INTERIM REPORT **07**

FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

International Learning Xchange

ILX GROUP

Company No. 3525870

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CHAIRMAN'S STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

> Introduction

I am pleased to present the results for the six months ended 30 September 2007, a period both of consolidation and growth.

These results include a full six months of the Corporate Training Group, acquired in July 2006, which has shown exceptional growth and continues to grow despite recent uncertainty in the financial services sector. The prospects for this business are excellent.

The full integration of the Mount Lane and Customer Projects businesses into the Best Practice division was completed successfully in April this year. A new Managing Director was also appointed for the division, which is now back on track.

> Business Review – Best Practice Group

The Best Practice Group has now been fully integrated to one division. This has involved the consolidation of the sales and operations teams providing annualised cost savings of approximately £340,000.

The division has won a number of significant new contracts, revenues from which have started to come through and which are expected to deliver further benefit in the second half. These contracts are primarily for classroom training and consultancy services but include an element of e-learning.

Sales of the division's desktop solutions (previously Mount Lane) products, particularly in Office 2007, have recovered, boosted by two major contracts and increased usage of the Microsoft Office 2007 suite amongst large corporations.

E-learning sales have shown growth in both Finance and PRINCE2, the project management qualification. The much anticipated change in ITIL, the service management qualification, from version 2 to version 3 has affected all of the providers of training in this sector. We have carried out a major upgrade to our ITIL products and our ITIL version 3 e-learning product was released in October significantly ahead of our competitors. Whilst sales were inevitably delayed as a consequence the Directors believe that the Company's offering is truly state-of-the-art and I would like to congratulate the development team on its release.

Finally, the division has successfully renewed its Accredited Consultancy status following the full integration of Customer Projects and has also secured ISO9001:2000 accreditation across the division. We remain the only company in the marketplace that can offer accredited classroom training and e-learning in PRINCE2 as well as being qualified to undertake PRINCE2 maturity assessments.

The division remains well placed to take advantage of what is traditionally its strongest half of the year from October to March.

> Business Review – Corporate Training Group

Trading at the Corporate Training Group has continued to be very strong, with like for like sales growth in the first half in excess of 20%, and bookings for the remainder of the year continuing to project strong growth.

We remain sensitive to the current issues affecting the investment banking sector, which makes up the majority of the client base for this division. However we are yet to see any adverse affect on the growth in demand for training. We are already seeing a significantly greater level of bookings for next year than we would usually expect, with a number of clients booking earlier in order to secure preferred dates.

Recruitment of high quality training staff is key to expanding this business and we have made good progress in this area, with two new trainers already on board and others identified to join the team.

Considerable work has been done by our development team, working in conjunction with the trainers, in building the first two e-learning products for the Corporate Training Group which we expect to be launched into this marketplace before the end of the year. We expect these e-learning products (called "i-learning") to set a new standard for high quality online training material. These products are designed to replace existing competitor e-learning products rather than to replace classroom training sessions as a key part of our continuing objective to dominate this market.

We are delighted with the growth so far and confident that the full year will be another record year for the Corporate Training Group.

> Financial Results

Revenue for the period was £6.26 million (6 months to September 2006: £4.47 million). Operating profit, before restructuring costs of £167,269 relating to the integration of Best Practice, was £1,340,312 (6 months to September 2006: £577,996), with an operating margin of 21% (6 months to 30 September 2006: 13%).

Basic earnings per share is up by 53% to 3.63p (6 months to September 2006: 2.37p). Excluding one-off costs, underlying earnings per share for the period was 4.14p (6 months to 30 September 2006: 2.37p). Adjusted earnings per share for the 12 months to 31 March 2007 was 5.94p.

> Dividend

The Directors do not currently intend to pay an interim dividend but expect to continue an annual dividend.

> Summary and Future Opportunities

The Group is rapidly establishing itself as a market leader in the development and implementation of quality e-learning software, and of high quality classroom training and consultancy services. We remain confident that with a strong performance from Best Practice in the second half, and continued growth from the Corporate Training Group, the outlook for the full year is very positive with capacity to deliver strong growth and value across both areas of the business.

Paul Lever
Chairman

20 November 2007

INDEPENDENT REVIEW REPORT TO ILX GROUP PLC

> Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 which comprises specifically the primary financial statements and the related explanatory notes that have been reviewed. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the London Stock Exchange Alternative Investment Market's (AIM) Rulebook for Companies. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

> Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rulebook for Companies.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

> Our Responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

> Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

> Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rulebook for Companies.

Saffery Champness
Chartered Accountants

Beaufort House
2 Beaufort Road
Clifton
Bristol
BS8 2AE

20 November 2007

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Notes	Six months ended 30.9.2007 Unaudited TOTAL	Six months ended 30.9.2006 Unaudited TOTAL	Year ended 31.3.2007 Audited TOTAL
		£	£	£
Revenue		6,262,413	4,470,254	10,340,406
Cost of sales		(2,847,264)	(1,734,156)	(4,488,656)
Gross profit		3,415,149	2,736,098	5,851,750
Distribution costs		(145,198)	(119,539)	(286,034)
Administrative expenses excluding depreciation and amortisation		(1,865,578)	(2,005,587)	(3,899,109)
Earnings before interest, tax and depreciation and amortisation		1,404,373	610,972	1,666,607
Depreciation		(64,061)	(32,976)	(87,054)
Operating profit before restructuring costs		1,340,312	577,996	1,579,553
Interest receivable and similar income		9,968	9,317	26,499
Interest payable and similar charges		(204,099)	(81,396)	(241,344)
Profit before tax and restructuring costs		1,146,181	505,917	1,364,708
Restructuring Costs	3	(167,269)	-	-
Profit before tax		978,912	505,917	1,364,708
Tax		(274,095)	(151,593)	(257,360)
Profit for the period attributable to equity shareholders		704,817	354,324	1,107,348
Earnings per share:	4			
Basic		3.63p	2.37p	6.45p
Diluted		3.51p	n/a	6.33p

> Consolidated Statement of Changes in Equity
For the six months ended 30 September 2007

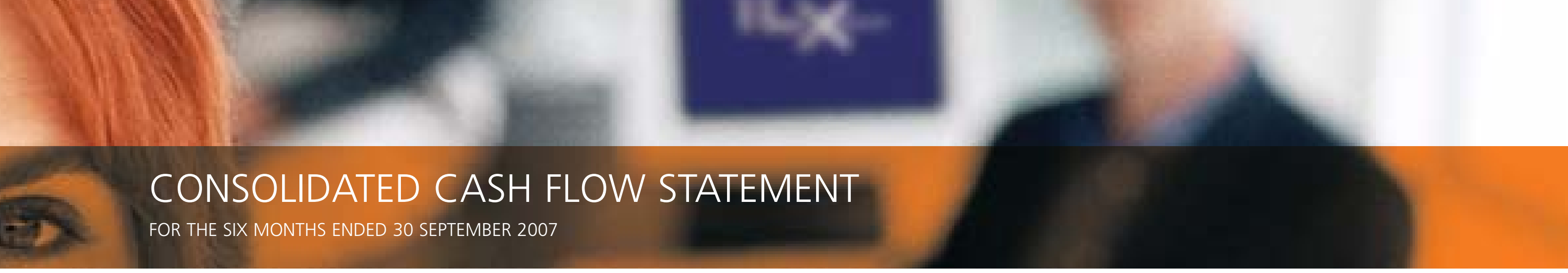
	Six months ended 30.9.2007	Six months ended 30.9.2006	Year ended 31.3.2007
	£	£	£
Balance at start of period	19,441,510	12,919,708	12,919,708
Profit for the period	704,817	354,324	1,107,348
Dividends paid	(145,431)	(96,250)	(96,250)
Issue of shares to trust	-	(742,500)	(742,500)
Dividends received by trust	22,125	-	-
Issue of shares	500	653,547	655,247
Options granted and exercised	33,857	67,424	62,659
Contingent consideration	-	3,000,000	970,000
Premium on issue of shares	3,000	4,718,328	4,731,927
Costs relating to share issues	(3,099)	(161,459)	(166,629)
Balance at end of period	20,057,279	20,713,122	19,441,510

CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2007

	Notes	As at 30.9.2007 Unaudited	As at 30.9.2006 Unaudited	As at 31.3.2007 Audited
Assets		£	£	£
Non-current assets				
Property, plant and equipment		243,097	178,099	232,554
Intangible assets		22,898,519	24,995,563	22,779,845
Deferred tax asset		259,905	637,405	534,000
Total non-current assets		23,401,521	25,811,067	23,546,399
Current assets				
Trade and other receivables		3,152,435	3,463,195	2,660,587
Cash and cash equivalents		112,221	261,435	843,686
Total current assets		3,264,656	3,724,630	3,504,273
Total assets		26,666,177	29,535,697	27,050,672
Current liabilities				
Trade and other payables		(1,413,283)	(1,516,770)	(1,743,352)
Provision for deferred & contingent consideration	7	(1,000,000)	(1,270,000)	(1,000,000)
Tax liabilities		(714,606)	(777,911)	(644,582)
Bank loans		(1,898,372)	(1,653,743)	(1,098,372)
Total current liabilities		(5,026,261)	(5,218,424)	(4,486,306)
Non-current liabilities				
Provision for deferred & contingent consideration	7	-	(1,000,000)	(1,000,000)
Hire purchase creditor		-	(2,438)	-
Bank loans		(1,582,637)	(2,601,713)	(2,122,856)
Total non-current liabilities		(1,582,637)	(3,604,151)	(3,122,856)
Total liabilities		(6,608,898)	(8,822,575)	(7,609,162)
Net assets		20,057,279	20,713,122	19,441,510
Equity				
Issued share capital		1,939,076	1,936,876	1,938,576
Share premium		11,813,236	11,804,906	11,813,335
Shares to be issued – contingent consideration	7	3,000,000	5,030,000	3,000,000
Own shares in trust	6	(1,802,567)	(1,824,692)	(1,824,692)
Share option reserve		292,138	267,040	258,281
Buyback reserve		1,177,819	1,177,819	1,177,819
Retained earnings		3,637,577	2,321,173	3,078,191
Total equity		20,057,279	20,713,122	19,441,510

The interim financial statements were approved by the board of directors and authorised for issue on 20 November 2007.



CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Six months ended 30.9.2007 Unaudited	Six months ended 30.9.2006 Unaudited	Year ended 31.3.2007 Audited
	£	£	£
Profit from operations	1,340,312	577,996	1,579,553
Adjustments for:			
Depreciation and amortisation	64,061	32,976	87,054
Share option charge	33,857	67,424	62,659
Movement in trade and other receivables	(485,639)	(472,507)	457,349
Movement in trade and other payables	(128,936)	(528,754)	(204,417)
Cash generated from / (used by) operating activities	823,655	(322,865)	1,982,198
Interest paid	(16,150)	(25,201)	(24,628)
Tax paid	(131,192)	(905)	(96,858)
Net cash generated from / (used by) operating activities	676,313	(348,971)	1,860,712
Restructuring Costs	(167,269)	-	-
Investing activities			
Interest received	9,968	9,317	26,499
Purchases of property, plant and equipment	(74,604)	(55,113)	(163,646)
Expenditure on product development	(118,674)	(118,163)	(198,945)
Payments relating to acquisition of subsidiaries	(1,000,000)	(5,648,065)	(5,780,079)
Net cash used by investing activities	(1,183,310)	(5,812,024)	(6,116,171)
Financing activities			
Post-completion dividends paid	-	-	(82,411)
Increase in / (repayment of) borrowings	259,781	3,434,695	2,400,467
Repayment of finance lease obligations	-	(610)	(10,362)
Net proceeds of share issues	(3,099)	2,458,916	2,478,045
Interest paid	(190,575)	(20,447)	(236,470)
Dividend paid	(123,306)	(96,250)	(96,250)
Net cash from financing activities	(57,199)	5,776,304	4,453,019
Net change in cash and cash equivalents	(731,465)	(384,691)	197,560
Cash and cash equivalents at start of period	843,686	646,126	646,126
Cash and cash equivalents at end of period	112,221	261,435	843,686

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 Interim Report is in compliance with International Accounting Standard 34 (Interim Financial Reporting). The comparative financial information for the six months ended 30 September 2006, and the year ended 31 March 2007, is an abridged version of the group's published financial statements for these periods. The financial statements for the year ended 31 March 2007 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 2007 financial statements of ILX Group Plc.

3. During the period the company incurred exceptional costs of £167,269 relating to a fundamental reorganisation of the company's continuing operations.

4. 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 19,390,295 (6 months to 30 September 2006: 14,960,662).

	Six months ended 30.9.2007	Six months ended 30.9.2006	Year ended 31.3.2007
Post tax profit for the period	£704,817	£354,324	£1,107,348
Weighted average shares	19,390,295	14,960,662	17,179,200
Basic EPS	**3.63p**	**2.37p**	**6.45p**

Diluted earnings per share is adjusted for outstanding options and the average option price, using an average interest saving of 8.00% (2006: 7.25%).

	Six months ended 30.9.2006	Year ended 31.3.2007
Post tax profit for the period	£704,817	£1,107,348
After tax interest on outstanding options multiplied by exercise price	£51,056	£107,680
Profit for diluted earnings per share	£755,873	£1,215,028
Weighted average shares for basic earnings per share	19,390,295	17,179,200
Outstanding options	2,134,615	2,008,615
Weighted average shares for diluted earnings per share	21,524,910	19,187,815
Diluted EPS	**3.51p**	**6.33p**

The calculation of fully diluted earnings per share has not been disclosed for the six months ended 30 September 2006 as the effect of the company's outstanding share options for that period was not dilutive.

An underlying adjusted earnings per share figure is calculated below stripping out the effect of exceptional reorganisation costs incurred and using a normalised tax rate:

	Six months ended 30.9.2007	Six months ended 30.9.2006	Year ended 31.3.2007
	£	£	£
Post tax profit for the period	704,817	354,324	1,107,348
Add / (deduct) actual tax charge / (credit)	274,095	151,593	257,360
Add / (deduct) non-recurring items	167,269	-	92,716
Normalised tax charge	(343,854)	(151,593)	(437,227)
Profit for adjusted earnings per share	802,327	354,324	1,020,197

	Six months ended 30.9.2007	Six months ended 30.9.2006	Year ended 31.3.2007
Post tax profit for the period	£802,327	£354,324	£1,020,197
Weighted average shares	19,390,295	14,960,662	17,179,200
Basic EPS - adjusted	4.14p	2.37p	5.94p

	Six months ended 30.9.2007	Six months ended 30.9.2006	Year ended 31.3.2007
Post tax profit for the period	£802,327	£354,324	£1,020,197
After tax interest on outstanding options multiplied by exercise price	£51,056	£42,970	£107,680
Profit for diluted earnings per share	£853,383	£397,294	£1,127,877
Weighted average shares for basic earnings per share	19,390,295	14,960,662	17,179,200
Outstanding options	2,134,615	1,750,615	2,008,615
Weighted average shares for diluted earnings per share	21,524,910	16,711,277	19,187,815
Diluted EPS - adjusted	**3.96p**	**n/a**	**5.88p**

5. The group operates in one business segment; that of supply of training and consultancy solutions. The operations are monitored by the geographic regions of UK, Mainland Europe, North America, and Other (Asia, Middle and Far East, Africa, and South America).

6. The company holds 1,850,000 of its own ordinary shares in trust in a Medium Term Incentive Plan, administered by Investec Trust Guernsey Ltd. These shares become payable to directors and senior management, on the achievement of certain performance criteria. The shares are shown at cost as a debit against reserves and relate to the investment. The shares are held in trust under the Plan and represent 9.9% of the total called up share capital.

7. The company has the following liabilities, some contingent on certain future performance criteria, arising out of earn-out provisions in the agreements relating to recent acquisitions. These contingent liabilities and their potential timing are as follows:

	At 30.9.2007	At 30.9.2006	At 31.3.2007
Current liabilities: Contingent consideration	£	£	£
Acquisition of Corporate Training Group Ltd	1,000,000	1,270,000	1,000,000
	1,000,000	1,270,000	1,000,000
Non-current liabilities: Contingent consideration			
Acquisition of Corporate Training Group Ltd	-	1,000,000	1,000,000
	-	1,000,000	1,000,000
Equity: Contingent consideration			
Acquisition of Mount Lane Training and Implementation Solutions Ltd	-	1,530,000	-
Acquisition of Customer Projects Ltd	-	500,000	-
Acquisition of Corporate Training Group Ltd	3,000,000	3,000,000	3,000,000
	3,000,000	5,030,000	3,000,000

The contingent consideration relating to The Corporate Training Group Limited shown under current liabilities, is payable in cash on 30 June 2008.

The contingent consideration relating to The Corporate Training Group Limited shown under equity, is payable in cash or shares at the Company's option. £1,500,000 fell due on 30 June 2007 and the remaining £1,500,000 is due to be settled on 30 June 2008.

The Company and the vendors of The Corporate Training Group Limited have agreed to defer payment of the amount due on 30 June 2007. Under the terms of the agreement, interest accrues on the outstanding balance at 5% above base rates.

8. The company has a related party relationship with its subsidiaries, its directors, and other employees of the company with management responsibility. There were no transactions with these parties during the period outside the usual course of business. There were no transactions with any other related parties.

9. The Company's last accounts referred to a contingent liability arising from a claim lodged by a former employee against the company. The claim was scheduled to be heard by an employment tribunal in November 2007. This tribunal has now been postponed while both parties continue discussions with the intention of reaching an amicable resolution.

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