

**ILX GROUP PLC
(formerly Intellexis plc)**

Company No. 3525870

**INTERIM REPORT
FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2004**

ILX Group plc

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ILX Group plc

Chairman's Statement For the six months ended 30 September 2004

I am pleased to present the results for the six months ended 30 September 2004.

On 27 July 2004, the Company changed its name from Intellexis plc to ILX Group plc in recognition that business activities have expanded and trading now takes place over a number of different entities. A website has been set up, www.ilxgroup.com, to provide investor information and other useful data on the Group as a whole.

Financial Results

The Group has delivered an operating profit of £24,195 (6 months to 30 September 2003: £18,857) and a net loss, after interest, goodwill, and exceptional items, of £52,509 (6 months to 30 September 2003: loss of £78,925). This is in line with expectations. Group sales, particularly those of *Key Skills*, are heavily weighted towards the second half of the financial year. The directors remain confident in the Group's potential to deliver a profit for the full year.

Business Review

Key Skills

The *Key Skills* division has been smoothly integrated and invoicing for the six months is 30% up over the same period last year. Considerable time and effort has been spent on doubling the dedicated sales force to handle all the inbound sales enquiries. Additionally, *Key Skills*' computer-based training ("CBT") products have since June been sold primarily on an annual licence basis for the first time. We expect this development to increase turnover significantly from repeat business in subsequent years. Although *Key Skills* dominates the PRINCE2 market for computer-based training (CBT) products and the total market continues to grow at 20-30% per annum, it is predominantly serviced by traditional classroom training. *Key Skills* has recently begun offering "blended" courses involving both CBT and classroom training and, pure classroom training. The take-up has been very good and there is considerable opportunity to expand this area and increase market share.

ITIL

A further development has been the release of an accredited CBT product for the Information Technology Infrastructure Library (ITIL) marketplace. ITIL is a qualification in IT service management and in many instances follows naturally from PRINCE2. Like PRINCE2, ITIL is owned by the UK Government with responsibility for examinations and accreditation passed to a commercial body, the Information Service Examination Board. ITIL is recognised worldwide, is growing considerably faster than PRINCE2 and is already estimated to be a bigger market. Sales of *Key Skills*' ITIL products in August and September were encouraging even prior to the product gaining official accreditation in October. This represents another major growth opportunity for the Group.

Intellexis

A major restructuring has taken place in the *Intellexis* division resulting in the fixed operating costs being cut by 30% to approximately £55,000 per month. A £49,116 exceptional charge was incurred as a result of the restructuring as stated in the notes to the accounts. Although invoicing for the period fell by 1%, a number of new customers were signed up, including Johnson Controls, Barry Callebaut, and a £100,000 contract secured in September with Ciba Specialty Chemicals. Continuing development work worth in excess of £80,000 in the period was also undertaken for a big four accountancy firm. The division remains under review.

Acquisitions

As has previously been announced, the Group acquired Computa-Friendly Ltd on 4 October for £482,500 (£282,500 in cash and £200,000 in shares). The purchase included net assets of the acquired company, prior to revaluation, of £177,500. From its facilities in Wiltshire, *Computa-Friendly* historically provides classroom training and consultancy in a number of IT related subjects and also in PRINCE2. It has in addition developed a suite of e-learning products on subjects such as Data Protection, Freedom of Information, E-mail and Internet Best Practice, and IT/Information Systems Security. It is a Microsoft Certified Partner, a Microsoft Office Specialist, an authorised testing centre for the European Computer Driving Licence, and is ISO9001 certified. The consultancy side of the business spans training on bespoke systems, technical authoring, and database development. Trading up to and since the acquisition has been good and in line with expectations.

The Group is in an advanced stage of negotiations to acquire a further business as it continues to actively pursue acquisition opportunities, particularly where it can consolidate its position in the project management and service management training markets. The Directors anticipate making an announcement in the coming week in relation to the completion of this acquisition.

ILX Group plc

Chairman's Statement For the six months ended 30 September 2004 (contd)

Repayment of Convertible Debt

During August the Group repaid a £500,000 convertible loan note to Park Row Group plc at a discount of £100,000. The transaction has also saved the Group a further £80,000 in the current financial year from a reduced interest bill and the write back of interest accrued in previous years.

The transaction was financed by the issue of 654,000 new ordinary shares at 60 pence each, which raised a total of £392,400 before costs. Park Row Group plc, which at the beginning of the year also held 12.6% of the Group's issued share capital, agreed to take an additional 166,667 new ordinary shares at 60p each as part of the consideration. Park Row also agreed at the time of the transaction to a lock-in which prevents it from selling any of its holding for one year without the consent of the Group and its brokers. At 30 September 2004 this was equivalent to 13.4% of the Group's issued share capital.

Summary and Future Opportunities

The last six months have seen considerable progress made in further building the Group. The *Key Skills* division in particular has established a strong foundation from which to take advantage of the busier months ahead. The addition of Computa-Friendly broadens the product range, adds a classroom capability, and should lead to enhanced earnings per share in future years. In addition, the Balance Sheet has been strengthened by the removal of a legacy debt on terms highly favourable to the Group.

ILX Group now offers a much wider range of business skills training products and the centre of gravity for Group activities has now moved to the project and service management markets represented primarily by PRINCE2 and ITIL. We plan to build a full service offer in these marketplaces comprising good quality accredited CBT products, classroom training, blended sessions, and consultancy. This will consolidate the Group's position as a significant and unique player in these markets.

We have made good progress in the first six months of the year, and although the final period holds many challenges, we remain confident of delivering good quality profits.

Paul Lever
Chairman

19 November 2004

ILX Group plc

Independent Review Report

Introduction

We have been instructed by the company to review the financial information set out on pages 4 to 8 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2004.

Saffery Champness

Chartered Accountants

Beaufort House
2 Beaufort Road
Clifton
Bristol
BS8 2AE

19 November 2004

ILX Group plc

Consolidated Profit and Loss Account For the six months ended 30 September 2004

	Six months ended 30.9.2004 Unaudited £	Six months ended 30.9.2003 Unaudited £	Year ended 31.3.2004 Audited £
Turnover	1,182,189	690,151	1,606,493
Cost of sales	<u>(236,259)</u>	<u>(121,128)</u>	<u>(298,960)</u>
Gross Profit	945,930	569,023	1,307,533
Distribution costs	(73,661)	(29,133)	(97,050)
Administrative expenses excluding goodwill	<u>(848,074)</u>	<u>(521,033)</u>	<u>(1,239,864)</u>
Operating Profit / (Loss) before Goodwill Amortisation	24,195	18,857	(29,381)
Amortisation of Goodwill	<u>(128,299)</u>	<u>(72,959)</u>	<u>(164,365)</u>
Operating Loss after Goodwill Amortisation	(104,104)	(54,102)	(193,746)
Reorganisation Costs	<u>(49,116)</u>	-	-
Loss on Ordinary Activities before Interest	(153,220)	(54,102)	(193,746)
Interest receivable and similar income	5,067	956	1,764
Gain on early repayment of debt	100,000	-	-
Interest payable and similar charges	<u>(4,356)</u>	<u>(25,779)</u>	<u>(64,997)</u>
Loss on Ordinary Activities before Taxation	(52,509)	(78,925)	(256,979)
Tax on loss on ordinary activities	<u>-</u>	<u>-</u>	<u>-</u>
Loss for the Year transferred from Reserves	<u>(52,509)</u>	<u>(78,925)</u>	<u>(256,979)</u>
Loss per share - basic	(0.75)p	(2.50)p	(7.45)p

There are no recognised gains and losses other than those passing through the profit and loss account.

ILX Group plc

Consolidated Balance Sheet at 30 September 2004

	30.9.2004	30.9.2004	30.9.2003	30.9.2003	31.3.2004	31.3.2004
	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited
	£	£	£	£	£	£
Fixed Assets						
Intangible assets		4,661,657		2,662,998		4,789,956
Tangible assets		211,376		35,992		220,356
Investments		<u>300,772</u>		<u>140,500</u>		<u>300,772</u>
		5,173,805		2,839,490		5,311,084
Current Assets						
Debtors		608,783		244,192		558,605
Cash at bank and in hand		<u>325,834</u>		<u>-</u>		<u>543,755</u>
		934,617		244,192		1,102,360
Creditors: Amounts falling due within one year		<u>(820,119)</u>		<u>(546,262)</u>		<u>(977,385)</u>
Net Current Assets / (Liabilities)		<u>114,498</u>		<u>(302,070)</u>		<u>124,975</u>
Total Assets less Current Liabilities		5,288,303		2,537,420		5,436,059
Creditors: Amounts falling due after more than one year		<u>(981,710)</u>		<u>(763,750)</u>		<u>(1,543,155)</u>
Net Assets		<u><u>4,306,593</u></u>		<u><u>1,773,670</u></u>		<u><u>3,892,904</u></u>
Capital and Reserves						
Called up share capital		3,606,212		3,152,140		3,524,145
Share premium account		6,267,597		3,958,182		5,883,466
Profit and loss account		<u>(5,567,216)</u>		<u>(5,336,652)</u>		<u>(5,514,707)</u>
Equity Shareholders' Funds		<u><u>4,306,593</u></u>		<u><u>1,773,670</u></u>		<u><u>3,892,904</u></u>

The financial statements were approved by the board on 19 November 2004 and signed on its behalf by:

J A Pickles Director

K P Scott Director

ILX Group plc

Consolidated Cash Flow Statement For the six months ended 30 September 2004

		Six months ended 30.9.2004		Six months ended 30.9.2003		Year ended 31.3.2004	
		Unaudited		Unaudited		Audited	
		£	£	£	£	£	£
Net Cash Outflow from Operating Activities	(i)		(106,455)		(150,204)		(297,942)
Returns on Investments and Servicing of Finance							
Interest received		5,067		956		1,764	
Interest paid		<u>(43,846)</u>		<u>(25,779)</u>		<u>(64,997)</u>	
Net Cash Outflow for Returns on Investments and Servicing of Finance			(38,779)		(24,823)		(63,233)
Capital Expenditure							
Payments to acquire tangible fixed assets		(4,654)		(697)		(1,805)	
Payments to acquire investments		<u>-</u>		<u>-</u>		<u>(160,272)</u>	
Net Cash Outflow for Capital Expenditure			(4,654)		(697)		(162,077)
Acquisitions							
Acquisition		-		-		(1,836,000)	
Acquisition Costs		-		-		(145,181)	
Net cash acquired with subsidiary		<u>-</u>		<u>-</u>		<u>222,231</u>	
Net Cash Outflow for Acquisitions			<u>-</u>		<u>-</u>		<u>(1,758,950)</u>
Cash Outflow before Financing			(149,888)		(175,724)		(2,282,202)
Financing							
Issue of ordinary share capital		492,400		-		1,918,458	
Expenses paid in connection with share issues		(26,201)		-		(169,511)	
Debt due within a year		(66,687)		-		163,116	
Debt due after a year		(461,445)		(12,500)		766,905	
Capital element of finance lease rental payments		<u>(6,100)</u>		<u>(18,299)</u>		<u>(36,599)</u>	
Net Financing Cash Inflow / (Outflow)			<u>(68,033)</u>		<u>(30,799)</u>		<u>2,642,369</u>
Increase / (Decrease) in Cash	(ii)		<u>(217,921)</u>		<u>(206,523)</u>		<u>360,167</u>

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Notes to the Consolidated Cash Flow Statement For the six months ended 30 September 2004

(i) Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities	Six months ended 30.9.2004	Six months ended 30.9.2003	Year ended 31.3.2004	
	£	£	£	
Operating loss	(104,104)	(54,102)	(193,746)	
Depreciation	13,634	33,047	45,859	
Amortisation of goodwill and intangible assets	128,299	72,959	164,365	
(Increase) / decrease in debtors	(52,818)	(84,191)	(282,669)	
(Decrease) / increase in creditors	(42,350)	(117,917)	(31,751)	
	<u>(57,339)</u>	<u>(150,204)</u>	<u>(297,942)</u>	
Net cash outflow in respect of reorganisation costs	(49,116)	-	-	
Net cash outflow from operating activities	<u>(106,455)</u>	<u>(150,204)</u>	<u>(297,942)</u>	
(ii) Reconciliation of Net Cash Flow to Movement in Net Debt (Note (iii))				
(Decrease) / increase in cash in the period	(217,921)	(206,523)	360,167	
Cash outflow from decrease in debt and lease financing	<u>534,232</u>	<u>30,799</u>	<u>(893,422)</u>	
Change in net debt resulting from cash flows	316,311	(175,724)	(533,255)	
Change in net debt resulting from gain on early repayment	<u>100,000</u>	<u>-</u>	<u>-</u>	
Movement in net debt in the period	416,311	(175,724)	(533,255)	
Net debt at 1 April 2004	<u>(1,226,949)</u>	<u>(693,694)</u>	<u>(693,694)</u>	
Net debt at 30 September 2004	<u>(810,638)</u>	<u>(869,418)</u>	<u>(1,226,949)</u>	
(iii) Analysis of Changes in Net Debt				
	At 31.03.2004	Cash Flow	Non-cash Items	At 30.09.2004
	£	£	£	£
Cash at bank and in hand	543,755	(217,921)	-	325,834
Debt due within one year	(221,449)	66,687	-	(154,762)
Debt due after one year	(1,543,155)	461,445	100,000	(981,710)
Finance leases	(6,100)	6,100	-	-
	<u>(1,770,704)</u>	<u>534,232</u>	<u>100,000</u>	<u>(1,136,472)</u>
Net debt	<u>(1,226,949)</u>	<u>316,311</u>	<u>100,000</u>	<u>(810,638)</u>
(iv) Cash Flow Relating to Exceptional Items				

The operating cash outflows include an outflow of £49,116 which relates to the reorganisation costs of the group as disclosed in note 5 to the accounts.

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Notes to the Interim Report For the six months ended 30 September 2004

1. The financial information contained in the Interim Report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The comparative financial information for the six months ended 30 September 2003 and the year ended 31 March 2004 is an abridged version of the group's published financial statements for these periods. The financial statements for the year ended 31 March 2004 contained an unqualified audit report and have been filed with the Registrar of Companies.
2. The interim financial statements have been prepared on the basis of the accounting policies set out in the March 2004 financial statements of ILX Group Plc.
3. The basic earnings per share calculation is based on a weighted average number of ordinary shares of 10 pence each in issue during the period of 7,039,024 (six months ended 30 September 2003 – 3,152,140). The earnings per share calculation for the period to 30 September 2003 has been restated to take into account the 1000:1 share consolidation that took place 1 October 2003. The calculation of fully diluted loss per share has not been disclosed as the effect of any full conversion of outstanding share options is not dilutive in accordance with FRS14.
4. Turnover is attributable to the one principal activity of the group:

	Six months ended 30.9.2004	Six months ended 30.9.2003	Year ended 31.3.2004
	£	£	£
United Kingdom	815,601	379,880	1,112,283
Rest of Europe	223,434	179,901	307,772
North America	124,928	130,370	186,438
Other	18,226	-	-
	<u>1,182,189</u>	<u>690,151</u>	<u>1,606,493</u>

5. During the period the company incurred an exceptional cost of £49,116 relating to a fundamental reorganisation of the Group's continuing operations.

ILX Group plc

Electronic Communication Shareholder Registration Form

ILX Group Plc is offering shareholders the facility for receiving notification of certain shareholder documents by e-mail, where the law allows. Please read the notes carefully and then tick the appropriate box indicating how you would prefer to receive all future notices of meetings and other shareholder documents and communications from the Company.

Please read the following notes before making your election:

1. It is the shareholder's responsibility to notify the Company of any change to their e-mail address (or other contact details).
2. The Company's obligation to effect the electronic communication to you would be satisfied when it transmits the notification of availability to the electronic address for you that it has on file. The Company cannot be held responsible for any failure in transmission beyond its control any more than it can for postal failures.
3. If the Company becomes aware that an electronic notification to you has not been successfully transmitted, two further attempts will be made. If the transmission fails again, a hard copy of the notification will be mailed to you at your last known postal address.
4. The Company will continue to use the election and relevant contact address details supplied by you until such time as the Company receives alternative instructions from you.
5. Before electing for electronic communications shareholders should ensure that they have the appropriate equipment and computer capabilities sufficient for that purpose.
6. The Company takes all reasonable precautions to ensure that no viruses are present in any communication it sends out but the Company cannot accept responsibility for loss or damage arising from the opening or use of any e-mail or attachments from the Company and recommend that shareholders subject all messages to virus checking procedures prior to use. Any electronic communication received by the Company, including the lodgement of an electronic proxy form, that is found to contain any virus will not be accepted.

(tear here)

To the Directors of ILX Group Plc and Capita Registrars

I _____
(Full Name)

of _____
(Address)

hereby request that future communications issued by ILX Group Plc be sent to me in electronic form, where possible, to the following E-Mail address:

I understand that I will receive a notification from the Company by e-mail (to the e-mail address indicated above) advising me that certain specified documents are being made available for viewing on the Company's website leaving me to access, read and retrieve the documents at my convenience.

Signed _____

Date _____

Post form back to:
Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (ref: SSD-T2LN)

Alternatively, you may register your instructions on-line at: www.capitaregistrars.com