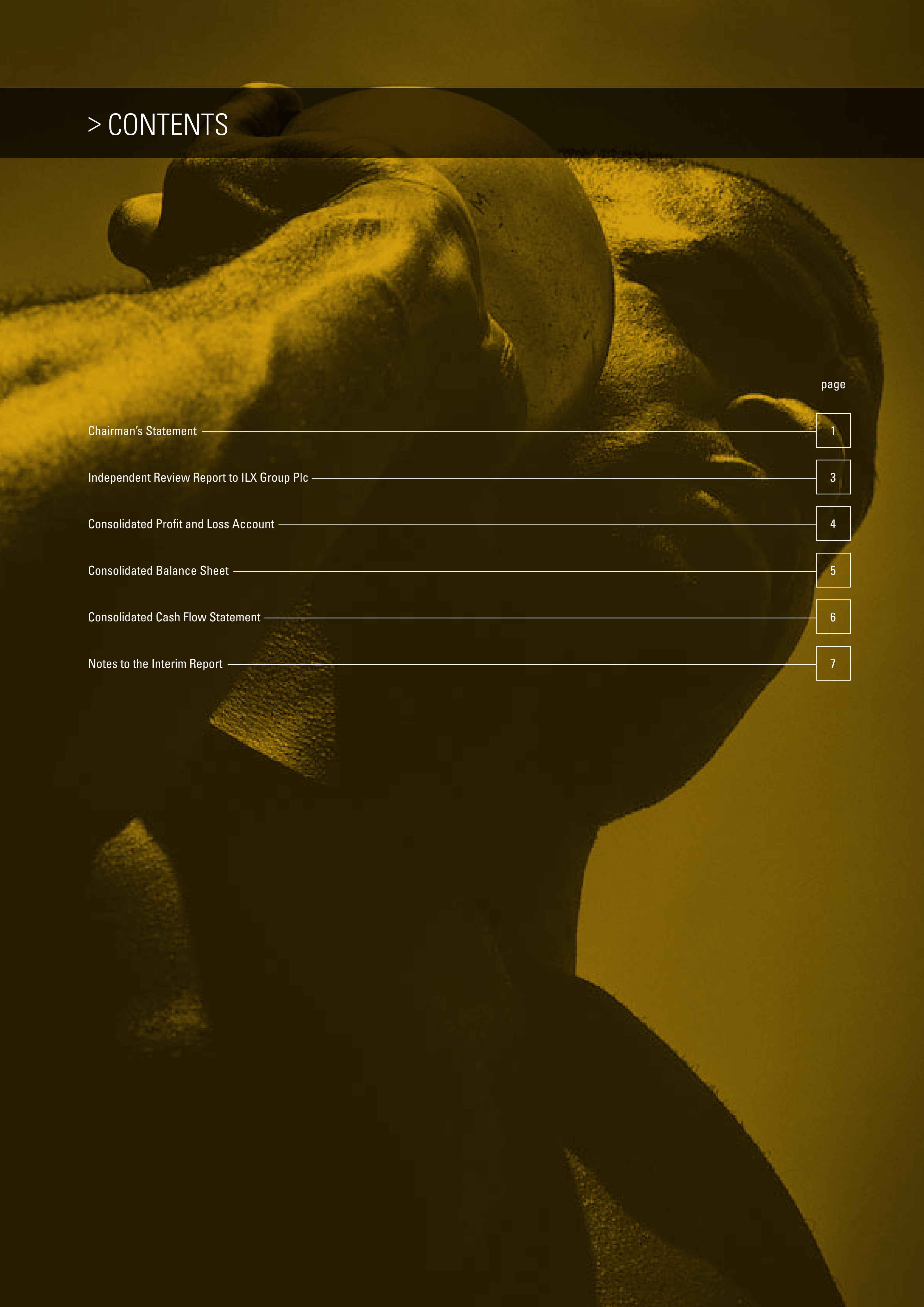
INTERIM REPORT 05

FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005



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> CHAIRMAN'S STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

I am pleased to present the results for the six months ended 30 September 2005.

The Company has maintained its stated strategy of rapid growth through organic development of its existing business lines following two acquisitions made in the previous financial year. In the 6 months to 30 September 2005, the Company has continued to see strong organic growth from its Key Skills division and an exceptional performance from Mindscope, as highlighted below. Both Intellexis and Computa-Friendly have delivered solid performances. The proposed acquisition of Mount Lane Training and Implementation Solutions Ltd announced today, provides the Company with an additional profitable revenue stream in a complementary market.

> Financial Results

The Company has delivered turnover of £2.94 million (6 months to 30 September 2004: £1.18 million). Operating profit, before goodwill amortisation, for the period was £144,455 (6 months to 30 September 2004: £24,195) and net loss, after interest, goodwill, and exceptional items, was £54,119 (6 months to 30 September 2003: loss of £52,509). The Company remains strongly weighted towards the second half of the year, primarily due to the seasonality at Key Skills which typically sees up to a third of annual sales delivered in the months of December and March. The high margin of these products contributes heavily towards delivering considerably greater profits in the second half of the year.

Goodwill charges of £174,991 (6 months to 30 September 2004: £128,299) represent the continued amortisation over 20 years of all goodwill balances, in line with current accounting practices. We continue to believe it is appropriate to present an adjusted earnings per share figure excluding the goodwill charge and any exceptional items. This figure is 1.23p per share (6 months to 30 September 2004: 0.35p per share). Basic loss per share for the period was 0.6p (6 months to 30 September 2004: 0.75p).

> Business Review

Organic growth for the period has been strong, driven by sales of project and IT service management training products. Key Skills continued to generate sales growth in excess of 50% and Mindscope contributed revenues in excess of £1 million for the six month period, compared with £821,413 for its last full financial year prior to acquisition by the Company in November 2004. Accordingly, Mindscope exceeded the profit target of £375,000 (for the 12 month period ended 31 July 2005) such that the full earn-out payment was made to the vendor during August 2005 by way of £375,000 in shares and £125,000 in cash.

The growth in these two divisions has been driven by a combination of continued expansion of the PRINCE2 and ITIL training markets, by continued investment in our sales resources and by the efforts and enthusiasm of the management and staff involved. Key Skills delivered computer-based-training software to over 700 customers, with major purchasers including AT&T, the Helphire Group plc and the Home Office; Mindscope provided training services to over 200 customers, with major purchasers including Cable & Wireless, Home Office, Computacenter, Serco, Legal and General, and NATO.

Our ability to tender for and win an increasing number of larger contracts in this area is testimony to the Company's growing visibility as a major service provider within this market space. Mindscope delivers instructor-led classroom training whilst Key Skills provides computer-based training within the same market. This combination provides us with both breadth and depth in our customer base and greater stability in our earnings.

Financial training from our Intellexis division has delivered solid revenues for the period, including significant deals with Rolls-Royce and GKN for continued usage of the Intellexis e-learning suite and a continuing excellent relation with the IMD, the Swiss business school. Computa-Friendly meanwhile has started to deliver PRINCE2 training under the Mindscope umbrella as well as a continuing stream of IT desktop application training. This latter area has clear synergies with the Mount Lane acquisition.

> Capital Reduction and Sale and Leaseback

On 30 August of this year the Company announced to the market that the Capital Reduction scheme had been successfully completed. This has the effect of writing off historical losses from the Balance Sheet, thereby allowing the Company to pay dividends from future profits. The Company has also created a reserve from which it may re-purchase its own shares should the Board consider it beneficial to do so.

Additionally, during September 2005 the Company completed a sale and leaseback of its premises in Nantwich. This raised proceeds of £200,000, of which £119,545 was used to repay bank debt. This allows greater flexibility going forward for the Key Skills team in the event that it outgrows the building over the next 12 to 18 months.

> Acquisitions

The Company has today announced the acquisition of Mount Lane Training and Implementation Solutions Ltd. Founded in March 2003 by its owners Andrew White and Danny Coleman, Mount Lane is a specialist provider of customised training and implementation solutions and services to the mid and large corporate sectors. It focuses on the provision of electronic Performance Support Tools, an html scripted, intranet based training and orientation package. Its target market is listed companies and large organisations, typically with an IT infrastructure in excess of 3,000 desktops.

It has a blue chip customer base that includes the likes of Norwich Union, ABN Amro, Barclays Bank, Lloyds TSB, Network Rail and BSkyB, and a small technical support team that is responsible for developing additional functionality for the Performance Support Tools, writing bespoke content for specific customers and managing internet conformity. The team is also responsible for sourcing and overseeing project management and training which is currently undertaken and delivered through established relationships with freelance specialists.

The Company is paying an initial consideration of £2.2 million for Mount Lane, which represents a multiple of 6.3 times its post tax earnings for the financial year ended 31 March 2005., and is to be paid by way of £500,000 in cash and 1.7 million new ordinary shares. An additional earn-out consideration of up to £1.8 million is payable by July 2007, dependent on certain profit targets being exceeded for the years ended 31 March 2006 and 31 March 2007. The acquisition will be partly funded by the placing of 825,000 new ordinary shares at 100 pence per share, and I would like to take the opportunity to welcome the new institutional and private shareholders.

All Mount Lane staff will be retained and I would like to take this opportunity to welcome them to the Company.

> Summary and Future Opportunities

The last six months have seen a continuation of our momentum and rapid growth. We continue to make further inroads into the vibrant PRINCE2 and ITIL marketplaces and to deliver strong growth. The acquisition of Mount Lane takes us into new complementary markets.

Trading activity remains strong and our focus remains on the delivery of continued high revenue growth from our PRINCE2 and ITIL products and services and the integration of Mount Lane, including investment in order to provide it with a stronger base from which to grow. The Directors also expect to take advantage of opportunities, particularly within the ITIL marketplace, that arise from the combination of the businesses.

We have made good progress in the first six months of the year, and we remain confident in our ability to deliver substantial growth in profit and earnings per share over the course of the current year.

Paul Lever
Chairman

23 November 2005


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> 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 auditing standards in the United Kingdom 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 2005.

Saffery Champness
Chartered Accountants

Beaufort House
2 Beaufort Road
Clifton
Bristol
BS8 2AE

23 November 2005

> CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Notes	Six months ended 30.9.2005 Unaudited £	Six months ended 30.9.2004 Unaudited £	Year ended 31.3.2005 Audited £
Turnover		2,940,638	1,182,189	3,924,465
Cost of sales		(955,172)	(236,259)	(957,557)
Gross Profit		1,985,466	945,930	2,966,908
Distribution costs		(125,225)	(73,661)	(144,907)
Administrative expenses excluding goodwill		(1,715,786)	(848,074)	(2,165,241)
Operating Profit before Goodwill Amortisation		144,455	24,195	656,760
Amortisation of goodwill		(174,991)	(128,299)	(290,714)
Operating Profit / (Loss) after Goodwill Amortisation		(30,536)	(104,104)	366,046
Reorganisation costs		-	(49,116)	(49,116)
Profit / (Loss) on Ordinary Activities before Interest		(30,536)	(153,220)	316,930
Interest receivable and similar income		5,920	5,067	42,674
Gain on sale of fixed assets		9,861	-	-
Gain on early repayment of debt		-	100,000	100,000
Interest payable and similar charges		(39,364)	(4,356)	(85,738)
Profit / (Loss) on Ordinary Activities before Taxation		(54,119)	(52,509)	373,866
Tax on profit / (loss) on ordinary activities		-	-	-
Profit / (Loss) for the Year transferred to / (from) Reserves		(54,119)	(52,509)	373,866
Earnings / (Loss) per share – basic	3	(0.60)p	(0.75)p	4.79p

> CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2005

	Notes	£	30.9.2005 Unaudited £	£	30.9.2004 Unaudited £	£	31.3.2005 Audited £
Fixed Assets							
Intangible assets			6,187,161		4,661,657		6,362,149
Tangible assets			91,423		211,376		262,354
			6,278,584		4,873,033		6,624,503
Current Assets							
Debtors		1,288,464		608,783		1,059,166	
Cash at bank and in hand		251,115		325,834		671,839	
		1,539,579		934,617		1,731,005	
Creditors: Amounts falling due within one year		(1,139,129)		(820,119)		(1,428,065)	
Net Current Assets			400,450		114,498		302,940
Total Assets less Current Liabilities			6,679,034		4,987,531		6,927,443
Creditors: Amounts falling due after more than one year			(745,224)		(981,710)		(921,247)
Net Assets			5,933,810		4,005,821		6,006,196
Capital and Reserves							
Called up share capital	6		933,694		3,606,212		3,734,318
Share premium account	6		4,177,188		6,267,597		7,338,490
Shares to be issued - contingent consideration			-		-		375,000
Own shares in trust	5		(300,772)		(300,772)		(300,772)
Other reserves	6		1,177,819		-		-
Profit and loss account			(54,119)		(5,567,216)		(5,140,840)
Equity Shareholders' Funds			5,933,810		4,005,821		6,006,196

The financial statements were approved by the board on 23 November 2005 and signed on its behalf by:

J A Pickles ______________________ Director

K P Scott ______________________ Director

> CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

			Six months ended 30.9.2005 Unaudited		Six months ended 30.9.2004 Unaudited		Six months ended 31.3.2005 Audited
		£	£	£	£	£	£
Net Cash (Outflow) / Inflow from Operating Activities	(i)		(94,085)		(106,455)		447,943
Returns on Investments and Servicing of Finance							
Interest received		5,920		5,067		8,674	
Interest paid		(40,670)		(43,846)		(42,738)	
Net Cash Outflow for Returns on Investments and Servicing of Finance			(34,750)		(38,779)		(34,064)
Taxation			(28,140)		-		(125,396)
Capital Expenditure							
Payments to acquire tangible fixed assets		(48,085)		(4,654)		(27,626)	
Proceeds from disposal of fixed assets		206,430		-		-	
Net Cash Inflow / (Outflow) for Capital Expenditure			158,345		(4,654)		(27,626)
Post Completion Dividends			-		-		(49,791)
Acquisitions							
Acquisition		(237,738)		-		(372,688)	
Acquisition Costs		-		-		(99,624)	
Net cash acquired with subsidiary		-		-		518,807	
Net Cash (Outflow) / Inflow for Acquisitions			(237,738)		-		46,495
Cash (Outflow) / Inflow before Financing			(236,368)		(149,888)		257,561
Financing							
Issue of ordinary share capital		-		492,400		492,398	
Expenses paid in connection with share issues		-		(26,201)		(27,201)	
Debt due within a year		(72,378)		(66,687)		(66,667)	
Debt due after a year		(111,978)		(461,445)		(521,908)	
Capital element of finance lease rental payments		-		(6,100)		(6,100)	
Net Financing Cash Outflow			(184,356)		(68,033)		(129,478)
(Decrease) / Increase in Cash	(ii)		(420,724)		(217,921)		128,083

> NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

(i) Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities	Six months ended 30.9.2005 £	Six months ended 30.9.2004 £	Year ended 31.3.2005 £
Operating (loss) / profit	(30,536)	(104,104)	366,046
Depreciation	22,446	13,634	35,628
Amortisation of goodwill and intangible assets	174,991	128,299	290,714
(Increase) / decrease in debtors	(229,298)	(52,818)	(239,604)
(Decrease) / increase in creditors	(31,688)	(42,350)	44,275
	(94,085)	(57,339)	497,059
Net cash outflow in respect of reorganisation costs (Note (iv))	-	(49,116)	(49,116)
Net cash (outflow) / inflow from operating activities	(94,085)	(106,455)	447,943

(ii) Reconciliation of Net Cash Flow to Movement in Net Debt (Note (iii))			
(Decrease) / increase in cash in the period	(420,724)	(217,921)	128,083
Cash outflow from decrease in debt and lease financing	184,356	534,232	594,675
Change in net debt resulting from cash flows	(236,368)	316,311	722,758
Change in net debt resulting from gain on early repayment	-	100,000	100,000
Movement in net debt in the period	(236,368)	416,311	822,758
Net debt at 1 April 2005	(404,170)	(1,226,949)	(1,226,928)
Net debt at 30 September 2005	(640,538)	(810,638)	(404,170)

(iii) Analysis of Changes in Net Debt	At 31.03.2005 £	Cash Flow £	At 30.09.2005 £
Cash at bank and in hand	671,839	(420,724)	251,115
Debt due within one year	(154,762)	8,333	(146,429)
Debt due after one year	(921,247)	176,023	(745,224)
	(1,076,009)	184,356	(891,653)
Net debt	(404,170)	(236,368)	(640,538)

(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 the financial statements for the year ended 31 March 2005.

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 2004 and the year ended 31 March 2005 is an abridged version of the group's published financial statements for these periods. The financial statements for the year ended 31 March 2005 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 2005 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 9,049,715 (6 months to 30 September 2004: 7,039,024). Adjusted earnings per share which exclude goodwill amortisation of £174,991 and the gain on fixed asset sales of £9,861 are shown below. The comparative adjusted earnings per share for the 6 month period to 30 September 2004 excluded goodwill amortisation of £128,299, reorganisation costs of £49,116 and a gain on early repayment of debt of £100,000. The comparative adjusted earnings per share for the 12 month period to 31 March 2005 excluded goodwill amortisation of £290,714, reorganisation costs of £49,116 and a gain on early repayment of debt of £100,000.

	Six months ended 30.9.2005	Six months ended 30.9.2004	Year ended 31.3.2005
Earnings / (Loss) per share	(0.60)p	(0.75)p	4.79p
Earnings per share - Excluding goodwill and exceptionals	1.23p	0.35p	7.86p

The calculation of fully diluted loss per share has not been disclosed as the effect of any outstanding share options is not dilutive in accordance with FRS22.

4 Turnover is attributable to the one principal activity of the group:

	Six months ended 30.9.2005 £	Six months ended 30.9.2004 £	Year ended 31.3.2005 £
United Kingdom	2,594,418	815,601	2,965,920
Rest of Europe	173,860	223,434	601,701
North America	72,724	124,928	296,998
Other	99,636	18,226	59,846
	2,940,638	1,182,189	3,924,465

5 Own shares to the value of £300,772 are shown at cost and relate to the investment in a Medium Term Incentive Plan which is administered by Investec Trust Guernsey Ltd. The shares are held in trust under the Plan and represent 3.4% of the total called up share capital. These shares become payable to directors and senior management on the achievement of certain performance criteria.

These shares are now shown under Capital and Reserves rather than Investments in accordance with UITF 38. Previous year's comparatives have also been restated. This follows the treatment of this balance in the financial statements for the year ended 31 March 2005. None of the performance criteria have been met to date.

6 By a special resolution passed at an AGM held on 22 July 2005, and by Order of the High Court of Justice on 24 August 2005, the Company's 28,369,260 special non-voting 10p deferred shares were cancelled and the share capital account accordingly reduced by £2,836,926. In addition, the share premium account was reduced by £3.5 million, an aggregate reduction in capital of £6,336,926. The effect of this reduction was to eliminate the debit balance on the profit and loss account of £5,140,480 and to create a special distributable reserve of £1,196,087 for the purpose of the company purchasing its own shares. Legal fees totalling £18,268 relating to the capital restructuring have been put to the special reserve.

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