Financial Statements
Intellego Holdings Plc

For the year ended 31 March 2010

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 – Executive Chairman Bruce Leith – Non-Executive Director Robert Murphy - Finance Director
Broker:	Rivington Street Corporate Finance 3 London Wall Buildings London Wall EC2M 5SY
Bankers:	Lloyds TSB Bank plc Twickenham Branch 17 Heath Road Twickenham Middlesex TW1 4AW
Registrar:	Computershare Investor Services Plc PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH
Nominated Advisor:	Beaumont Cornish Limited 2nd Floor, Bowman House 29 Wilson Street London EC2M 2SJ
Auditors:	Grant Thornton UK LLP Statutory Auditor Chartered Accountants 2 Broadfield Court Sheffield South Yorkshire S8 0XF
Website:	www.intellego.co.uk

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Chairman's statement

The year under review has seen significant changes to your Company. In response to continuing losses, your newly appointed executive team has implemented a series of measures to improve the Company's financial position and performance.

Overheads have been reduced by 30% or £485,000 pa and the product offerings have been focussed on the more profitable business units.

Following the year end we have completed three significant transactions. The main part of the software distribution business has been sold for £464,000; a related trade investment of £100,000 was secured at the same time; and Creditors Voluntary Arrangements were approved with the Company's creditors releasing £440,000 in liabilities.

The effect of these post balance sheet transactions brings the group into positive net assets of £83,000.

These measures provide the foundations for profitable trading, a substantially strengthened balance sheet and a more secure future.

Result for the Period

As I commented in last year's statement we, like many other companies, were affected by the recession and this has continued through this year. The results for the full year ended 31 March 2010 showed a loss of £1,043,000 on turnover of £1,853,000.

In the first half of the Period sales were 23% below 2009 and, although we won a large distribution contract in October last year, this made a negligible contribution. As our distribution division was making losses, £465,000 in the period, we decided to scale back that activity and following the year end, we disposed of the largest part of that business to NetDimensions (Holdings) Ltd as described below.

Three quarters of the losses, £768,000 in the year to 31 March 2010 relate to discontinued, loss-making operations of £465,000, one-off reorganisation costs of £70,000 and non-cash charges for amortisation and depreciation of £233,000. Our cost-cutting exercise will further benefit the on-going business by £376,000 in a full year.

Changes during the Period

In order to achieve the objective of profitable trading the following steps have been taken:

Financial – We reduced costs throughout the business. Overall annual overheads have been reduced in aggregate by approximately £485,000. Although this cost reduction programme began at the end of 2009, due to contractual obligations, the full benefits are being realised only following the period end. In addition, organisational changes have been made to reduce the costs of production and to improve margins and adopt more flexible working practices.

Market – Intellego is concentrating its sales effort on its chosen markets and has re-organised its sales force to be more customer and solution rather than product focused. We are using existing expertise and market knowledge to create products that can be sold repeatedly, direct by Intellego's sales team and through our channel partners.

Products – We have changed the product mix by introducing more of our own products delivered to customers through managed services. This is creating a business with the following characteristics:

- Higher margins;
- Recurring revenue streams;

Chairman's statement

- Increased revenues with products charged for on a per user basis; and
- The creation of our own valuable intellectual property.

We are developing of libraries of products with widespread appeal targeted at specific market sectors, typically regulatory and compliance products, the first two being:

- Healthcare - Zenosis and Think Medicine libraries are targeted at the pharmaceutical, biotech and healthcare markets; and
- Financial - The first financial services library products were launched – a set of workbooks are available on-line together with novel services to assist candidates to pass the new JO and RO exams to achieve RDR level 4 compliance.

We are offering a range of performance enhancing third party, best of breed, bought-in products. These include software platforms and tools both of which will be sold as a component in a complete solution managed by Intellego including:

- Learning management systems;
- Software simulation products; and
- Bought-in content.

The directors believe that this portfolio of products and services will enable the Company to take advantage of market demand for business improvement, to have a competitive edge and have the potential to expand quickly and profitably whilst controlling overheads.

Post balance sheet events

NetDimensions

On 28 April 2010 we announced the sale of Intellego's EKP distribution business to NetDimensions for up to £464,000 together with a £100,000 investment by NetDimensions in Intellego. This move has enabled the Company to change its focus from being a distributor to a publisher and provider of managed e-learning solutions. This sale allowed the Company to generate capital from this part of the business which will be redeployed by investing in its own new published products. Part of the consideration due to Intellego is performance based, amounting to £94,000 over the next two years, up to £188,000 in aggregate.

We remain a partner of NetDimensions and will continue to sell their products as part of our solutions. We expect reciprocal business opportunities will be introduced to us by NetDimensions. We also welcome NetDimensions £100,000 investment in Intellego.

Management of historic liabilities

After the year end the quoted Company and its main trading subsidiary proposed Company Voluntary Arrangements (CVAs) to the creditors and members. Both CVAs were approved in June and July this year. Note 24 of the accounts shows the benefits of the CVAs. The advantages of the CVAs are that the amount of the liabilities is reduced, whilst outstanding creditor payments are phased over a period during which the Company is protected by the Court from these creditors.

These events are further detailed within notes 1 and 24 to the financial statements. The combined effect of these events is to have strengthened the Company's balance sheet by £933,000 to positive net assets of £83,000.

Chairman's statement

Current trading

The Board believes the changes made are beginning to have a positive impact in the current financial year. Turnover which was expected to fall, following the disposal of the distribution business, is now building. Margins are higher than in previous years, and overheads are lower. The sales pipeline is building and we have secured several significant initial project sales with FTSE-250 customers and we are now winning repeat business from them.

Outlook

Since the start of the current financial year, sales are broadly in line with budget. As the full benefit of the cost cutting exercise begins to take effect, the Company is nearing profitable trading month-on-month and is slightly ahead of budget. We expect that the business should become profitable in the second half of the current financial year.

At the start of September 2010 we are opening a new sales division to exploit our published catalogue, and have recruited an experienced sales manager to head up this new business unit, which we expect to be profitable by the financial year end.

In order to create value we plan to generate profits and increase the scale of the business so we continue to review possible business combinations which would accelerate that process.

Finally, I would like to thank the loyalty and contributions made by all staff, shareholders, advisers and suppliers through what has been a year of major changes and challenges.

There was change in every aspect of the Company during the year and the Company has emerged with a stronger balance sheet, lower overheads, higher margins and new products.

Angus Forrest

Chairman

2 September 2010

Report of the directors

The directors present their report together with financial statements for the year ended 31 March 2010.

Principal activities and review of the business

The principal activity of the company was that of a holding company. The principal activity of the trading subsidiaries, Intellego Group Limited and Intellego PDP 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 statement of comprehensive income for the year is set out on page 18.

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

Post balance sheet events are detailed in note 24 and the chairman's statement.

Directors

The directors who served during the year and their beneficial interests in the shares of the company as at 1 April 2009 and 31 March 2010 were as follows:

	31 March 2010		1 April 2009	
	Shares	**Options**	Shares	Options
A G P Forrest	**12,510,234**	**500,000**	7,220,234	500,000
A L Green (resigned 31 January 2010)	**14,200,000**	**2,000,000**	10,700,000	2,000,000
R Roy-Choudhuri (resigned 6 January 2010)	**5,611,435**	**2,000,000**	5,611,435	3,500,000
B H Leith	**2,430,000**	**-**	-	-
R A L Murphy (appointed 9 July 2010)	**-**	**-**	-	-

A G P Forrest owns 9,793,921 shares in his own name and 2,716,313 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 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.

Report of the directors

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

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 is operating effectively from time to time.

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

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

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

Directors' responsibilities for the financial statements

The directors are responsible for preparing the 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 adequate 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

Report of the directors

comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

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

Payment policy

The Company and its subsidiaries agree terms and conditions for their transactions with suppliers. The average number of days for the Group to settle suppliers' invoices in the year was 172 days (2009: 106 days).

Substantial shareholdings

At 30 August 2010 the Company had been notified of the following substantial shareholdings (over 3%):

- NetDimensions (Holdings) Limited - 12.67%
- Williams de Broe - 10.97%
- Charles Denton - 9.44%
- Andy Green - 5.40%
- Angus Forrest - 4.5%

Auditors

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

BY ORDER OF THE BOARD
A G P Forrest
Director

2 September 2010

Grant Thornton

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 31st March 2010 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position and parent company balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows, the statement of group accounting policies, the statement of parent company accounting policies and the group and parent company related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 5-6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2010 and the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Report of the independent auditors (continued)

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group and parent company's ability to continue as a going concern. The group incurred a net loss of £1,043,815 during the year ended 31 March 2010 and, at that date, the group's current liabilities exceeded its total assets by £717,986.

As explained in note 1, the parent company and its principal trading subsidiary, Intellego Group Limited, entered into Company Voluntary Arrangements (CVAs) with their creditors after the year end which resulted in a reduction in liabilities as set out in note 24. The CVAs require payment schedules to be adhered to over a 6 month and 60 month period by the parent company and Intellego Group Limited respectively. If the terms of the CVAs are not adhered to the protection from the group's creditors may be removed.

These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

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

SHEFFIELD

DATE

Principal accounting policies

Basis of preparation

These consolidated financial statements of Intellego Holdings Plc are for the year ended 31 March 2010. These consolidated financial statements have been prepared in accordance with the accounting policies set out below which are based on International Financial Reporting Standards (IFRS) in issue as adopted by the European Union (EU) and are effective at 31 March 2010.

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

Adoption of IAS 1 Presentation of Financial Statements (Revised 2007)

The Group has adopted IAS 1 Presentation of financial statements (Revised 2007) in the year. The Group has elected to present the 'statement of comprehensive income' as one statement. Two comparative periods are also presented for the statement of financial position when the Group: (i) applies an accounting policy retrospectively, (ii) makes a retrospective restatement of items in its financial statements, or (iii) reclassifies items in the financial statements.

Adoption of IFRS 8 Operating Segments

The adoption of this standard has not affected the identified operating segments for the Group. However the accounting policy for identifying segments is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In contrast, IAS 14 required the Group to identify two sets of segments (business and geographical) based on risks and rewards of the operating segments. Further information about the entity's segment reporting accounting policies under IFRS 8 is given in note 2.

Critical accounting estimates

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

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

Judgements in applying accounting policies

- the directors must judge whether all of the conditions required for revenues to be recognised in the 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

- 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:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items (effective 1 July 2009)
- Group Cash-settled Share-based Payment Transactions - Amendment to IFRS 2 (effective 1 January 2010)
- Improvements to IFRSs 2009 (various effective dates, earliest of which is 1 July 2009, but mostly 2010)
- IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective 1 July 2009)
- IFRIC 18 Transfers of Assets from Customers (effective prospectively for transfers on or after 1 July 2009)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Prepayments of a Minimum Funding Requirement - Amendments to IFRIC 14 (effective 1 January 2011)
- Amendment to IFRS 1 Additional Exemptions for First-time Adopters (effective 1 January 2010)
- Amendment to IAS 32 Classification of Rights Issues (effective 1 February 2010)

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 plans 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.

Principal accounting policies

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 2010. 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 statement of financial position 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.

Business combinations completed prior to date of transition to IFRS

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

Revenue

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

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

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

Related ancillary services such as support and maintenance and system hosting are recognised over the period of the

Principal accounting policies

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.

Segmental reporting

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

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 statement of comprehensive income.

Depreciation

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

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

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

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

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

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

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

Inventories

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

Principal accounting policies

Taxation

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

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

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

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

Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease costs are charged to the 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

Principal accounting policies

rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for de-recognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards 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 the Companies Act 2006.

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

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

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium. The adoption of IFRS 2 has had no material effect on the figures previously reported or on the results for the year.

Consolidated statement of comprehensive income

	Note	2010 £	2009 £
Revenue	2	**1,853,266**	2,342,124
Cost of sales		**(1,037,843)**	(674,903)
Gross profit		**815,423**	1,667,221
Operating charges before depreciation and amortisation and restructuring		**(1,524,226)**	(1,947,114)
EBITDA[1] before restructuring costs		**(708,803)**	(279,893)
Restructuring costs	4	**(66,000)**	(73,914)
EBITDA		**(774,803)**	(353,807)
Depreciation and amortisation		**(233,451)**	(126,403)
Operating loss		**(1,008,254)**	(480,210)
Finance income		**-**	1,310
Finance cost	5	**(35,561)**	(31,062)
Loss on ordinary activities before taxation	3	**(1,043,815)**	(509,962)
Taxation	6	**-**	7,354
Loss on ordinary activities after taxation		**(1,043,815)**	(502,608)
Other comprehensive income / (expense)		**-**	-
Total comprehensive income / (expense)		**(1,043,815)**	(502,608)
Basic and diluted loss per share	9	**(0.58)p**	(0.40)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 statement of financial position

	Note	2010	2009	2008
		£	£	£
Assets				
Non-Current Assets				
Property, plant and equipment	12	**51,599**	81,668	81,746
Goodwill	10	**206,289**	278,295	179,070
Other intangible assets	11	**198,817**	307,376	142,672
		456,705	667,339	403,488
Current Assets				
Inventory	13	**12,000**	4,575	5,472
Trade and other receivables	14	**588,856**	691,802	576,577
Cash and cash equivalents		**8,029**	92,905	370,738
		608,885	789,282	952,787
Total Assets		**1,065,590**	1,456,621	1,356,275
Liabilities				
Non-Current Liabilities				
Long term borrowings	16	**131,960**	29,022	48,236
Current Liabilities				
Trade and other payables	15	**1,678,127**	1,373,330	773,020
Borrowings	16	**105,449**	173,049	150,057
		1,783,576	1,546,379	923,077
Total Liabilities		**1,915,536**	1,575,401	971,313
Net (Liabilities)/Assets		**(849,946)**	(118,780)	384,962
Equity				
Share capital	18	**853,017**	661,567	649,314
Share premium		**1,545,048**	1,423,849	1,423,849
Merger reserve		**31,000**	31,000	29,387
Shares to be issued		**-**	-	15,000
Profit and loss account		**(3,279,011)**	(2,235,196)	(1,732,588)
Total Equity		**(849,946)**	(118,780)	384,962

The financial statements were approved by the Board of Directors on 2 September 2010.

R A L Murphy

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 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
Shares to be issued in respect of Copia acquisition	7,500	-	1,203	(15,000)	-	(6,297)
Loss for the year and total comprehensive income/(expense)	-	-	-	-	(502,608)	(502,608)
Balance at 31 March 2009	661,567	1,423,849	31,000	-	(2,235,196)	(118,780)
Balance at 1 April 2009	**661,567**	**1,423,849**	**31,000**	**-**	**(2,235,196)**	**(118,780)**
Shares issued in year	**191,450**	**121,199**	**-**	**-**	**-**	**312,649**
Loss for the year and total comprehensive income/(expense)	**-**	**-**	**-**	**-**	**(1,043,815)**	**(1,043,815)**
Balance at 31 March 2010	**853,017**	**1,545,048**	**31,000**	**-**	**(3,279,011)**	**(849,946)**

Consolidated statement of cash flows

	Note	**Year to 31 March 2010**	Year to 31 March 2009
	Note	**£**	£
Cash flows from operating activities			
Loss after taxation		**(1,043,815)**	(502,608)
Adjustments for:			
Depreciation		**52,887**	45,322
Amortisation		**108,559**	81,081
Impairment		**72,006**	-
Investment income		**-**	(1,310)
Interest expense		**35,561**	31,068
Decrease/(increase) in trade and other receivables		**102,945**	(97,572)
(Increase)/decrease in inventories		**(7,425)**	897
Increase in trade and other payables		**304,797**	581,021
Cash (used in) /generated from operations		**(374,485)**	137,899
Interest paid		**(35,561)**	(31,068)
Net cash (used in)/ generated from operating activities		**(410,046)**	106,831
Cash flows from investing activities			
Purchase of property, plant and equipment		**(22,818)**	(45,244)
Investment in intangible assets		**-**	(128,969)
Overdraft acquired with business		**-**	(8,155)
Acquisition of business		**-**	(191,990)
Interest received		**-**	1,310
Net cash used in investing activities		**(22,818)**	(373,048)
Cash flows from financing activities			
Net proceeds from issue of share capital		**312,649**	(15,394)
Net movement of long-term bank loan		**130,346**	(19,214)
Net cash generated from/(used in) financing activities		**442,995**	(34,608)
Net increase/(decrease) in cash and cash equivalents		**10,131**	(300,825)
Cash and cash equivalents at beginning of period		**(60,930)**	239,895
Cash and cash equivalents at end of period	19	**(50,799)**	(60,930)

Notes to the group financial statements

1 Going concern

The Group incurred losses in both the current and prior year. The directors have considered that it is appropriate to adopt the going concern basis in the preparation of the financial statements. In reaching this conclusion the directors have considered the cash flow forecasts, current trading and prospects as further detailed in the chairman's statement together with the Net Dimensions sale which both took place after the year end, a further cost reduction programme and a Company Voluntary Arrangement which are detailed below.

Net Dimensions sale
As further detailed in the chairman's statement and note 24, in April 2010 Intellego sold the UK distribution rights for the EKP range of Learning Management software back to NetDimensions Limited. This comprised the business and assets including the goodwill and customer list. Intellego will continue as an affiliate of NetDimensions and will receive commissions on the sale of its products. As an affiliate of NetDimensions Intellego will continue to sell EKP or introduce EKP sales leads to NetDimensions but be much less involved in the sale and technical implementation and after-sale processes. The value of the sale was £464,000, with £276,000 being payable on completion which was offset against the balance owing to NetDimensions of £263,000 (net cash received of £14,000), and performance based payments of up to £94,000 receivable in quarterly installments as the performance targets are achieved. Further net liabilities of £117,000 associated with this business were also released. In May 2010 NetDimensions also invested £100,000 in the ordinary shares of Intellego representing a 13.7% stake in the group. The financial effect of this is illustrated in note 24.

Cost reductions
The Group underwent a cost reduction programme in the last quarter of 2009, relating to the reduction of the staff base and operating locations, which resulted in anticipated annual cost savings of approximately £350,000. The cost reduction programme has continued into the current year with an anticipated further annual saving of approximately £485,000.

Company Voluntary Arrangement (CVA)
As further detailed in the chairman's statement and note 24 both Intellego Group Limited and Intellego Holdings Plc entered into a CVA with their creditors in June 2010 and July 2010 respectively. Payments under the CVA are required to be made for 6 months for Intellego Holdings Plc and for 60 months for Intellego Group Limited. This will result in a release to the consolidated statement of comprehensive income of approximately £409,000 in the 2011 financial statements and the effect of this has been illustrated in note 24. This will have a significant positive impact on the group's liquidity position going forward. Intellego Holdings Plc and Intellego Group Limited are protected by the court from their creditors as long as the terms of the CVA are adhered to. Should the group be unable to maintain payments under the CVAs that would cast doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Notes to the group financial statements

2 Segment analysis

The adoption of IFRS 8 has not affected the identified operating segments for the Group. However the accounting policy for identifying segments is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In contrast, IAS 14 required the Group to identify two sets of segments (business and geographical) based on risks and rewards of the operating segments.

Intellego operates three main 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 segments are summarised as follows:

Year to 31 March 2010

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

Notes to the group financial statements

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

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

	2010	2009
	£	£
United Kingdom	**1,478,678**	2,112,408
North America	**241,073**	54,948
Europe	**133,515**	174,768
	1,853,266	2,342,124

Notes to the group financial statements

3 Loss before taxation

Loss before taxation is stated after charging:

	2010 £	2009 £
Amortisation and impairment of intangible assets	**180,565**	81,081
Depreciation of plant, property and equipment		
- owned by the group	**52,887**	45,322
Auditors' remuneration:		
Fees payable to the company's auditors for the audit of the company's annual accounts	**3,000**	3,500
Fees payable to the company's auditors for other services:		
- The audit of the company's subsidiaries, pursuant to legislation	**14,000**	13,000
- Taxation services	**3,000**	3,500
- Other services	**1,500**	5,000
Operating lease rentals		
- other operating leases	**52,000**	47,792

4 Restructuring costs

As detailed in the prior year financial statements the group underwent a restructuring in the last quarter of the year to 31 March 2009 which 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 in the prior year are detailed below. In the current year the group have undergone further restructuring mainly in relation to reducing the staff base and the direct costs of this are detailed below. The annual cost savings which should result from this restructuring are expected to be in the region of £485,000 (2009: £350,000 per annum).

	Restructuring costs 2010 £	Restructuring costs 2009 £
Wages and salaries	**66,000**	59,484
Office costs	**-**	14,430
	66,000	73,914

Notes to the group financial statements

5 Finance cost

	2010	2009
	£	£
On bank loans and overdrafts	**-**	265
On other loans wholly repayable within five years	**18,191**	3,500
On amounts payable to factors	**17,370**	27,297
	35,561	31,062

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 2010 the Group had £3,123,000 (2009: £2,145,000) of excess trading losses to offset against future profits. There is an unprovided deferred tax asset of approximately £874,000 at 31 March 2010 (2009: £601,000) arising from these losses.

Analysis of the charge for the year;

	2010	2009
	£	£
Current tax – prior year	**-**	(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:

	2010	2009
	£	£
Loss on ordinary activities before taxation	**(1,043,815)**	(509,962)

Loss on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 28% (2009: 28%)	**(292,268)**	(142,789)
Effects of:		
Expenses not deductible for tax purposes	**-**	612
Excess of depreciation and amortisation over capital allowances	**18,445**	12,402
Tax losses carried forward	**273,823**	129,775
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:	**2010**	2009
	£	£
Wages and salaries	**1,045,205**	1,184,205
Social security costs	**113,137**	129,204
	1,158,342	1,313,409

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

	2010 Number	2009 Number
Sales, Administration and Technical	**29**	33

8 Directors

Key management are considered to be Directors. Remuneration in respect of directors is disclosed as follows. The comparative disclosure has been restated to reflect the disclosure requirements of AIM 19:

2010	**Emoluments**	**Total**
	£	**£**
Emoluments receivable		
A Green	**71,766**	**71,766**
R Roy-Choudhuri	**80,000**	**80,000**
A Forrest	**40,000**	**40,000**
B Leith	**20,000**	**20,000**
Emoluments receivable	**211,766**	**211,766**

2009	**Emoluments**	**Total**
	£	**£**
Emoluments receivable		
A Green	91,000	91,000
R Roy-Choudhuri	85,000	85,000
A Forrest	30,000	30,000
B Leith	-	-
Emoluments receivable	206,000	206,000

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

For detail on directors' share options see page 3. No options were exercised or granted in either the current or prior year.

Notes to the group financial statements

9 Loss per share

The calculation of loss per share is based on a loss for the period of £1,043,815 (2009: £502,608) and on 178,392,927 (2009: 131,060,569) 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.

	2010	2009
Basic and diluted loss per share	**(0.58)p**	(0.40)p

Notes to the group financial statements

10 Goodwill

2010	**Goodwill**
	£
Cost	
At 1 April 2009	**278,295**
Impairment	**(72,006)**
At 31 March 2010	**206,289**

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

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 brought forward 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.

An impairment of £20,465 has been made in respect of goodwill in the distribution sector and an impairment of £51,541 has been made in respect of goodwill in the services sector.

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

2010	**Distribution rights**	**Software development**	**Content modı**	**Customer relatio**	**Total**
	£	**£**	**£**	**£**	**£**
Cost					
At 1 April 2009 and 31 March 2010	**29,500**	**222,223**	**123,250**	**89,942**	**464,915**
Amortisation					
At 1 April 2009	**29,500**	**76,560**	**25,120**	**26,359**	**157,539**
Charge for the year	**-**	**61,835**	**23,484**	**23,240**	**108,559**
At 31 March 2010	**29,500**	**138,395**	**48,604**	**49,599**	**266,098**
Net book amount at 31 March 2010	**-**	**83,828**	**74,646**	**40,343**	**198,817**
Net book amount at 31 March 2009	-	145,663	98,130	63,583	307,376

2009	**Distribution rights**	**Software development**	**Content mod**	**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

Notes to the group financial statements

12 Property, plant and equipment

2010	Leasehold improvements	Fixtures, fittings and equipment	Total
	£	£	£
Cost			
At 1 April 2009	**25,330**	**334,884**	**360,214**
Additions	**-**	**22,818**	**22,818**
At 31 March 2010	**25,330**	**357,702**	**383,032**
Depreciation			
At 1 April 2009	**21,672**	**256,874**	**278,546**
Charge for the year	**3,658**	**49,229**	**52,887**
At 31 March 2010	**25,330**	**306,103**	**331,433**
Net book amount at 31 March 2010	**-**	**51,599**	**51,599**
Net book amount at 31 March 2009	3,658	78,010	81,668

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

13 Inventory

	2010	2009	2008
	£	£	£
Stocks	**2,000**	4,575	5,472
Work in progress	**10,000**	-	-
	12,000	4,575	5,472

Notes to the group financial statements

14 Trade and other receivables

	2010	2009	2008
	£	£	£
Trade receivables	**251,683**	510,921	453,428
Other receivables	**278,066**	112,005	60,217
Prepayments and accrued income	**59,107**	68,876	62,932
	588,856	691,802	576,577

Included in trade receivables are amounts totalling £ 20,400 (2009: £ 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.

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

	2010	2009	2008
	£	£	£
Not more than three months	**90,340**	180,456	219,641
More than three months but not more than six months	**25,709**	38,175	5,026
More than six months but not more than one year	**-**	31,536	1,716
More than one year	**-**	-	-
	116,049	250,167	226,383

Notes to the group financial statements

15 Trade and other payables

	2010	2009	2008
	£	£	£
Trade payables	**693,366**	326,949	278,590
Taxes and social security costs	**396,339**	521,038	153,568
Accruals and deferred income	**588,422**	525,343	340,862
	1,678,127	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

	2010	2009	2008
	£	£	£
Current			
Bank overdraft and short term financing	**58,828**	153,835	130,843
Bank loans	**46,621**	19,214	19,214
	105,449	173,049	150,057
Non current			
Bank loans	**131,960**	29,022	48,236
The bank loan can be analysed as falling due:			
Within one year	**46,621**	19,214	19,214
After one and within two years	**40,600**	19,214	19,214
After two and within five years	**91,360**	9,808	29,022
	178,581	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. 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:

	2010	2009	2008
	£	£	£
Bank loans and overdraft outstanding at year end	**237,409**	202,071	198,293
Impact on pre tax loss of a 1% change in LIBOR	**(2,374)**	(2,021)	(1,982)
Impact on equity of a 1% change in LIBOR	**(2,374)**	(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.

For the year to 31 March 2010 short-term flexibility was provided by the use of factoring loans. All eligible sales invoices were factored. To assist with liquidity certain of the Group's borrowings are term loans, requiring repayment over five years.

As at 31 March 2010 the Group's liabilities have contractual maturities which are summarised below:

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

Included in trade and other payables are accruals and deferred income of £588,422 (2009:£525,323)

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

31 March 2009		Current		Non current
	Within 6 months	6 to 12 months	1 t	later than 5 y
	£	£	£	£
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	-

31 March 2008		Current		Non current
	Within 6 months	6 to 12 months	1 t	later than 5 y
	£	£	£	£
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.

	2010	2009	2008
	£	£	£
Financial assets	**Nil**	67,193	14,900
Financial liabilities	**(168,698)**	(84,428)	(53,006)
Exposure	**(168,698)**	(17,235)	(38,106)
Impact on pre tax loss of a 5% variation in exchange rate on year end residual exposure	**(8,033)**	(861)	(1,905)
Impact on equity of a 5% variation in exchange rate on year-end residual exposure	**(8,033)**	(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:

	2010	2009	2008
	£	£	£
Trade and other receivables	**588,856**	691,802	576,577
Cash and cash equivalents	**8,029**	92,905	370,738
	596,885	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

Financial instruments measured at fair value

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

Summary of financial assets and liabilities by category

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

	2010	2009	2008
	£	£	£
Current assets			
Trade and other receivables	**588,856**	691,802	576,577
Cash and cash equivalents	**8,029**	92,905	370,738
Loans and receivables	**596,885**	784,707	947,315
Current liabilities			
Borrowings	**105,449**	173,049	150,057
Trade and other payables	**1,678,127**	1,373,330	773,020
Other financial liabilities	**1,783,576**	1,546,379	923,077
Non current liabilities			
Long term borrowings (other financial liabilities)	**131,960**	29,022	48,236
Net financial liabilities	**(1,318,651)**	(790,694)	(23,998)
Intangible assets	**405,106**	585,671	321,742
Property, plant and equipment	**51,599**	81,668	81,746
Inventory	**12,000**	4,575	5,472
Non financial assets	**468,705**	671,914	408,960
Total equity	**(849,946)**	(118,780)	384,962

Notes to the group financial statements

Capital management policies and procedures

The Group's management objectives are:

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

by pricing services commensurately with the levels of risk.

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

Notes to the group financial statements

18 Share capital

On 11 September 2009 the share capital was re-organised with each issued Shares of 0.5p being subdivided into one new ordinary share of 0.05p and one deferred share of 0.45p.

The authorised share capital of the Company is shown below:

	2010	2009
	£	£
Authorised		
300,000,000 ordinary shares of 0.5p each	**-**	1,500,000
300,000,000 ordinary shares of 0.05p each	**150,000**	-
300,000,000 deferred shares of 0.45p	**1,350,000**	-
	1,500,000	1,500,000

Allotted, called up and fully paid	**Ordinary Shares 0.5p**	**Ordinary Shares of 0.05p**	**Deferred shares of 0.45p**	**Nom value ords 0.5p £**	**Nom value ords 0.05p £**	**Nom value deferred ords 0.45p**	**Premium net of costs (inc merger reserve) £**	**Total £**
In issue on 1 April 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
April 2009	34,000,000	-	-	170,000	-	-	(7,500)	162,500
	166,313,349	-	-	831,567	-	-	1,447,349	2,278,916
September 2009	(166,313,349)	166,313,349	166,313,349	(831,567)	83,157	748,410	-	-
December 2009	-	42,900,000	-	-	21,450	-	128,699	150,149
In issue on 31 March 2010	-	209,213,349	166,313,349	-	104,607	748,410	1,576,048	2,429,065

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

Notes to the group financial statements

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

During April 2009 30,000,000 ordinary shares of 0.5p were issued at a price of 0.475p per share.

During April 2009 4,000,000 ordinary shares of 0.5p were issued at a price of 0.5p per share.

During December 2009 42,900,000 ordinary shares of 0.05p were issued at a price of 0.35p per share.

The market price of the company's ordinary shares on 31 March 2010 was 0.275p, the highest price during the year was 1.25p and the lowest price during the year was 0.17p.

Share options

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

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

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

19 Analysis of change in cash and cash equivalents

	At 1 April 2009	Cash flow	At 31 March 2010
	£	£	£
Net cash:			
Cash at bank and in hand	92,905	(84,876)	8,029
Bank overdrafts	(153,835)	95,007	(58,828)
	(60,930)	10,131	(50,799)

20 Financial commitments

At 31 March 2010 the Group had total commitments under non-cancellable operating leases as follows:

	Land and buildings 2010	Land and buildings 2009	Land and buildings 2008
	£	£	£
Expiry date: 1 January 2012			
Within one to five years	**52,000**	143,211	191,112

21 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.

Notes to the group financial statements

22 Contingent liabilities

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

23 Ultimate controlling party

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

24 Post balance sheet events

The pro-forma Group statement of financial position below reflects the financial effect of the two non adjusting post balance sheet events detailed below as if they had taken place as at 31 March 2010.

	Group statement of financial position as at 31 March 2010	Effect of Net Dimensions sale	Effect of CVA	Pro-forma Group statement of financial position at 31 March 2010
	£	£	£	
Non-Current Assets	**456,705**	-	-	456,705
Current Assets	**608,885**	(4,000)	-	604,885
Total Assets	**1,065,590**	(4,000)	-	1,061,590
Non-Current Liabilities	**131,960**	-	264,000	395,960
Current Liabilities (excluding deferred income liabilities)	**1,373,752**	(263,000)	(704,000)	406,752
Deferred income liabilities	**409,824**	(234,000)	-	175,824
Total Liabilities	**1,915,536**	(497,000)	(440,000)	978,536
Net Assets	**(849,946)**	493,000	440,000	83,054
Equity				
Share capital and share premium	**2,429,065**	100,000	-	2,529,065
Profit and loss account	**(3,279,011)**	393,000	440,000	(2,446,011)
Total Equity	**(849,946)**	493,000	440,000	83,054

NetDimensions sale

As further detailed in the chairman's statement in April 2010 Intellego sold the UK distribution rights for the EKP range of Learning Management software back to NetDimensions Limited. This included the business and assets including the goodwill and customer list. Intellego will continue as an affiliate of NetDimensions and will receive commissions on the sale of its products. As an affiliate of NetDimensions Intellego will continue to sell EKP or introduce EKP sales leads to NetDimensions but be much less involved in the sale and technical implementation and after-sale processes. The value of the sale was £464,000, with £276,000 being payable on completion which was offset against the balance owing to NetDimensions of £263,000 (net cash received of £14,000), and performance based

Notes to the group financial statements

payments of up to £94,000 on the next two anniversaries of the sale. Further net liabilities of £117,000 (deferred income liabilities of £234,000 less £117,000 deferred cost accrual disclosed in other receivables) associated with this business were also released. In May 2010 NetDimensions also invested £100,000 in the ordinary shares of Intellego representing a 13.7% stake in the group. The financial effect on the 31 March 2010 balance sheet position of the £100,000 investment, £14,000 cash received and £379,000 liability release has been illustrated above as if it had taken place at the year end. There were no assets held in the year end balance sheet in respect of the business sold i.e. goodwill and intangible assets.

Company Voluntary Arrangement (CVA)

As further detailed in the chairman's statement both Intellego Group Limited and Intellego Holdings Plc entered into a CVA with their creditors in June 2010 and July 2010 respectively. The CVA of Intellego Holdings Plc is expected to be complete in six months from the date of approval of 8 July 2010. The CVA for Intellego Group Limited is for the Company to make payments totaling up to £340,000 (including £28,000 CVA costs) to the supervisor of the CVA over 60 months which will be distributed to the creditors of Intellego Group Limited and Intellego Holdings Plc. Creditors at the date of the CVAs totalled £748,682, being £305,250 trade and expense creditors and £443,432 HMRC liabilities. Together this will result in the release to the profit and loss account in the 2011 accounts of approximately £409,000. Based on creditors as at 31 March 2010 (excluding NetDimensions creditor) this would have resulted in an approximate £440,000 release to the profit and loss account if the CVA had taken place at the year end. The effect of this is illustrated above.

Company balance sheet

	Note	2010	2009
		£	£
Fixed assets			
Intangible assets	3	**182,450**	114,157
Investments	4	**500,000**	860,490
		682,450	974,647
Current assets			
Debtors - amounts due after more than one year	5	**30,723**	219,766
Cash at bank and in hand		**2,447**	755
		33,170	220,521
Net current assets		**33,170**	220,521
Total assets less current liabilities		**715,620**	1,195,168
Capital and reserves			
Called up share capital	6	**853,017**	661,567
Share premium	7	**1,545,048**	1,423,849
Merger reserve	7	**31,000**	31,000
Profit and loss account	7	**(1,713,445)**	(921,248)
Equity shareholders' funds	8	**715,620**	1,195,168

The financial statements were approved by the Board of Directors on 2 September 2010.

R A L Murphy

Director

Company Registration number - 5212388

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

Principal accounting policies - company

Basis of preparation

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

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

Intangible fixed assets

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

Investments

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

The directors have reviewed the recoverability of both the investments and intercompany debtors in respect of subsidiary companies which has resulted in a combined impairment of £750,000.

Deferred taxation

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

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

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

Notes to the company financial statements

1 Loss for the year

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

The loss of the Company on ordinary activities after taxation for the year under UK GAAP was £792,197 (2009: £512,707).

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

2010	**Goodwill**
	£
Cost	
At 1 April 2009	135,405
Transfers	90,000
At 31 March 2010	225,405
Amortisation	
At 1 April 2009	21,248
Charge for the year	21,707
At 31 March 2010	42,955
Net book amount at 31 March 2010	**182,450**
Net book amount at 31 March 2009	**114,157**

Goodwill relates to the acquisition of the business and selected assets and liabilities of eMedit Limited and Zenosis Limited. The transfer in the year relates to the investment in Copia which following the liquidation of the statutory entity has been transferred from Investments in subsidiaries to Goodwill as the trade and assets are held within Intellego Group Limited.

Notes to the company financial statements

4 Fixed asset investments

	Capital contribution	Shares in subsidiary undertaking	Total
	2010	**2010**	**2010**
	£	**£**	**£**
At 1 April 2009	500,000	360,490	860,490
Transfer in respect of Copia (see note 3)	-	(90,000)	(90,000)
Impairment of capital contribution	(250,000)	-	(250,000)
Impairment (Modinex)		(20,490)	(20,490)
At 31 March 2010	250,000	250,000	500,000

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
Intellego PDP Limited	England and Wales	100%	E-learning services

5 Debtors: amounts falling due after more than one year

	2010	2009
	£	£
Amounts owed by Group undertakings	**30,723**	219,766

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

A provision of £500,000 has been made against amounts owed by group undertakings of £530,723 to adjust the value to its recoverable amount.

Notes to the company financial statements

6 Share capital

On 11 September 2009 the share capital was re-organised with each issued Shares of 0.5p being subdivided into one new ordinary share of 0.05p and one deferred share of 0.45p.

The authorised share capital of the Company is shown below:

	2010	2009
	£	£
Authorised		
300,000,000 ordinary shares of 0.5p each	**-**	1,500,000
300,000,000 ordinary shares of 0.05p each	**150,000**	-
300,000,000 deferred shares of 0.45p	**1,350,000**	-
	1,500,000	1,500,000

Allotted, called up and fully paid	**Ordinary Shares 0.5p**	**Ordinary Shares of 0.05p**	**Deferred shares of 0.45p**	**Nom value ords of 0.5p £**	**Nom value ords 0.05p £**	**Nom value deferred ords 0.45p**	**Premium net of costs (inc merger reserve) £**	**Total £**
In issue on 1 April 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
April 2009	34,000,000	-	-	170,000	-	-	(7,500)	162,500
	166,313,349	-	-	831,567	-	-	1,447,349	2,278,916
September 2009	(166,313,349)	166,313,349	166,313,349	(831,567)	83,157	748,410	-	-
December 2009	-	42,900,000	-	-	21,450	-	128,699	150,149
In issue on 31 March 2010	-	209,213,349	166,313,349	-	104,607	748,410	1,576,048	2,429,065

Notes to the company financial statements

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

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

During April 2009 30,000,000 ordinary shares of 0.5p were issued at a price of 0.475p per share.

During April 2009 4,000,000 ordinary shares of 0.5p were issued at a price of 0.5p per share.

During December 2009 42,900,000 ordinary shares of 0.05p were issued at a price of 0.35p per share.

The market price of the company's Ordinary shares on 31 March 2010 was 0.275p, the highest price during the year was 1.25p and the lowest price during the year was 0.17p.

Share options

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

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

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

Notes to the company financial statements

7 Reserves

	Share premium account	Merger reserve	Profit and loss account
	£	£	£
Balance at 1 April 2009	1,423,849	31,000	(921,248)
Retained loss for the year	-	-	(792,197)
Arising on the issue of shares	121,199	-	-
Balance at 31 March 2010	**1,545,048**	**31,000**	**(1,713,445)**

8 Reconciliation of movements in shareholders' funds

	2010	2009
	£	£
Loss for the financial year	**(792,197)**	(512,707)
Shares issued during the year	**312,649**	13,866
Deferred consideration on the acquisition of Copia Limited	**-**	(15,000)
Additions to shareholders' funds	**(479,548)**	(513,841)
Opening shareholders' funds	**1,195,168**	1,709,009
Closing shareholders' funds	**715,620**	1,195,168

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.