Financial Statements

Intellego Holdings Plc

For the year ended 31 March 2011

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 – Executive Director Robert Murphy - Finance Director Andy Hasoon – Director
Broker:	Rivington Street Corporate Finance 3 London Wall Buildings London Wall EC2M 5SY
Bankers:	NatWest Bank Plc Market Street Longton Stoke-on-Trent Staffordshire ST3 2HW
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

Index to the financial statements

Chairman's statement

Overview

Intellego Holdings plc ("Intellego") saw positive changes in its position during the year under review, as the business turn-around realised key milestones, making its first ever profit of £146,000, improving gross margins to 71% and reducing current liabilities by £974,000.

Results for the year

In the first quarter of the year we sold the main learning management system customer base to NetDimensions which resulted in us generating cash to:

- reduce our creditor backlog materially and
- finance the transition from being a software distributor to a digital content creator.

At the beginning of the second quarter we agreed Company Voluntary Arrangements (CVAs) for Intellego Holdings Plc and its subsidiary Intellego Group Limited. These agreements both strengthened the balance sheet.

In parallel we have refocused and are investing in the business. This has included developing new products, updating our existing portfolio and the recruitment of new people and advisers. These changes have already started to impact the business and are beginning to make the step-change in contribution we aim to achieve. Much of that benefit will be felt in the current and subsequent years. But as we can see from the 2011 results we are already making progress.

There are several measurements and indicators which demonstrate our progress cementing Intellego's turnaround and growth prospects:

- Improvement in financial performance of each segment of the business - this is due to structured day to day management, reduction of costs, and focusing the team on putting in place processes that achieve higher margins.
    - The company showed its first ever net profit of £146,000 (2010 loss £1,043,000)
    - Gross margin improved by 27% to 71% (2010 44%)
    - Sales increasing 8% to £2,006,000 (2010 £1,853,000)
    - Current liabilities fell by £974,000 to £809,000 (2010 £1,783,000)
- Intellego continues to build closer relationships with its customers. This is generating more repeat business and larger sales per client. All our key customers increased their spend with Intellego, some by more than 50% compared with the previous year.
- Attraction of high quality people and advisers to join us and work with us to help us execute our growth strategy.
- Three awards were won for our client work ("brilliant mixed media e-learning solution…")
- We executed our first 100% share based acquisition in April 2011 when PIXELearning (PIXEL) was acquired.

I am pleased to report that the changes initiated in the first six months of 2010 have enabled the Company to show a profit for the year and significant improvement across all divisions of the business.

We continue to recruit talented people with industry experience and to improve the calibre, and quality of the executive management team and advisors supporting us. Our results show the positive impact that this team is now having on our business.

Chairman's statement

The implementation of our business development strategy is designed to generate significant growth organically and by acquisition and to sustain a highly profitable business model, generating shareholder value over the short, medium and long terms.

Our vision is to be a substantial player in the digital learning market-place supplying digitally published products and services to this high growth market. We will be developing this capability by leveraging the Company's existing strengths - delivering content solutions to blue chip customers in the pharmaceutical, retail and financial industries – and by opening up new markets via channel partner relationships.

Intellego's goal is to grow significantly organically and by strategic acquisitions.

Post balance sheet events

On 28 April 2011 Intellego acquired PIXELearning Ltd. PIXEL is an established player in the use of serious gaming as a learning medium and has published several immersive simulation games on a range of topics such as Finance, Marketing and Leadership. PIXEL sells into continental Europe and North America and has accumulated a blue chip customer base. We will be introducing Intellego customers to take advantage of the growing gamification market. The management and shareholders of Pixel had several options open to them but decided to join Intellego as equity partners with a shared vision for the future.

At the time of the acquisition Andy Hasoon joined the Board of Intellego bringing his twenty years experience in the learning industry. Andy has built and managed three digital learning companies, which were sold successfully.

The CVA for Intellego Holdings plc was completed on 6 June 2011 satisfying all the pre-CVA liabilities for Intellego Holdings plc. The original trading subsidiary, Intellego Group Limited, which has no prospect of maintaining its CVA payments from its own business, will be wound up. The result of the winding up is expected to reduce external liabilities by £623,000. This would have created positive net assets in the group at the year-end of £247,000.

On 2 August 2011 Intellego raised additional funds of £300,000 through a placing of new shares. This funding further strengthens the Company's balance sheet, enabling it to accelerate its research & development plans and corporate merger & acquisition strategies.

Current Trading

The Board expects the Intellego business to trade in the current financial year considerably ahead of last year. The sales force is currently concentrating on converting several major sales opportunities.

We continue to recruit commercial and experienced people to develop our published content business. We are upgrading existing products. and focusing our efforts on products which generate the highest margin revenues.

New channels to market are being developed, through joint venture partnerships, strategic alliances and off-shore distribution arrangements..

The team will focus on both licensing premier quality, scalable products and signing distributors capable of selling actively into target markets.

Chairman's statement

Outlook

Firstly, I would like to thank all our shareholders for their support during the year and to acknowledge the contribution of all our employees to the business.

We have made significant changes and without their support we would not have made the positive progress that we have so far.

We look forward to our Company making further significant steps over the next eight months and beyond. We are setting in place the foundations on which we can become a substantial player in the digital learning market-place.

Angus Forrest
Executive Chairman

5 August 2011

Report of the directors

The directors present their report together with financial statements for the year ended 31 March 2011.

Principal activities and review of the business

The principal activity of the company was that of a holding company. The principal activity of the trading subsidiaries, Intellego PDP Limited and Intellego Knowledge Solutions Limited (formerly Intellego TTS Limited), is that of e-Learning specialists, consultants and training. The year under review includes the activities of Intellego Group Limited which ceased trading in June 2011.

A detailed review of the Group's activities during the 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 17.

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

Acquisition of PIXELearning Limited

On 28 April 2011 Intellego Holdings Plc acquired PIXELearning Limited, a gamification or serious games and immersive learning simulations company.

In the year to 28 February 2011 PIXEL had revenues of £208,274, an EBITDA loss of £57,000 and at 28 February 2011 had net liabilities of £32,000.

The initial consideration of £160,000 has been satisfied by the issue of 40,000,000 new ordinary shares at a price of 0.4 pence per share with further issues dependent on performance after the end of the years to 28 April 2012 and 2013. The maximum total consideration is £1,100,000 to be satisfied in each case by the issue of new Ordinary Shares at 0.5 pence per share.

As at the date of signing the directors had not completed their assessment of the intangible assets arising in respect of the acquisition and therefore these disclosures have not been included.

Raising investment capital of £300,000

On 2 August 2011 Intellego raised investment capital of £300,000 through a placing of new shares. This funding further strengthens the Company's positive net asset position in the new financial year. These cash reserves will enable Intellego to build and to acquire new products and technologies and to realise its plans to acquire complementary businesses in the digital learning sector.

Update on CVA

Intellego Holdings Plc CVA was completed and satisfied on 6 June 2011. On 23 June 2011 the directors decided that the continuation of the CVA for Intellego Group Limited was no longer viable and the Supervisor of the CVA was asked to wind up Intellego Group Limited. The main activity of Intellego Group Limited was the distribution of third

Report of the directors

party software. A substantial part of this was sold in April 2010 (see note 2) and plans to re-grow the business have not been as successful as forecast.

The effect of this on Intellego Holdings Plc consolidated accounts is expected to be a reduction in annual sales of circa £365,000 and a reduction of liabilities of circa £623,000 resulting mainly from the release of intended CVA payments.

Directors

The directors who served during the year and their beneficial interests in the shares of the company as at 1 April 2010 and 31 March 2011 were as follows:

	31 March 2011		1 April 2010	
	Shares	**Options**	Shares	Options
A G P Forrest	**18,510,234**	**5,500,000**	12,510,234	500,000
B H Leith	**6,430,000**	**5,000,000**	2,430,000	-
R A L Murphy (appointed 9 July 2010)	**2,000,000**	**3,000,000**	-	-
A S M Hasoon (appointed 3 May 2011)	-	-	-	-

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

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

AIM Compliance Committee
The AIM compliance committee reports on compliance with the AIM Rules. It comprises the three directors, A G P Forrest, B H Leith and R A L Murphy, 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 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.

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 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 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 102 days (2010: 172 days).

Substantial shareholdings

On 25 July 2011 the Company had been notified of the following substantial shareholdings (over 3%):

- Williams de Broe – 22.6%
- Milamber Group – 9.3%
- Charles Denton – 7.9%
- NetDimensions UK Limited 7.7%
- SVM Emerging Fund - 7.5%
- Angus Forrest – 4.3%
- Andy Green – 3.3%
- Peter Gillam – 3.0%

Report of the directors

Auditors

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

BY ORDER OF THE BOARD
A G P Forrest
Director

5 August 2011

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 2011 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 page 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2011 and the group's profit 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 to the members of Intellego Holdings Plc (continued)

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group and parent company's ability to continue as a going concern. The group made a profit of £145,876 (post-release of CVA liabilities) during the year ended 31 March 2011 and, at that date, the group's liabilities exceeded its total assets by £375,590.

As explained in note 1, should the group not deliver its business plan, and significant liabilities arise as a result of the winding up of Intellego Group Limited, and sufficient funding was not in place to meet its obligations, there would be significant doubt about the group's ability to continue as a going concern which therefore indicates a material uncertainty. The financial statements do not include the adjustments that would result if the group and company were 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

5 August 2011

Principal accounting policies

Basis of preparation

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

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

Critical accounting estimates

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

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

Judgements in applying accounting policies

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

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.

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)
- Improvements to IFRS issued May 2010 (various effective dates, some effective 1 July 2010, though not yet EU-adopted, others effective 1 January 2011)
- Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (effective 1 July 2011)
- 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)

Principal accounting policies

Going concern

The consolidated accounts for the current year show a profit of £145,876 after the release of CVA liabilities and compared with a loss in the previous year. 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 2011. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

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

Acquisitions of subsidiaries are dealt with by the 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.

Principal accounting policies

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

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

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

Segmental reporting

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

Exceptional items

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

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.

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

Principal accounting policies

- 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.

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

Principal accounting policies

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. Work in progress is stated to reflect the proportion of project development work completed to specification which has not yet been invoiced to the customer at the year end.

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.

Principal accounting policies

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 more recipients. A financial asset that is transferred qualifies for de-recognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

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.

Principal accounting policies

Equity

Equity comprises the following:

"Share capital" represents the nominal value of equity shares.

"Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

"Merger reserve" represents the fair value of the consideration received in excess of the nominal value of equity shares in connection with acquisitions where the company has exercised entitlement to the merger relief offered by the Companies Act 2006.

"Profit and loss reserve" represents retained profits.

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 fair value of share options have been assessed and the charge arising is not significant to the accounts and therefore no charge has been included.

Consolidated statement of comprehensive income

	Note	2011 £	2010 £
Revenue	2	**1,598,245**	1,853,266
Sale of distribution rights	2	**407,838**	-
		2,006,083	1,853,266
Cost of sales		**(574,062)**	(1,037,843)
Gross profit		**1,432,021**	815,423
Operating charges before depreciation and amortisation and exceptional items		**(1,485,671)**	(1,524,226)
Exceptional items	4	**386,519**	(66,000)
EBITDA[1] after exceptional items		**332,869**	(774,803)
Depreciation and amortisation		**(176,193)**	(233,451)
Profit/(loss) before financing		**156,676**	(1,008,254)
Finance income		**-**	-
Finance cost	5	**(10,800)**	(35,561)
Profit/(loss) on ordinary activities before taxation	3	**145,876**	(1,043,815)
Taxation	6	**-**	-
Profit/(loss) on ordinary activities after taxation and total comprehensive income / (expense)		**145,876**	(1,043,815)
Basic and diluted loss per share	9	**0.05p**	(0.58)p

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

[1] EBITDA represents earnings before depreciation and amortisation, finance income, finance costs and UK income tax.

Consolidated statement of financial position

	Note	2011	2010	2009
		£	£	£
Assets				
Non-Current Assets				
Property, plant and equipment	12	**1,803**	51,599	81,668
Goodwill	10	**206,289**	206,289	278,295
Other intangible assets	11	**142,920**	198,817	307,376
		351,012	456,705	667,339
Current Assets				
Inventory	13	**7,589**	12,000	4,575
Trade and other receivables	14	**347,553**	588,856	691,802
Cash and cash equivalents		**38,943**	8,029	92,905
		394,085	608,885	789,282
Total Assets		**745,097**	1,065,590	1,456,621
Liabilities				
Non-Current Liabilities				
Trade and other payables	15	**220,000**	-	-
Long term borrowings	16	**91,350**	131,960	29,022
		311,350	131,960	29,022
Current Liabilities				
Trade and other payables	15	**768,737**	1,678,127	1,373,330
Borrowings	16	**40,600**	105,449	173,049
		809,337	1,783,576	1,546,379
Total Liabilities		**1,120,687**	1,915,536	1,575,401
Net Liabilities		**(375,590)**	(849,946)	(118,780)
Equity				
Share capital	18	**924,134**	853,017	661,567
Share premium		**1,802,411**	1,545,048	1,423,849
Merger reserve		**31,000**	31,000	31,000
Shares to be issued		**-**	-	-
Profit and loss account		**(3,133,135)**	(3,279,011)	(2,235,196)
Total Equity		**(375,590)**	(849,946)	(118,780)

The financial statements were approved by the Board of Directors on 5 August 2011.

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	Profit and loss account	Total equity
	£	£	£	£	£
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)
Balance at 1 April 2010	**853,017**	**1,545,048**	**31,000**	**(3,279,011)**	**(849,946)**
Shares issued in year	**71,117**	**257,363**	**-**	**-**	**328,480**
Profit for the year and total comprehensive income	**-**	**-**	**-**	**145,876**	**145,876**
Balance at 31 March 2011	**924,134**	**1,802,411**	**31,000**	**(3,133,135)**	**(375,590)**

Consolidated statement of cash flows

	Note	Year to 31 March 2011 £	Year to 31 March 2010 £
Cash flows from operating activities			
Profit/(loss) after taxation		**145,876**	(1,043,815)
Adjustments for:			
Depreciation		**49,796**	52,887
Amortisation		**126,397**	108,559
Impairment		**-**	72,006
Finance income		**-**	-
Interest expense		**10,800**	35,561
Decrease in trade and other receivables		**241,303**	102,945
Decrease/(increase) in inventories		**4,411**	(7,425)
(Decrease)/increase in trade and other payables		**(689,390)**	304,797
Cash used in operations		**(110,807)**	(374,485)
Interest paid		**(10,800)**	(35,561)
Net cash used in operating activities		**(121,607)**	(410,046)
Cash flows from investing activities			
Purchase of property, plant and equipment		**-**	(22,818)
Investment in intangible assets		**(70,500)**	-
Finance income		**-**	-
Net cash used in investing activities		**(70,500)**	(22,818)
Cash flows from financing activities			
Net proceeds from issue of share capital		**328,480**	312,649
Net movement of long-term bank loan		**(46,631)**	130,346
Net cash generated from financing activities		**281,849**	442,995
Net increase in cash and cash equivalents		**89,742**	10,131
Cash and cash equivalents at beginning of period		**(50,799)**	(60,930)
Cash and cash equivalents at end of period	19	**38,943**	(50,799)

Notes to the group financial statements

1 Going concern

The consolidated accounts for the current year show a profit of £145,876 after the release of CVA liabilities and compared with a loss in the previous 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 Company Voluntary Arrangement which is detailed below.

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

As detailed further in the Chairman's statement the group have invested in a new sales force and into more market focused products. Together with the acquisition of Pixel Learning in April 2011, the directors consider that these changes will enable the group to successfully deliver its business plan.

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. Payments under the CVA were required to be made for six months for Intellego Holdings Plc and for sixty months for Intellego Group Limited. This has resulted in a release to the consolidated statement of comprehensive income of £386,519 in the current year financial statements (see note 4).

Intellego Holdings Plc CVA was completed and satisfied on 6 June 2011. On 23 June 2011 the directors decided that the continuation of the CVA for Intellego Group Limited was no longer viable and the Supervisor of the CVA was asked to wind up Intellego Group Limited. The main activity of Intellego Group Limited was the distribution of third party software. A substantial part of this was sold in April 2010 (see note 2) and plans to re-grow the business have not been as successful as forecast. The effect of this on Intellego Holdings Plc consolidated accounts is expected to be a reduction in annual sales of circa £365,000 and a reduction of liabilities of circa £623,000. The directors have been advised that no liabilities should arise in the rest of the group from this winding up.

Current year

The directors have produced sales forecasts based solely on current commissioned projects and issued proposals, these have been further restricted to business opportunities with existing customers and evaluated propositions which are being piloted with customers. The projections show significant growth over the past year. In the first half of 2011 calendar year several of the identified customers have already increased their expenditure with Intellego compared with the whole of the previous financial year. The reason for these increases is a reflection of the closer relationships Intellego has been forging with its customers and the higher levels of the quality of its production.

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

Notes to the group financial statements

2 Segment analysis

The accounting policy for identifying segments is based on internal management reporting information that is regularly reviewed by the chief operating decision maker. 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 Holdings plc's segments are summarised as follows:

Year to 31 March 2011

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

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

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

	2011	2010
	£	£
United Kingdom	**1,851,269**	1,478,678
North America	**44,983**	241,073
Europe	**109,831**	133,515
	2,006,083	1,853,266

Sale of distribution rights – NetDimensions

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 UK Limited. This comprised the business and assets including the goodwill and customer list. Intellego continues as an affiliate of NetDimensions and receives commissions on the sale of its products. Intellego will continue to sell EKP or introduce EKP sales leads to NetDimensions but will 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 £188,000 over the two year period to April 2012. This has resulted in a net income to the consolidated statement of comprehensive income of £407,000 being £276,000 payable on completion, £117,000 other net liabilities released and £14,000 performance based payments. The sale of distribution rights does not meet the definition of a discontinued operation in accordance with IFRS 5- Non Current assets held for sale and discontinued operations and therefore has not been disclosed as such. The income does also not meet the definition of revenue in accordance with IAS 18 – Revenue on the basis that it is not part of the ordinary trading activity of the group. The income has therefore been disclosed separately from revenue in the consolidated statement of comprehensive income.

Following the announcement of the sale and as part of the new affiliate agreement in May 2010 NetDimensions Limited invested £100,000 in the ordinary shares of Intellego Holdings representing a 13.7% stake in the group at that time.

3 Profit/(loss) before taxation

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

	2011	2010
	£	£
Amortisation and impairment of intangible assets	**126,397**	180,565
Depreciation of plant, property and equipment		
- owned by the group	**49,796**	52,887
Auditors' remuneration:		
Fees payable to the company's auditors for the audit of the company's annual accounts	**3,000**	3,000
Fees payable to the company's auditors for other services:		
- The audit of the company's subsidiaries, pursuant to legislation	**14,000**	14,000
- Taxation services	**3,000**	3,000
- Other services	**1,500**	1,500
Operating lease rentals		
- other operating leases	**52,000**	52,000

Notes to the group financial statements

4 Exceptional items

	2011	2010
	£	£
Release of liabilities resulting from the CVA	(386,519)	-
Restructuring – staff costs	-	66,000
	(386,519)	66,000

Company Voluntary Arrangement (CVA)
As further detailed in the Chairman's statement and note 1 both Intellego Holdings Plc and Intellego Group Limited entered into CVAs with their creditors in June 2010 and July 2010 respectively. Payments under the CVA were required to be made for six months for Intellego Holdings Plc and for sixty months for Intellego Group Limited. Intellego Holdings Plc paid all its contributions under the CVA through to December 2010 and its CVA was recorded as completed on 6 June 2011. This has resulted in a release of liabilities not payable to the consolidated statement of comprehensive income of £386,519 as stated above. The liabilities as at 31 March 2011 remaining under the CVA are disclosed in note 15.

Restructuring costs
In the prior year the group underwent restructuring mainly in relation to reducing the staff base and the direct costs of this are detailed above.

5 Finance costs

	2011	2010
	£	£
Finance costs		
On bank loans and overdrafts		-
On other loans wholly repayable within five years	10,800	18,191
On amounts payable to factors	-	17,370
	10,800	35,561

Notes to the group financial statements

6 Taxation

No provision has been made for corporation tax due to group trading losses being available for relief against the future profits of the Group. At 31 March 2011 the Group had £3,266,000 (2010: £3,123,000) of excess trading losses to offset against future profits. There is an un-provided deferred tax asset of approximately £849,000 at 31 March 2011 (2010: £874,000) arising from these losses.

Analysis of the charge for the year;	**2011**	2010
	£	£
Current tax	**-**	-

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:

	2011	2010
	£	£
Profit/(loss) on ordinary activities before taxation	**145,876**	(1,043,815)
Profit/(loss) on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 28% (2010: 28%)	**40,845**	(292,268)
Effects of:		
Expenses not deductible for tax purposes	**-**	-
Excess of depreciation and amortisation over capital allowances	**13,518**	18,445
Tax losses carried forward	**53,717**	273,823
Finance income not taxable	**(108,080)**	-
Tax charge for the year	**-**	-

7 Directors and employees

Staff costs during the year were as follows:	**2011**	2010
	£	£
Wages and salaries	**868,896**	1,045,205
Social security costs	**98,794**	113,137
	967,690	1,158,342

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

	2011	2010
	Number	Number
Sales, Administration and Technical	**23**	29

Notes to the group financial statements

8 Directors

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

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

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

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

For detail on directors' share options see page 5.

9 Earnings per share

The calculation of earnings per share is based on a profit for the period of £145,876 (2010: loss £1,043,815) and on 294,649,148 (2010: 178,392,927) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

In the prior 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. For the current year the weighted average number of shares for the purpose of calculating the diluted earnings per share is 304,549,148 ordinary shares.

	2011	2010
Basic earnings/(loss) per share	**0.05p**	(0.58)p
Diluted earnings/(loss) per share	**0.05p**	(0.58)p

Notes to the group financial statements

10 Goodwill

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

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

The goodwill relates to the acquisition of Copia Limited in November 2007, the acquisition of The 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 £206,289 has been allocated to the cash generating units as follows.

	£
Distribution	**-**
Services	**123,406**
Publishing	**82,883**
	206,289

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 15% per annum.

In the prior year an impairment of £20,465 was made in respect of goodwill in the distribution sector and an impairment of £51,541 was made in respect of goodwill in the services sector. No further impairment is considered to be required for the current year.

Notes to the group financial statements

11 Other intangible assets

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

2010	Distribution rights £	Software development £	Content modules £	Customer relationships £	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 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

Notes to the group financial statements

12 Property, plant and equipment

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

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 20010	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

13 Inventory

	2011	2010	2009
	£	£	£
Stocks	**250**	2,000	4,575
Work in progress	**7,339**	10,000	-
	7,589	12,000	4,575

Notes to the group financial statements

14 Trade and other receivables

	2011 £	2010 £	2009 £
Trade receivables	**248,884**	251,683	510,921
Other receivables	**79,816**	278,066	112,005
Prepayments and accrued income	**18,853**	59,107	68,876
	347,553	588,856	691,802

Included in trade receivables are amounts totalling £2,473 (2010: £20,400, 2009: £ 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:

	2011	2010 £	2009 £
Not more than three months	**6,048**	90,340	180,456
More than three months but not more than six months	**12,033**	25,709	38,175
More than six months but not more than one year	**-**	-	31,536
More than one year	**-**	-	-
	18,081	116,049	250,167

15 Trade and other payables

Current	2011 £	2010 £	2009 £
Trade payables	**305,454**	693,366	326,949
Taxes and social security costs	**119,266**	396,339	521,038
Accruals and deferred income	**219,017**	588,422	525,343
Directors' loan	**50,000**	-	-
CVA liabilities	**75,000**	-	-
	768,737	1,678,127	1,373,330

Non current			
CVA liabilities	**220,000**	-	-
	220,000	-	-

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

The directors' loan was repaid by the company in April 2011.

For details on the CVA liabilities see note 4.

Notes to the group financial statements

16 Borrowings

	2011	2010	2009
	£	£	£
Current			
Bank overdraft and short term financing	**-**	58,828	153,835
Bank loans	**40,600**	46,621	19,214
	40,600	105,449	173,049
Non current			
Bank loans	**91,350**	131,960	29,022
	91,350	131,960	29,022
The bank loan can be analysed as falling due:			
Within one year	**40,600**	46,621	19,214
After one and within two years	**40,600**	40,600	19,214
After two and within five years	**50,750**	91,360	9,808
	131,950	178,581	48,236

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.

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:

	2011	2010	2009
	£	£	£
Bank loans and overdraft outstanding at year end	**131,950**	237,409	202,071
Impact on pre tax loss of a 1% change in LIBOR	**(1,320)**	(2,374)	(2,021)
Impact on equity of a 1% change in LIBOR	**(1,320)**	(2,374)	(2,021)

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 2011 the Group's liabilities have contractual maturities which are summarised below:

31 March 2011	**Within 6 months**	**Current 6 to 12 months**	**1 to 5 years**	**Non current later than 5 years**
	£	**£**	**£**	**£**
Bank overdraft	**-**	**-**	**-**	**-**
Bank loan	**23,300**	**23,300**	**91,350**	**-**
Trade and other payables	**731,237**	**37,500**	**220,000**	**-**
	754,537	**60,800**	**311,350**	**-**

Included in trade and other payables are accruals and deferred income of £219,017 (2010:£ 588,422)

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

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

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	-

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.

	2011	2010	2009
	£	£	£
Financial assets	**2,158**	-	67,193
Financial liabilities	**(10,728)**	(168,698)	(84,428)
Exposure	**(8,570)**	(168,698)	(17,235)
Impact on pre tax loss of a 5% variation in exchange rate on year end residual exposure	**(408)**	(8,033)	(861)
Impact on equity of a 5% variation in exchange rate on year-end residual exposure	**(408)**	(8,033)	(861)

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:

	2011	2010	2009
	£	£	£
Trade and other receivables	**347,553**	588,856	691,802
Cash and cash equivalents	**38,943**	8,029	92,905
	386,496	596,885	784,707

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:

	2011	2010	2009
	£	£	£
Current assets			
Trade and other receivables	**347,553**	588,856	691,802
Cash and cash equivalents	**38,943**	8,029	92,905
Loans and receivables	**386,496**	596,885	784,707
Current liabilities			
Borrowings	**40,600**	105,449	173,049
Trade and other payables	**768,737**	1,678,127	1,373,330
Other financial liabilities	**809,337**	1,783,576	1,546,379
Non current liabilities			
Trade and other payables	**220,000**	-	-
Long term borrowings (other financial liabilities)	**91,350**	131,960	29,022
	311,350	131,960	29,022
Net financial liabilities	**(734,191)**	(1,318,651)	(790,694)
Intangible assets	**349,209**	405,106	585,671
Property, plant and equipment	**1,803**	51,599	81,668
Inventory	**7,589**	12,000	4,575
Non financial assets	**358,601**	468,705	671,914
Total equity	**(375,590)**	(849,946)	(118,780)

Capital management policies and procedures

By pricing services commensurately with the levels of risk 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

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:

	2011 £	2010 £
Authorised		
300,000,000 ordinary shares of 0.05p each	**150,000**	150,000
300,000,000 deferred shares of 0.45p	**1,350,000**	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 def ords 0.45p £	Premium net of costs (inc merger reserve) £	Total £
In issue on 1 April 2009	132,313,349	-	-	661,567	-	-	1,454,849	2,116,416
April 2009	34,000,000	-	-	170,000	-	-	(7,500)	162,500
	166,313,349	-	-	831,567	-	-	1,447,349	2,278,916
September 2009	(166,313,349)	166,313,349	166,313,349	(831,567)	83,157	748,410	-	-
December 2009	-	42,900,000	-	-	21,450	-	128,699	150,149
In issue on 31 March 2010	-	209,213,349	166,313,349	-	104,607	748,410	1,576,048	2,429,065
April 2010	-	35,833,333	-	-	17,917	-	89,583	107,500
May 2010	-	18,000,000	-	-	9,000	-	45,000	54,000
November 2010	-	88,400,000	-	-	44,200	-	122,780	166,980
In issue on 31 March 2011	-	351,446,682	166,313,349	-	175,724	748,410	1,833,411	2,757,545

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 2010 33,333,333 ordinary shares of 0.05p were issued at a price of 0.3p per share.

Notes to the group financial statements

During April 2010 2,500,000 ordinary shares of 0.05p were issued at a price of 0.3p per share.

During May 2010 18,000,000 ordinary shares of 0.05p were issued at a price of 0.3p per share.

During November 2010 88,400,000 ordinary shares of 0.05p were issued at a price of 0.25p per share.

The market price of the company's ordinary shares on 31 March 2011 was 0.385p, the highest price during the year was 0.50p and the lowest price during the year was 0.20p.

Share options

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

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

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

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

Post balance sheet event

As detailed in the directors report, on 2 August 2011 the company raised investment capital of £300,000 through a placing of new shares.

19 Analysis of change in cash and cash equivalents

	At 1 April 2010	Cashflow	At 31 March 2011
	£	**£**	**£**
Net cash:			
Cash at bank and in hand	**8,029**	**30,914**	**38,943**
Bank overdrafts	**(58,828)**	**58,828**	**-**
	(50,799)	**89,742**	**38,943**

20 Financial commitments

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

	Land and buildings 2011	Land and buildings 2010	Land and buildings 2009
	£	£	£
Expiry date: 1 January 2012			
Within one to five years	**42,250**	52,000	143,211

Notes to the group financial statements

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.

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.

Company balance sheet

	Note	2011	2010
		£	£
Fixed assets			
Tangible fixed assets	4	**12,625**	-
Intangible assets	3	**160,743**	182,450
Investments	5	**150,000**	500,000
		323,368	682,450
Current assets			
Debtors	6	**355,022**	30,723
Cash at bank and in hand		**-**	2,447
		355,022	33,170
Creditors: amounts falling due within one year	7	**112,167**	-
Net current assets		**242,855**	33,170
Total assets less current liabilities		**566,223**	715,620
Capital and reserves			
Called up share capital	8	**924,134**	853,017
Share premium	9	**1,802,411**	1,545,048
Merger reserve	9	**31,000**	31,000
Profit and loss account	9	**(2,191,322)**	(1,713,445)
Equity shareholders' funds	10	**566,223**	715,620

The financial statements were approved by the Board of Directors on 5 August 2011.

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 £569,077.

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 £477,877 (2010: loss £792,197) after making a £569,083 provision against the full value of the Company's investment in and trading balance with its subsidiary, Intellego Group Limited.

2 Directors and employees

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

3 Intangible assets

2011	**Goodwill**
	£
Cost	
At 1 April 2010 and at 31 March 2011	225,405
Amortisation	
At 1 April 2010	42,955
Charge for the year	21,707
At 31 March 2011	64,662
Net book amount at 31 March 2011	**160,743**
Net book amount at 31 March 2010	**182,450**

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

Notes to the company financial statements

4 Tangible fixed assets

2011	Fixtures and fittings £
Cost at 1 April 2010	-
Transfers from subsidiary undertakings	12,625
At 1 April 2010 and at 31 March 2011	12,625
Depreciation	
At 1 April 2010	-
Charge for the year	-
At 31 March 2011	-
Net book amount at 31 March 2011	**12,625**
Net book amount at 31 March 2010	-

Fixed assets of £12,625 were transferred at fair market value from Intellego Group Limited on 31 December 2010.

5 Fixed asset investments

	Capital contribution 2011 £	Shares in subsidiary undertaking 2011 £	Total 2011 £
At 1 April 2010	250,000	250,000	500,000
Impairment	(250,000)	(100,000)	(350,000)
At 31 March 2011	-	150,000	150,000

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
Intellego Knowledge Solutions Limited	England and Wales	100%	E-learning services

Notes to the company financial statements

6 Debtors

	2011 £	2010 £
Amounts owed by group undertakings	**321,318**	30,723
Other debtors	**12,625**	-
Prepayments	**21,079**	-
	355,022	30,723

A provision of £219,083 has been made against amounts owed by group undertakings of £540,401 to adjust the value to its recoverable amount.

7 Creditors: amounts falling due in less than one year

	2011 £	2010 £
Trade creditors	**64,667**	-
Accruals and deferred income	**47,500**	-
	112,167	-

Notes to the company financial statements

8 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:

	2011 £	2010 £
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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 2009	132,313,349	-	-	661,567	-	-	1,454,849	2,116,416
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Notes to the company financial statements

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Share options
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2,000,000 ordinary shares were granted on 1 August 2008 to directors at 0.88p per share. Share options totalling 13,000,000 ordinary shares were granted on 30 September 2010 to directors at 0.25p per share.

Post balance sheet event
As detailed in the directors report, on 2 August 2011 the company raised investment capital of £300,000 through a placing of new shares.

9 Reserves

	Share premium account £	Merger reserve £	Profit and loss account £
Balance at 1 April 2010	1,545,048	31,000	(1,713,445)
Retained loss for the year	-	-	(477,877)
Arising on the issue of shares	257,363	-	-
Balance at 31 March 2011	**1,802,411**	**31,000**	**(2,191,322)**

10 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Loss for the financial year	**(477,877)**	(792,197)
Shares issued during the year	**328,480**	312,649
Reduction to shareholders' funds	**(149,397)**	(479,548)
Opening shareholders' funds	**715,620**	1,195,168
Closing shareholders' funds	**566,223**	715,620

11 Related party transactions

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

12 Contingent liabilities

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