



●unlock your potential●

INNOVATIVE
Learning

Innovative Learning Holdings Limited



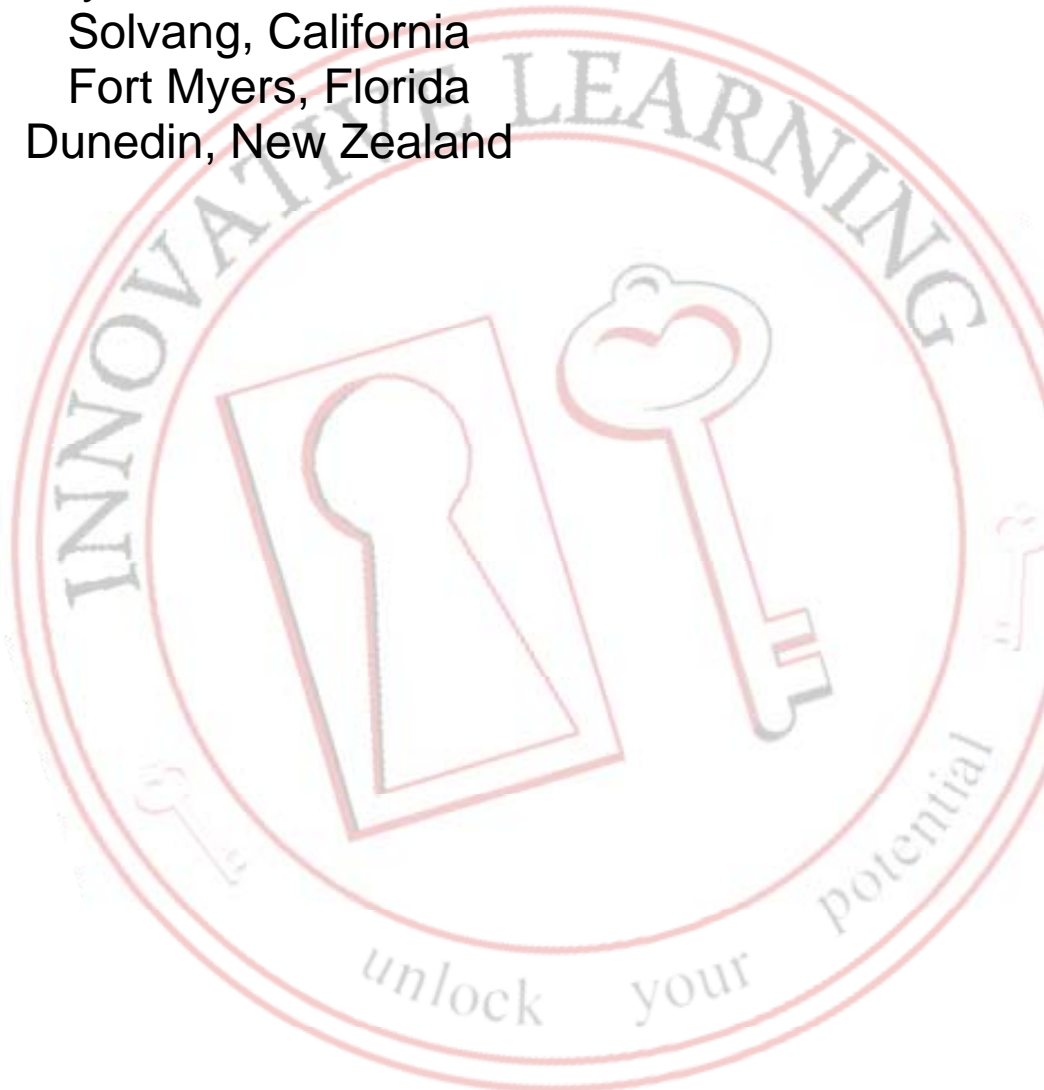
Annual Meeting

Friday November 19th, 2010

Solvang, California

Fort Myers, Florida

Dunedin, New Zealand



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Introduction

Reflecting on the previous months with a view to summarise information in a manner that paints an accurate and meaning picture transpired to be as challenging a task as could be.

Looking back, Innovative Learning's continued development can only be described as the epitome of the two sided coin. On the one side, great success with having achieved all of our objectives with regard to product development; industry accreditations; establishing product partnerships and ventures and achieving significant public awareness for achievements. On the other side of the coin, was global economic recession leading to delayed revenue; poor partner performance and the continuing shifting of federal and State legislative goal posts impacting product revue and modification.

Autism focus maintained

Despite the ever changing environment, we have not lost focus. Continued opportunities in the autism sector have proven to be the area of business that has generated the greatest potential. Notwithstanding an 18 month period during which departments and organisations cut budgets, put projects on hold and generally restricted spending across the board for new initiatives, new mandated training requirements continue to become available.

Despite the company's early challenges, the impending 12 months from now promise to be the most meaningful. With the development of the now available, and upcoming, range of university accredited certificate programmes, and markets for which evidence is strong, the immediate opportunity to realise the most significant revenue opportunities to date must not be missed.

Customers and prospects

Through established revenue-earning partnerships with universities such as Edison State College and Antioch University, we are positioned to make significant sales. This, along with the Commission on Teacher Credentialing having approved the Innovative Learning Autism Added Authorisation for Teachers in California, represent the real prospect of a multi million dollar revenue year. The added successful accreditation of IL by the Board of Nursing and the corresponding release of the "Autism for Nurses" certificate programmes being released in September 2010 in association with Edison State College, one of the country's top Nursing Schools, further strengthens our way forward.

We have a prospective long-term online training opportunity in Europe, Middle East and Africa in the food hygiene business.

Accreditations

In order to maintain credibility and keep a competitive edge, the company had to make the decision to re-assign Vicki Moeller for a considerable period to focus on expanding accreditations and memberships. Whilst this exercise was very time consuming and impacted the business in the short term thanks to Vicki being pulled away from sales, it was necessary as volume sales were being impacted. Since the addition of key accreditations, sales opportunities have increased significantly.

Innovative Learning is now accredited to provide continuing education for the following bodies:

1. Behavior Analysts Certification Board (International)
2. American Speech-Language-Hearing Association (International)
3. Association of Christian Schools International (International)
4. Board of Registered Nurses (California)
5. Board of Behavioral Sciences (California)
6. Antioch University Santa Barbara: Certificate in Autism Studies Approved through the Department of Professional and Continuing Education

7. Commission on Teacher Credentialing (California)
8. International Association for Continuing Education and Training (Pending)

Resources – people and working capital

Opportunity is nothing without resource to realise it. There is no question that the IL campaign for success has been a victim of economic circumstance through no fault of its own, but I would also say that as a company we have been under capitalised to achieve the identified outcomes. 12 months ago we acknowledged the fact that we needed cash to fund a growth strategy but the reality then was that the board felt unable to ask for investment because at that time we had not made enough progress with sales. Having pared back human resource to the bare minimum so as to survive the pressures of economic downturn, we are now in a compromised position. The most meaningful and realistic revenue opportunities to date are in real danger of being missed due to diminished capacity to drive the sales and capitalise on them.

There is a real danger, having come this far, that the 12 month revenue projections will not be realised without a significant human and cash resource being available to ensure we have the sales and marketing initiative in place to ensure success and adequate resources to support that initiative and relieve professional staff of distracting logistical and operational activities.

So on one hand, we are positioned to realise the growth we have always known is possible, and on the other, the possibility exists where we won't achieve the very vision we set out to realise, should we remain under capitalised. Despite the nature of our situation, we acknowledge we are in a stronger position than many early stage companies. We have an immediate solution available to us, but cannot allow ourselves to miss the window.

2010/11 – Growth – Sales & Marketing focus

Given our growth opportunity, and the need to fund this, 8 key strategic objectives have been identified as being key to realising projected revenue:

1. Expand marketing and sales resource
 - a. Recruit high level sales resource with a proven successful background of sales in the human services and education sector.
 - i. This individual will come with a proven background in taking products to market.
 - ii. Primary task will be to create new strategic sales opportunities, maximise sales in (existing) client base and leverage I-L relationships to get new business.
 - b. Purpose
 - i. Drive sales of the certificate programs and other autism products in association with Edison State College and Antioch University
 - ii. Drive sales of the Autism Added Authorizations for Teachers
2. Provide competent logistical and support resource
 - a. Recruit an Operations Manager to deal with all day-to-day activities involved in running the company.
 - b. Rationale: The functional structure of the company necessarily covers many discrete operational activities. The chart (below) illustrates the problem; we have two full-time employees (Michael and Vicki) and several people on call including Upstart until year-end, 2010.
“Running the company” is a task that distracts Michael and Vicki from their primary (Development and Professional) roles. This needs to change and the appointment of a competent mid-level manager is planned, subject to funding.

Current Staffing

CEO: Michael Reid

COO/MD: Vicki Moeller

Sales: Vicki Moeller, Shannon Miles

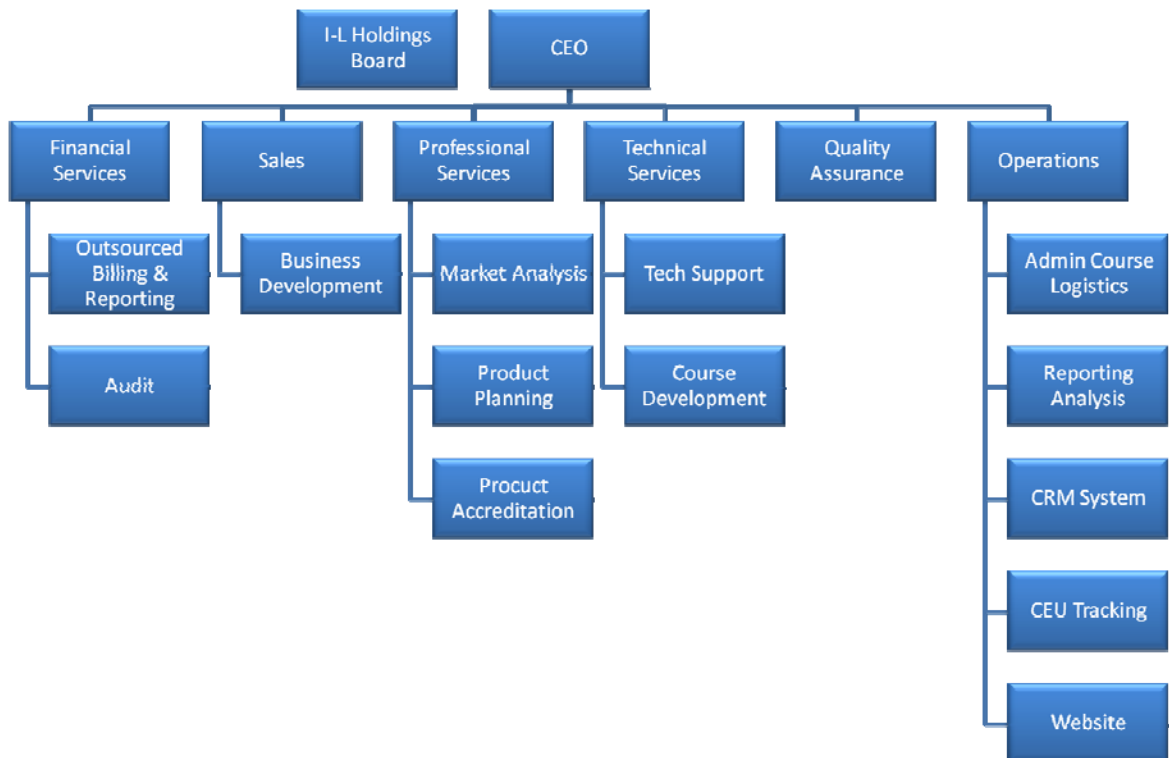
Development: Michael Reid, Jo Bishop

Administration: Diana Paul

Web Development/Tech Support: Kevin McCalley

Business strategy, planning, financials and sales – Upstart Business Incubator - Murray Downes and Murray Lawrence

Proposed new Functional structure Q4 2010



3. With Ludlow Street Healthcare (UK partner), explore qualifications equivalency for existing accredited IL programs with a view to further expand the UK market.

- a. Meeting confirmed with UK National Autism Society for October 22nd in Cardiff.

4. Leverage established relationships and to secure other State departments.

New York State conducted a comprehensive due diligence on Innovative Learning. This was an almost one year process and included in depth evaluation of product, system and measurable effectiveness outcome. This due diligence exercise culminated in the release of a public report announcing Innovative Learning as the preferred provider for the 27,000 State employees in the department of developmental disabilities.

The completion of this due diligence exercise is critical for two reasons:

- a. It establishes Innovative Learning's credibility and capacity to deliver effective programs at State level.
- b. New York State is seen as a leader in disability services. Given their due diligence on Innovative Learning, other States can accept the results and published recommendation without having to replicate a protracted and expensive process of their own. This will allow us to capitalize on the New York relationship to secure further agreements.

5. Establish “not for profit” arm of the IL group.

The company has not been able to pursue several business opportunities as a “for profit” company. With the establishment of a “not for profit” subsidiary, this will open up opportunities from which we have previously been excluded. Services will be purchased by the subsidiary from Innovative Learning LLC.

Because of the work already completed on achieving accreditation for the array of boards and accrediting bodies, the intent is to use these to establish the subsidiary as an accredited College.

6. Expand Innovative Learning’s social media presence and Search Engine Optimization (SEO) in a dedicated fashion.

a. An effective Social media presence and SEO has been proven critical with regard to sales and company recognition, however is unsustainable with current resource.

b. Social media are media designed to be disseminated through social interaction, created using highly accessible and scalable publishing techniques. These publishing techniques include examples such as; Facebook; LinkedIn; Twitter; Blogs; forums and so on. Social forums such as these lead to increased sales, enhanced profile and presence thus raising awareness in the prospective customer population.

c. Many of Innovative Learning’s sales and current opportunities have been achieved as a direct result of using social media.

d. By way of an example of social media effectiveness, Innovative Learning has increased its website traffic by over 100% and increased the time spent on the site by over 300% since beginning our social media campaign. Now we must dedicate the resource to translate these increases to sales.

e. Managing a company’s social media is a most important but time consuming strategy. This is beyond Innovative Learning’s current resource and expertise, although we have made a start, thus the need for a proper “Social Media Strategy” to be developed by people who are expert in this approach.

7. Establish a relationship with a national autism advocacy organization representing the sector (e.g. Autism Speaks, Autism Society of America etc.)

a. To be associated with such an organization provides credibility and recognition. A partnership will provide channels to beneficial relationships and sales.

8. Continued technical development

a. Development for iPhone/iPad App: Smart phone applications are becoming commonplace and expected if we are to remain competitive. Both of Innovative Learning’s main competitors have launched their iPhone/iPad app and we have had enquiries from customers as to whether this is a feature we will be adding.

b. Further Learning Management System (LMS) development so as to future proof for a 3 year period.

Outlook for 2010/11

The future is positive, notwithstanding some obvious challenges. Innovative Learning has established itself in the US market as a serious provider of effective systems in the online training space. We have customers and sales revenues. We have extensive networks which provide us with an entrée into a host of organisations.

Growth will be slow and painful if we are unable to arrange fresh funding to allow for recruitment of staff and associated travel and living overheads for sales activities. Growing the company out of revenue is a poor substitute given the positioning and product portfolio we have achieved in the last two years. Simply put, the growth opportunity we have been working toward is now. If we remain undercapitalised, there is a major risk the growth path will be either seriously protracted or missed altogether.

Product report

1. Certificate programmes
 - a. Autism versions
 - i. Antioch Certificate in Autism Studies – Educator Version continues to be the lead product. Sales have dropped due to marketing resource being shifted to accreditations and State program approval processes which was unavoidable. Even with decreased resources on Marketing there are sales at full price.
 - ii. Edison Autism Certificate for Teachers – This is proving once again to be a popular product. The Program was launched informally in mid-August and a small number of students have enrolled and paid tuition. The formal black tie launch event to be held by the College is due to be held in mid-November. We are also currently working with Edison on seeking approval from Florida Dept of Education for the required Autism Endorsement for all teachers educating students diagnosed with Autism.
 - iii. State of Delaware – Purchased 100 Antioch Certificate licenses for their teachers. Director of Delaware Autism Programs and Delaware’s Dept of Education Professional Standards Board Executive Director currently working with IL to replace current mandatory Autism Certificate program with Edison version as Florida and Delaware have similar statutory requirements.
 - b. Nursing Programme
 - i. Launch date was August 23, 2010
 - ii. California Board of Registered Nurses approved IL for CE Provider in August 2010 so we can market this product and several other of our courses here in California.
 - iii. Pending approval from Florida Board of Nursing. Expect approval by October 1, 2010
 - iv. Initial communication with personal contact in the US Air force regarding training for military nurses. Preliminary commitment to train nurses stationed at North Forks Air force Base in North Dakota. The issue here is one of demand for service and variable access to services depending on where one is stationed, and whether the insured is on active duty or retired. There is great demand and there have been cover stories in Time magazine, and other publications, this past year re: the lack of access to comprehensive services for military families with autistic children. Upon leaving active duty, families have been denied ongoing ABA services. Tri Care has demo projects going in selected areas to make ABA services available for the 1st time. By offering a web curriculum to military nurses, there could be tremendous leveraging of the ASD knowledge base and more families could have access to guidance in this area.
 - c. Added authorisations for Teachers
 - i. ASD- 25,000 teachers in California that need this authorization.
 - ii. ASD AASE program launch June 1, 2010
 - iii. Passive marketing until final approval from Commission on Teacher Credentialing (CTC).
 - iv. Expected Approval Oct 1, 2010.
 - v. Cost of each Authorization is \$750.00
 - vi. Estimate: Southern Ca School District (south of Ventura) 500+ to register Sept/Oct based on existing contracts for FASD.
 - vii. Estimate 100 additional registrations from Northern counties by Oct 30th
 - viii. Acquired Brain Injury
2. Sales and Marketing Report
 - a. Innovative Learning has developed a range of workforce development products largely focused on the Human Services sector. Products and services can be summarised as follows:
 - i. Off the shelf courses developed by Innovative Learning
 - ii. Off the shelf products developed by a partner individual or organization
 - iii. Existing courses customized for an organization
 - iv. Courses developed specifically for an organization
 - v. “White label” branding and hosting

b. Certificate programmes

- i. In April 2009 Innovative Learning partnered with Antioch University to provide the first of several planned certificate programs targeted at very specific audiences. The certificate programs include:
 - Certificate in Autism Studies (Released June 2009)
 - Certificate in Direct Support Studies (Released August 2009)
- ii. In March 2010 IL partnered with Edison State College to develop an online Certificate in Nursing. In June 2010 IL and Edison also agreed to launch a similar Certificate program for Educators.
 - Autism Certificate for Nurses (Released August 23, 2010)
 - Autism Certificate for Teachers (Release date September 10, 2010)

c. Current Licensing/Contractual Agreements (Annual Value is based on revenues for 2009/2010 fiscal year)

Edison State College
 Antioch University
 Humboldt County
 Santa Barbara SELPA
 State of Delaware
 STAR Autism

Pearson: Relationship to be handed to Upstart for interim relationship management

Laradon Institute

Behavioral Consultation

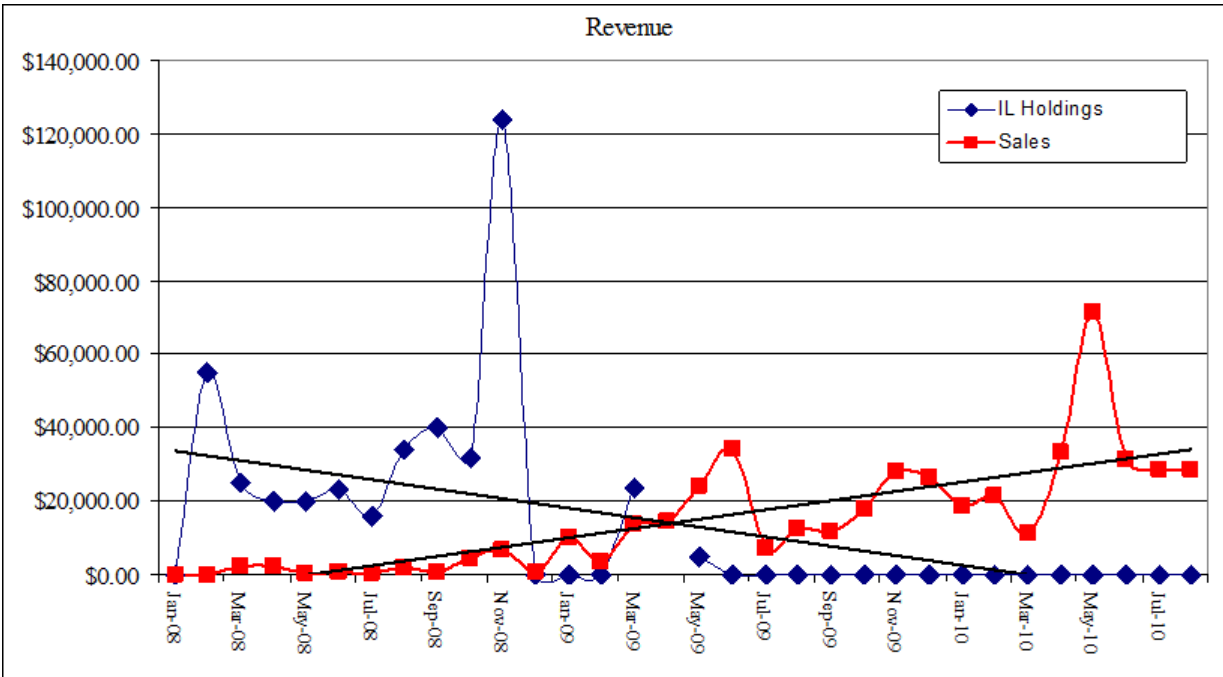
Santa Ynez Valley Consortium

State of Idaho: Shannon Miles is now resident in Boise, Idaho. Her main focus is development of that market

Total for above	\$235,000
Ludlow Street Services	\$156,000
Dahlman Institute (Project Optimal)	\$750,000
Diversey	\$95,000
Suffolks AHRC	\$30,000 - \$120,000
Lauren Institute	\$12,000 - \$30,000
Total Projected	\$1,328,000 - \$1,436,000 (\$1,766,890-\$1,910,583 NZD)

Revenue profile to date

Figure 1: Capital monies compared to sales generated revenue.



Acknowledgments

Vicki Moeller has not only been loyal and steadfast during the development period of the company, but is responsible for its greatest and most difficult to achieve outcomes. Specifically, Vicki has become expert in achieving accreditations with professional bodies, which will be the key to achieving our growth plan.


Such recognition has Vicki gained with professional bodies, that one, the Commission on Teacher Credentialing, has requested she sits on a review board for the approval of other organisations programmes.

Accreditation is not where it stops. Vicki is organized and hard working to the extent that, particularly during my absence generating income in the United Kingdom on and of over the last 18 months, she has almost single handedly run the business on a day to day basis

Thank you also for the dedication of Scott Mason and Alan McConnon. Scott and Al have been of great support and very patient with us on a personal and business level. With the ever shifting goal posts of US education, health and disability sectors, Scott and Al hung in whist we continue to drive the business forward. At times, it has been difficult to maintain a clear path, but Al and Scott have helped us to clear the way.

Murray Downes and Murray Lawrence of Upstart (the Murrays) have been of great personal support as well as a terrific business resource we have been able to call on when needed. The Murray's have been indispensable and we will miss their input when they exit at the end of the year. Thanks Murrays.

A final thanks to all shareholders and other supporters who have been extremely patient and understanding during what has been a challenging but productive time.

A handwritten signature in black ink, appearing to read 'MJR', with a long horizontal flourish extending to the right.

Michael J Reid
Chief Executive Officer
Innovative Learning Holdings