for the year	**4,472**	**40,850**	**45,322**
At 31 March 2009	**21,672**	**256,874**	**278,546**
Net book amount at 31 March 2009	**3,658**	**78,010**	**81,668**
Net book amount at 31 March 2008	8,130	73,616	81,746

2008	Leasehold improvements	Fixtures, fittings and equipment	Total
	£	£	£
Cost			
At 1 April 2007	16,386	226,698	243,084
On acquisition	-	44,980	44,980
Additions	8,944	17,962	26,906
At 31 March 2008	25,330	289,640	314,970
Depreciation			
At 1 April 2007	6,554	138,500	145,054
On acquisition	-	40,195	40,195
Charge for the year	10,646	37,329	47,975
At 31 March 2008	17,200	216,024	233,224
Net book amount at 31 March 2008	8,130	73,616	81,746
Net book amount at 31 March 2007	9,832	88,198	98,030

13 Inventory

	2009	2008
	£	£
Goods for resale	**4,575**	5,472

Notes to the group financial statements

14 Trade and other receivables

	2009	2008
	£	£
Trade receivables	**510,921**	453,428
Other receivables	**112,005**	60,217
Prepayments and accrued income	**68,876**	62,932
	691,802	576,577

Included in trade receivables are amounts totalling £ Nil (2008: £ Nil) 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. None are considered to be impaired.

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

	2009	2008
	£	£
Not more than three months	**180,456**	219,641
More than three months but not more than six months	**38,175**	5,026
More than six months but not more than one year	**31,536**	1,716
More than one year	**-**	-
	250,167	226,383

Notes to the group financial statements

15 Trade and other payables

	2009	2008
	£	£
Trade payables	**326,949**	278,590
Taxes and social security costs	**521,038**	153,568
Accruals and deferred income	**525,343**	340,862
	1,373,330	773,020

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

16 Borrowings

	2009	2008
	£	£
Current		
Bank overdraft and short term financing	**153,835**	130,843
Bank loans	**19,214**	19,214
	173,049	150,057
Non current		
Bank loans	**29,022**	48,236
The bank loan can be analysed as falling due:		
Within one year	**19,214**	19,214
After one and within two years	**19,214**	19,214
After two and within five years	**9,808**	29,022
	48,236	67,450

The bank loans are repayable by monthly instalments and carries interest at a rate of 3.5% over the base rate of Lloyds TSB Bank plc and HSBC. The bank loans are secured by way of a debenture.

The bank overdraft and short term financing is secured over trade receivables.

Notes to the group financial statements

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, 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. The Group's interest rate exposure arises in respect of its bank loans and overdraft, which are LIBOR linked for interest rate purposes.

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

	2009	2008
	£	£
Bank loans and overdraft outstanding at year end	**202,071**	198,293
Impact on pre tax loss of a 1% change in LIBOR	**(2,021)**	(1,982)
Impact on equity of a 1% change in LIBOR	**(2,021)**	(1,982)

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.

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 five years.

As at 31 March 2009 the Group's liabilities have contractual maturities which are summarised below:

31 March 2009	Within 6 months	Current 6 to 12 months	1 to 5 years	Non current later than 5 years
	£	£	£	£
Bank overdraft	153,835	-	-	-
Bank loan	9,607	9,607	29,022	-
Trade and other payables	1,373,330	-	-	-
	1,536,772	9,607	29,022	-

Included in trade and other payables are accruals and deferred income of £525,343 (2008:£340,862)

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

31 March 2008	Within 6 months	Current 6 to 12 months	1 to 5 years	Non current later than 5 years
	£	£	£	£
Bank overdraft	130,843	-	-	-
Bank loan	9,607	9,607	48,236	-
Trade and other payables	773,020	-	-	-
	913,470	9,607	48,236	-

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.

	2009	2008
	£	£
Financial assets	**67,193**	14,900
Financial liabilities	**(84,428)**	(53,006)
Exposure	**(17,235)**	(38,106)
Impact on pre tax loss of a 5% variation in exchange rate on year end residual exposure	**(861)**	(1,905)
Impact on equity of a 5% variation in exchange rate on year-end residual exposure	**(861)**	(1,905)

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:

	2009	2008
	£	£
Trade and other receivables	**691,802**	576,577
Cash and cash equivalents	**92,905**	370,738
	784,707	947,315

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

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:

	2009	2008
	£	£
Current assets		
Trade and other receivables	**691,802**	576,577
Cash and cash equivalents	**92,905**	370,738
Loans and receivables	**784,707**	947,315
Current liabilities		
Borrowings	**173,049**	150,057
Trade and other payables	**1,373,330**	773,020
Other financial liabilities	**1,546,379**	923,077
Non current liabilities		
Long term borrowings (other financial liabilities)	**29,022**	48,236
Net financial liabilities	**(790,694)**	(23,998)
Intangible assets	**585,671**	321,742
Property, plant and equipment	**81,668**	81,746
Inventory	**4,575**	5,472
Non financial assets	**671,914**	408,960
Total equity	**(118,780)**	384,962

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.

Notes to the group financial statements

18 Share capital

	2009 £	2008 £
Authorised		
300,000,000 (2008: 200,000,000) ordinary shares of 0.5p each	**1,500,000**	1,000,000

Allotted, called up and fully paid	**Shares**	**Nominal value (0.5p) £**	**Premium net of costs (inc merger reserve) £**	**Total £**
In issue on 1 April 2007	83,027,585	415,138	1,104,574	1,519,712
Issue July 2007	17,899,999	89,500	158,750	248,250
Issue November 2007 (Copia acquisition)	2,222,222	11,111	29,387	40,498
Issue March 2008	21,712,943	108,565	130,900	239,465
Issue March 2008	5,000,000	25,000	29,625	54,625
In issue on 31 March 2008	129,862,749	649,314	1,453,236	2,102,550
April 2008	950,600	4,753	410	5,163
January 2009	1,500,000	7,500	1,203	8,703
In issue on 31 March 2009	132,313,349	661,567	1,454,849	2,116,416

Unless otherwise indicated the purpose of the placements was for working capital.

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

The following share placements occurred during the year. The purpose of the placements was for working capital requirements and to fund acquisitions.

During April 2008 950,600 ordinary shares of 0.5p at a price of 1.5p per share were issued as final consideration for the acquisition of Professional Development Partnership Limited.

During January 2009 1,500,000 ordinary shares of 0.5p at a price of 1.00p per share were issued as final consideration for the acquisition of Copia Limited which was previously deferred. The company also settled the final deferred cash consideration of £6,250 in respect of this acquisition.

The market price of the company's Ordinary shares on 31 March 2009 was 0.60p, the highest price during the year was 1.75p and the lowest price during the year was 0.50p.

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

Share options

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

Notes to the group financial statements

19 Analysis of change in cash and cash equivalents

	At 1 April 2008 £	Cashflow £	At 31 March 2009 £
Net cash:			
Cash at bank and in hand	**370,738**	**(277,833)**	**92,905**
Bank overdrafts	**(130,843)**	**(22,992)**	**(153,835)**
	239,895	**(300,825)**	**(60,930)**

20 Acquisition

On 22 April 2008 Intellego Holdings Plc acquired 100% of The Professional Development Partnership Limited ("PDPL") and on 9 May 2008 the trade and selected assets of Zenosis Limited for share and cash consideration of £150,000 and £50,000 respectively.

The Professional Development Partnership Limited

PDPL is a specialist financial services training company which allows Intellego to offer a wider range of services and to generate more added value to both existing and potential customers.

The purchase price consisted of £150,000 of shares and cash. The consideration is summarised as follows:

	2009 £
Cash	**135,741**
Shares	**14,259**
	150,000

The cash element was paid on completion. The £14,259 share consideration on completion was satisfied by the issue of 950,600 ordinary shares at 1.5p being the fair value and market value of the shares on that date.

Notes to the group financial statements

The allocation of the purchase price to the assets and liabilities of PDPL was completed in April 2008. The amounts recognised for each class of the acquiree's assets, liabilities and contingent liabilities recognised at the acquisition date are as follows.

	2009 Total
Non Current assets	**£**
Intangible assets on acquisition	**75,816**
Other intangible assets	**6,000**
	81,816
Current assets	
Trade and other receivables	**17,653**
	17,653
Total assets	**99,469**
Current liabilities	
Bank overdraft	**8,155**
Trade payables	**2,847**
Taxes and social security	**5,825**
Other creditors	**16,867**
	33,694
Total liabilities	**33,694**
Net Assets	**65,775**
Consideration	**150,000**
Goodwill	**84,225**

No major line of business will be disposed of as a result of the combination.

A significant part of the acquisition costs can be attributed to the content library which forms the foundation for both the class room training and the e-learning Continued Professional Development portal (CPD Online). On the acquisition £75,816 has been recognised as intangible assets.. The fair value is based on the review of future cash flows discounted back at 10% over a period of five years.

Deferred tax arising on the intangibles acquired totalling £21,000 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.

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.

All goodwill and other intangible assets arising on the business combination had been allocated to cash generating units by March 2009.

PDPL contributed £20,938 to the consolidated profit for the eleven months from 24 April 2008 to the balance sheet date. If PDPL had been acquired on 1 April 2008 revenue of the Group for 2009 would have been £2,358,267.

Notes to the group financial statements

Acquisition of trade and assets of Zenosis Limited

Zenosis Limited is a publisher of compliance e-learning courses for the pharmaceutical industry. Zenosis training courses include subjects such as good clinical practice and regulatory affairs – compulsory for those working in the pharmaceutical industry.

Consideration for the acquisition was a total of £50,000 payable wholly in cash. £25,000 was payable on completion and a further £25,000 by 30 September 2008. The trade and selected assets were acquired by Intellego Holdings Plc and then subsequently transferred to Intellego Group Limited, a subsidiary company.

The allocation of the purchase price to the assets of Zenosis was completed in June 2008. The amounts recognised for each class of the acquiree's assets, liabilities and contingent liabilities recognised at the acquisition date are as follows.

	2009 Total
Non Current assets	**£**
Intangible assets on acquisition	**35,000**
	35,000
Net Assets	**35,000**
Consideration	**50,000**
Goodwill	**15,000**

The Content Library is a major part of the acquisition and has been recognised as intangible assets. The fair value is based on the review of future cash flows discounted back at 10% over a period of five years.

Deferred tax arising on the intangibles acquired totalling £9,800 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.

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.

All goodwill and other intangible assets arising on the business combination had been allocated to cash generating units by March 2009.

Zenosis contributed revenue of £171,000 to the consolidated revenue for the period from 9 May 2008.

Notes to the group financial statements

21 Financial commitments

At 31 March 2009 the group had total commitments under non-cancellable operating leases as follows:

	Land and buildings 2009 £	Land and buildings 2008 £
Expiry date: 1 January 2012		
Within five years	**143,211**	191,112

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.

Bi-Golf limited, a company controlled by M R J Couzens, received £ 20,000 (2008: £20,000) relating to fees for his services.

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 years.

Report of the independent auditors

We have audited the parent company financial statements of Intellego Holdings plc for the year ended 31 March 2009 which comprise the principal accounting policies, company balance sheet and notes 1 to 10. These financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Intellego Holdings plc for the year ended 31 March 2009.

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 directors and auditors

The directors' responsibilities for preparing the Annual Report and the parent company 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 parent company 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 directors' report includes that specific information presented in the chairman's statement that is cross referenced from the business review section of the directors' report.

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 parent company financial statements. The other information comprises only the directors' report and the chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit 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.

Report of the independent auditors (continued)

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009;
- 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.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

SHEFFIELD
31 July 2009

Company balance sheet

	Note	2009	2008
		£	£
Fixed assets			
Intangible assets	3	**114,157**	76,864
Investments	4	**860,490**	1,210,490
		974,647	1,287,354
Current assets			
Debtors - amounts due after more than one year	5	**219,766**	120,328
Cash at bank and in hand		**755**	301,327
		220,521	421,655
Net current assets		**220,521**	421,655
Total assets less current liabilities		**1,195,168**	1,709,009
Capital and reserves			
Called up share capital	6	**661,567**	649,314
Share premium	7	**1,423,849**	1,423,849
Merger reserve	7	**31,000**	29,387
Shares to be issued	7	**-**	15,000
Profit and loss account	7	**(921,248)**	(408,541)
Equity shareholders' funds	8	**1,695,168**	1,709,009

The financial statements were approved by the Board of Directors on 31 July 2009.

A L Green **Director**

R Roy-Choudhuri **Director**

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 considered the total capital contribution of £1,000,000 to a subsidiary company for impairment and this has resulted in a £500,000 reduction in its value.

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 230 of the Companies Act 1985 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 £512,707 (2008: £408,541).

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 7 of the Group financial statements.

3 Intangible assets

2009	**Goodwill**
	£
Cost	
At 1 April 2008	**85,405**
Additions	**50,000**
At 31 March 2009	**135,405**
Amortisation	
At 1 April 2008	**8,541**
Charge for the year	**12,707**
At 31 March 2009	**21,248**
Net book amount at 31 March 2009	**114,157**
Net book amount at 31 March 2008	**76,864**

The previous year's goodwill relates to the acquisition of the business and selected assets and liabilities of eMedit Limited. The addition in the year relates to the acquisition of the business and selected assets of Zenosis Limited. Details of the acquisition are disclosed in note 20 of the Group financial statements.

Notes to the company financial statements

4 Fixed asset investments

	Capital contribution 2009 £	Shares in subsidiary undertaking 2009 £	Total 2009 £
At 1 April 2008	1,000,000	210,490	1,210,490
Acquisition of Professional Development Partnership Limited	-	150,000	150,000
Impairment of investment	(500,000)	-	(500,000)
At 31 March 2009	500,000	360,490	860,490

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
Intellego Group Limited	England and Wales	100%	E-learning services
Copia Limited	England and Wales	100%	E-learning services
The Professional Development Partnership Limited	England and Wales	100%	Training & E-learning services

Notes to the company financial statements

5 Debtors: amounts falling due after more than one year

	2009	2008
	£	£
Amounts owed by Group undertakings	**219,766**	120,328

The amounts owed by Group undertakings represent advances made to Intellego Group Limited, Copia Limited, Intellego Interactive Limited and Intellego TTS Limited. There are no formal terms for repayment and it is not expected that the loans will be repaid in full within one year.

6 Share capital

	2009	2008
	£	£
Authorised		
300,000,000 (2008: 200,000,000) ordinary shares of 0.5p each	**1,500,000**	1,000,000
Allotted, called up and fully paid		
132,313,349 (2008: 129,862,749) ordinary shares of 0.5p each	**661,567**	649,314

7

The following share placements occurred during the year. The purpose of the placements was for working capital and to fund acquisitions.

During April 2008 950,600 ordinary shares of 0.5p at a price of 1.5p per share were issued as consideration for the acquisition of Professional Development Partnership Limited.

During January 2009 1,500,000 ordinary shares of 0.5p at a price of 1.00p per share were issued as final consideration for the acquisition of Copia Limited, which was previously deferred.

The market price of the company's Ordinary shares on 31 March 2009 was 0.43p, the highest price during the year was 1.75p on 18 December 2008, the lowest price during the year was 0.25p on 11 April 2008.

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

Share options

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

Notes to the company financial statements

7 Reserves

	Share premium account £	Merger reserve £	Shares to be issued £	Profit and loss account £
Balance at 1 April 2008	1,423,849	29,387	15,000	(408,541)
Retained loss for the year	-	-	-	(512,707)
Arising on the issue of shares	-	1,613	(15,000)	-
Balance at 31 March 2009	**1,423,849**	**31,000**	**-**	**(921,248)**

8 Reconciliation of movements in shareholders' funds

	2009 £	2008 £
Loss for the financial year	**(512,707)**	(408,541)
Shares issued during the year	**13,866**	582,838
Deferred consideration on the acquisition of Copia Limited	**(15,000)**	15,000
Additions to shareholders' funds	**(513,841)**	189,297
Opening shareholders' funds	**1,709,009**	1,519,712
Closing shareholders' funds	**1,195,168**	1,709,009

9 Related party transactions

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

10 Contingent liabilities

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

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