INTERIM REPORT 2008

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WHERE
INNOVATION
BEGINS

Innovation Group is a specialist provider to the global insurance industry, our BPO and software services underpin more than 300 global clients. We operate in the world's largest insurance markets, including, Australia, Belgium, Canada, France, Germany, Japan, Netherlands, Pakistan, Poland, South Africa, Spain, United Kingdom and the United States.

The clients we service include All-State, Aviva, Avis Budget, AXA Insurance, the Ford Motor Company, Hertz, Royal & SunAlliance, Toyota and Zurich.

Serviced by over 2300 insurance specialists, we work with clients to generate new products and support their sales, employing our call centres to convert prospects into policyholders, and our software to quote and manage these policies. In the event of an incident – our call centres, claims professionals and software manage every step of the claims process to realise greater efficiency, improved customer satisfaction and higher profits.

Innovation Group's major on-going 5 year partnership with IBM has enabled us to develop a 'centre of excellence' to constantly improve the delivery of our solutions.

innovation group

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HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	H1 2008	H1 2007	Change
Revenue	**£64.2m**	£48.4m	+33%
Adjusted profit before tax *	**£4.0m**	£6.1m	-33%
(Loss)/profit before tax	**(0.8m)**	£3.9m	-117%
Adjusted earnings per share	**0.23p**	0.70p	-67%
(Loss)/earnings per share	**(0.30p)**	0.42p	-171%
Interim dividend per share	**0.15p**	Nil	

* Adjusted profit is profit before tax after adding back the amortisation charge of £1.7m, a share based payments charge of £1.2m, utilisation of brought forward tax losses of £0.4m and Nobilas exceptional costs of £1.5m. A more detailed explanation of the underlying profit is given on page 5.

PERFORMANCE INDICATORS

	H1 2008	H1 2007
Outsourcing revenue	**75%**	67%
Recurring revenue	**83%**	75%
Operating cash (out)/inflow	**£(6.0m)**	£4.5m

CORPORATE HIGHLIGHTS AND MILESTONES

- H1 2008 upfront investment in new client relationships will generate revenue and profit in second half and beyond
- Nobilas integration progressing as planned
- 4 full accident management upsells from the First Notice customers in North America
- Over 25 new client wins, bringing total to over 300 major customers
- Underlying profit in excess of £7m
- Selected by IBM as ISV Partner in their new Insurance Ecosystem offering

Hassan Sadiq, Chief Executive Officer, commented:

"The first half of the financial year has been one of challenge and significant transformation for the business. Recurring revenues continue to increase and now represent 83% of the total. New business wins have been substantial and we have made significant investment in capacity in order to service these requirements in the second half and beyond. Nobilas has been turned around on an operational basis and integration is largely complete.

Consequently, as volumes from new business won in the first half begin ramping up in the second, we expect margins to improve significantly. The investment made in developing our service offering, integrating acquisitions and adding capacity leave the Group well placed to generate growth in revenue and profit in the second half and beyond."

CHIEF EXECUTIVE'S STATEMENT

The Innovation Group provides software and outsourcing services to the insurance industry. Our vision is to provide technology and best practice for the administration of policies and claims for the world's insurers and risk carriers. The Group is totally focused on this market and delivers its two broad offerings through a single client centric organisation. We are a multinational player operating in the world's largest insurance markets with a strong proportion of our clients being international in nature. Our 2,300 people across the world have extensive insurance experience and are ably supported by our partners.

Half-Year Review

Total revenue in the first half has increased by 33% and recurring revenue now represents 83% of the total. Growth has come both from existing customers and significant new wins, taking the customer base to over 300 major customers. Adjusted profit decreased by 33% in the same period to £4.0m after deducting anticipated Nobilas trading losses of £1.7m. This result has also been impacted by additional costs including developing our service offering, bidding for and winning new customers and adding capacity for them that will contribute to significant revenue and profit growth in the second half. These additional costs have been partially offset by one-off income in South Africa relating to lower than anticipated future claims costs. Our assessment of the underlying profit for the first half is in excess of £7m.

Our organisation continues to grow with new commitments from existing customers expanding to new territories. We have experienced revenue growth in all our major markets and are particularly pleased with the growth in Europe and North America. In particular, when we entered the US outsourcing market, our goal was to increase revenue per transaction. Over the last three months, we have four new commitments in the US outsourcing business which increases our income per transaction sevenfold.

Market demand is strong globally, driven principally by the transformation occurring in the insurance industry. New start up insurance companies; retailers and other major brands entering the insurance market; new insurance business models from existing carriers and new markets and products, are all making the insurance world an exciting and dynamic place to be.

Since inception, Innovation Group has significantly invested in advanced insurance capabilities to innovate new insurance models. These can be rapidly deployed using our BPO offering and Services Orientated Architecture (SOA) software. The client relationship can be tailored to manage either the whole or partial process and can be purchased on an operating expense basis therefore eliminating the requirement for significant capital expenditure.

In order to meet existing customer commitments and improve our competitive advantage we continue to make significant investment in insurance innovation. We have invested in research and development in preparation to deploy our SOA based software within our own BPO businesses. Recently we have also invested in fraud management, predictive flood modelling and mobile and wireless technology.

With our client centric approach we have secured over twenty five new wins in the first half. These new wins, which include Avis Budget and Western Computer Services in the USA and a leading UK insurance provider, will help to underpin our future growth.

We continue to invest in our relationship with IBM and have been selected as one of four component service providers for IBM's Insurance ISV Ecosystem. The IBM Ecosystem delivers value through insurance specific SOA based applications.

Financial and Operational Review

Revenue for the six months to 31 March 2008 increased by 33% (26% organically) to £64.2m (H1 2007: £48.4m); recurring revenue increased by 43% from £36.9m to £53.2m and now represents 83% of total revenue. Outsourcing revenue grew by 48% to £48m (H1 2007: £32.3m) whilst software revenue remained static at £16.2m (H1 2007: £16.1m).

Adjusted profit decreased by 33% to £4.0m (H1: 2007 £6.1m) after recognising anticipated Nobilas trading losses of £1.7m (H1 2007: Nil). Reported profit before tax reflects share based payment charges of £1.2m, amortisation of £1.7m, brought forward tax losses of £0.4m and Nobilas exceptional costs of £1.5m. The loss before tax was £0.8m (H1 2007: profit £3.9m). Adjusted EPS was 0.23p (H1 2007: 0.70p) and basic loss per share was 0.30p (H1 2007: positive EPS 0.42p). The Group full year effective tax rate is forecast at 22%.

For the period under review there was an operating cash outflow of £6.0m (H1 2007: inflow £4.5m). This comprised an operating loss of £1.4m, including £2.2m of Nobilas trading and exceptional cash costs, adjustments for non cash items, a decrease in working capital of £6.3m, largely reflecting movements in deferred income balances and tax paid of £2.5m.

Included in closing cash of £25.3m (H1 2007: £26.8m), is £8.0m (H1 2007: £7.9m) of balances held in Innovation Group bank accounts on behalf of customers, for which there is a corresponding balance sheet liability, for the settlement of the transaction cost on behalf of those customers. Net cash was £5.4m (H1 2007: £14.3m).

Acquisitions

On 3 December 2007, the Group acquired certain businesses and assets of Nobilas Claims and Fleet Solutions, a global accident claims management business from Akzo Nobel NV. The acquisition comprised Nobilas SA (France), Nobilas GmbH (Germany), Nobilas Iberia (Spain), Nobilas UK Ltd and certain assets of Nobilas operations in the US, Netherlands and Belgium for a cash consideration of £5.8m, comprising £0.6m purchase consideration, £2.0m transaction costs and £3.2m acquired net assets. In the period since the acquisition, an adjusted loss of £1.7m has been incurred in respect of these operations. As previously announced a Nobilas restructuring programme commenced immediately upon completion of the acquisition and £1.5m of costs, classified as exceptional, have been expensed in the first half with further expenditure expected during the second half of 2008. The Nobilas integration is progressing well and is expected to be earnings enhancing from the 2009 financial year.

Post the period end, on 2 May 2008, the Group acquired 100% of Choice Certified Contractors in the US for $1m (approximately £0.5m) including an earn-out of up to $250,000. Choice Certified's technology facilitates the communication and sharing of information between contractor, adjuster and the insured to ensure proper agreement on scope and the timely payment of all insurance claims. Innovation Group intends to leverage this technology into its existing claims processing system.

Also post the period end, on 16 May 2008, the Group exercised an option to acquire a 100% shareholding in National Service Network Holdings Limited for an initial consideration of £1.1m, plus an earn-out payment of up to £5.75m. NSN manages the largest centrally controlled network of independent maintenance and repair garages in the UK.

Risks and uncertainties

The Group needs to remain competitive on a global basis; is dependent upon the maintenance of service level agreements with insurance industry clients and relies on its relationships with its supplier networks. Software solutions must remain technologically competitive and the associated intellectual property must be properly protected. The Group is exposed to external risks including economic factors, exchange transaction risks or the financial failure of a major customer.

Dividend Policy

Reflecting their confidence in the business, the Directors have declared an interim dividend of 0.15p per share. The dividend will be paid on 15 July 2008. The record date is 30 May 2008.

Outlook

Global demand for outsourced insurance BPO services continues to be significant and our pipeline has never been stronger.

Recurring revenue now represents 83% of total revenue and provides a strong base from which to grow. The first half investment we have made in winning new customers and adding capacity for them will not only deliver profit in the second half but will crystallise economies of scale. This, combined with the rapid integration of recent acquisitions, will allow margins to improve significantly and underpin increasing returns to shareholders, in the second half and beyond.

The Board looks forward to the future with increased confidence.

Hassan Sadiq

Chief Executive Officer

UNAUDITED INCOME STATEMENT

For the six months ended 31 March 2008

	Note	**Unaudited 6 months to 31 March 2008 £'000**	Unaudited 6 months to 31 March 2007 £'000	Audited Year to 30 September 2007 £'000
Revenue	2	**64,218**	48,438	110,466
Cost of sales		**(37,594)**	(25,520)	(58,662)
Gross profit		**26,624**	22,918	51,804
Operating expenses		**(28,020)**	(19,823)	(43,206)
Operating (loss)/profit		**(1,396)**	3,095	8,598
Finance income		**1,214**	756	2,090
Finance costs		**(852)**	(491)	(1,240)
Share of profit of associate		**283**	515	953
(Loss)/profit before tax	2	**(751)**	3,875	10,401
UK taxation		**–**	(25)	178
Overseas taxation		**(421)**	(1,193)	(2,510)
Total taxation	4	**(421)**	(1,218)	(2,332)
(Loss)/profit for the period after tax		**(1,172)**	2,657	8,069
Attributable to:				
Equity holders of the parent		**(1,941)**	2,349	7,161
Minority interests		**769**	308	908
		(1,172)	2,657	8,069
Adjusted profit:				
(Loss)/profit before tax		**(751)**	3,875	10,401
Amortisation of acquired intangibles		**1,672**	1,711	2,877
Exceptional Nobilas costs	3	**1,526**	–	–
Impairment of investments		**–**	–	1,119
Share based payments		**1,189**	354	1,464
Utilisation of pre-acquisition brought forward tax losses		**408**	124	191
Adjusted profit for the period	2	**4,044**	6,064	16,052
(Loss)/earnings per share (pence)				
Basic	5	**(0.30)**	0.42	1.17
Diluted	5	**(0.30)**	0.41	1.14
Adjusted	5	**0.23**	0.70	1.93
Adjusted diluted	5	**0.22**	0.68	1.90

All amounts relate to continuing operations.

UNAUDITED BALANCE SHEET

As at 31 March 2008

	Note	**Unaudited 31 March 2008 £'000**	Unaudited 31 March 2007 £'000	Audited 30 September 2007 £'000
ASSETS				
Non current assets				
Property, plant and equipment		**13,924**	11,855	13,045
Intangible assets	7	**85,009**	76,267	87,461
Investments accounted for using the equity method		**1,845**	2,738	1,609
Financial assets		**530**	303	301
Deferred tax assets		**372**	507	730
		101,680	91,670	103,146
Current assets				
Inventories		**–**	31	–
Trade and other receivables	8	**38,787**	20,959	28,197
Prepayments		**3,068**	1,915	2,344
Other financial assets		**245**	–	245
Cash and cash equivalents		**25,301**	26,793	39,826
		67,401	49,698	70,612
TOTAL ASSETS		**169,081**	141,368	173,758
EQUITY AND LIABILITIES				
Attributable to equity holders of the parent				
Equity share capital		**12,881**	12,749	12,877
Share premium		**36,054**	35,901	36,034
Merger reserve		**2,121**	561	2,121
Foreign currency translation		**(4,313)**	(2,664)	(290)
Shares to be issued		**1,769**	–	–
Put option reserve		**(2,225)**	–	(2,225)
Retained earnings		**42,368**	39,130	45,052
		88,655	85,677	93,569
Minority interests		**1,753**	1,313	1,527
TOTAL EQUITY		**90,408**	86,990	95,096
Non current liabilities				
Trade and other payables	9	**256**	2,437	1,719
Deferred income		**2,946**	2,919	5,841
Interest bearing loans and borrowings	10	**14,339**	8,269	17,876
Deferred tax liabilities		**4,528**	2,272	4,996
Provisions		**813**	692	486
		22,882	16,589	30,918
Current liabilities				
Trade and other payables	9	**34,265**	19,236	20,952
Deferred income		**12,299**	12,164	15,978
Interest bearing loans and borrowings	10	**5,566**	4,258	5,066
Income tax payable		**1,466**	2,131	3,321
Provisions		**2,195**	–	2,427
		55,791	37,789	47,744
TOTAL LIABILITIES		**78,673**	54,378	78,662
TOTAL EQUITY AND LIABILITIES		**169,081**	141,368	173,758

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

As at 31 March 2008

	Attributable to equity holders of the parent									
	Issued capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Translation reserves £'000	Shares to be issued £'000	Put option reserve £'000	Total £'000	Minority interest £'000	Total equity £'000
At 1 October 2006	9,030	2,706	561	36,427	(2,523)	–	–	46,201	795	46,996
Profit for the period	–	–	–	2,349	–	–	–	2,349	308	2,657
Currency translation differences	–	–	–	–	(141)	–	–	(141)	–	(141)
Issue of share capital	3,719	33,195	–	–	–	–	–	36,914	–	36,914
Share based payments	–	–	–	354	–	–	–	354	–	354
Minority interest acquired with subsidiary	–	–	–	–	–	–	–	–	210	210
At 31 March 2007	12,749	35,901	561	39,130	(2,664)	–	–	85,677	1,313	86,990
Profit for the period	–	–	–	4,812	–	–	–	4,812	600	5,412
Currency translation differences	–	–	–	–	2,374	–	–	2,374	(22)	2,352
Fair value of put option	–	–	–	–	–	–	(2,225)	(2,225)	–	(2,225)
Dividends (note 6)	–	–	–	–	–	–	–	–	(562)	(562)
Issue of share capital	128	2,479	1,560	–	–	–	–	4,167	–	4,167
Share based payments	–	(2,346)	–	1,110	–	–	–	(1,236)	–	(1,236)
Minority interest acquired with subsidiary	–	–	–	–	–	–	–	–	198	198
At 30 September 2007	12,877	36,034	2,121	45,052	(290)	–	(2,225)	93,569	1,527	95,096
Profit for the period	–	–	–	(1,941)	–	–	–	(1,941)	769	(1,172)
Currency translation differences	–	–	–	–	(4,023)	–	–	(4,023)	(135)	(4,158)
Dividends (note 6)	–	–	–	(1,932)	–	–	–	(1,932)	(408)	(2,340)
Issue of share capital	4	20	–	–	–	–	–	24	–	24
Shares to be issued	–	–	–	–	–	1,769	–	1,769	–	1,769
Share based payments	–	–	–	1,189	–	–	–	1,189	–	1,189
At 31 March 2008	**12,881**	**36,054**	**2,121**	**42,368**	**(4,313)**	**1,769**	**(2,225)**	**88,655**	**1,753**	**90,408**

UNAUDITED CASH FLOW STATEMENT

For the six months ended 31 March 2008

	Unaudited 6 months to 31 March 2008 £'000	Unaudited 6 months to 31 March 2007 £'000	Audited Year to 30 September 2007 £'000
Cash flows from operating activities			
Operating (loss)/profit	**(1,396)**	3,095	8,598
Adjustments to reconcile group operating profit to net cash inflows from operating activities			
Depreciation of property, plant and equipment	**1,411**	1,034	2,124
Loss on disposal of property, plant and equipment	**(24)**	(11)	(25)
Amortisation of intangible assets	**1,764**	1,782	3,033
Impairment of goodwill and financial assets	**–**	–	1,119
Share based payments	**1,189**	354	1,464
Utilisation of pre-acquisition brought forward tax losses	**408**	124	191
Increase in inventories	**–**	(4)	–
(Increase)/decrease in receivables	**(456)**	22	(6,463)
(Decrease)/increase in payables	**(6,329)**	220	7,899
Income taxes paid	**(2,554)**	(2,081)	(2,750)
Net cash flows from operating activities	**(5,987)**	4,535	15,190
Cash flows from investing activities			
Sale of property, plant and equipment	**–**	22	369
Purchases of tangible and intangible fixed assets	**(2,408)**	(985)	(3,166)
Purchase of subsidiary undertakings	**(5,853)**	(36,749)	(41,854)
Payment of deferred consideration	**–**	–	(1,430)
Cash acquired with subsidiaries	**5,168**	1,858	1,725
Purchase of associated undertaking	**–**	(219)	(519)
Purchase of fixed asset investments	**(254)**	(116)	(254)
Sale of current asset investment	**–**	685	685
Interest received	**1,214**	755	1,792
Net cash flows used in investing activities	**(2,133)**	(34,749)	(42,652)
Cash flows from financing activities			
Interest paid	**(852)**	(394)	(1,206)
Dividend paid to minorities	**(408)**	–	(523)
Dividend paid to shareholders	**(1,932)**	–	–
Repayment of borrowings	**(2,278)**	(1,797)	(4,026)
New bank loans	**–**	3,000	14,794
Repayment of capital element of finance leases	**(401)**	(372)	(853)
Proceeds from issue of shares	**24**	36,952	37,112
Net cash flows from financing activities	**(5,847)**	37,389	45,298
Net (decrease)/ increase in cash and cash equivalents	**(13,967)**	7,175	17,836
Cash and cash equivalents at beginning of period	**39,826**	18,999	18,999
Effect of exchange rates on cash and cash equivalents	**(558)**	619	2,991
Cash and cash equivalents at the period end	**25,301**	26,793	39,826

NOTES TO THE UNAUDITED RESULTS

For the six months ended 31 March 2008

1. BASIS OF PREPARATION

The interim statement has been prepared on the basis of the accounting policies and estimates set out in the annual report and the financial statements for the year ended 31 September 2007. This condensed consolidated interim financial information for the six months ended 31 March 2008 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

The financial information contained in this interim statement does not amount to statutory financial statements within the meaning of section 240 Companies Act 1985. The financial information contained in this report is unaudited but has been reviewed by Ernst & Young LLP. The financial statements for the year ended 30 September 2007, from which information has been extracted, were prepared under IFRS and have been delivered to the Registrar of Companies. The report of the auditors was unqualified in accordance with section 235 Companies Act 1985 and did not contain a statement under section 237 (2) or (30) Companies Act 1985. The interim financial statements were approved by the Board of Directors on 19 May 2008.

Critical accounting estimates and judgements

In preparing the consolidated interim financial statements, management has had to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. The critical judgements and key sources of estimation uncertainty that have been made in preparing the consolidated financial statements are detailed below. These judgements involve assumptions or estimates in respect of future events which can vary from what is anticipated.

Deferred income in the outsourcing division

Within the outsourcing division the Group collects certain premiums and fees from clients for the processing and settlement of future claims. The Group assesses the extent to which future claims will be received and defers income accordingly. In some cases independently reviewed actuarial curves are used to facilitate the release of income. During the first half of the year, as a result of a change in market conditions in South Africa, a change in these actuarial estimates have enabled the Group to release £2m to income due to a significant reduction in the level of future claims costs. Management assess these curves on a periodic basis to ensure costs are adequately reserved.

Profit recognition in Group cell captives

Management recognise profit in the cell captive based on an excess of funds held compared to future costs to settle claims. Management have sufficient history on the profile of these claims to predict future costs with a high degree of accuracy.

Intangible assets

In accordance with IFRS 3 "Business Combinations" goodwill arising on the acquisition of subsidiaries is capitalised and included within intangible assets. IFRS 3 also requires the identification of other intangible assets acquired. Although the techniques used to value these assets are in line with internationally used models, they do require the use of estimates which may differ from actual outcomes. Models used are the Multi Period Excess Earnings for customer relationships and lists and the Relief From Royalty method for valuing trade names and software.

Income taxes

In recognising income taxes and liabilities, management makes estimates of the likely outcome of decisions by tax authorities on transactions and events whose treatment for tax purposes is uncertain. Where the final outcome of such matters is different, or expected to be different, from previous assessments made by management, a change in the carrying value of income tax assets and liabilities will be recorded in the period in which such determination is made.

2. SEGMENT INFORMATION

The Group is organised into two primary reporting segments, namely outsourcing and software. These are the Group's primary reporting format for segment information. Secondary segment information is reported geographically.

Primary basis – business segments

Six months ended 31 March 2008

	Outsourcing £'000	Software £'000	Total £'000
External segment revenue	48,017	16,201	64,218
Segment results	(1,317)	(79)	(1,396)
Finance income	959	255	1,214
Finance costs	(641)	(211)	(852)
Share of profit of associate	283	–	283
Loss before tax	(716)	(35)	(751)
Tax expense			(421)
Loss after tax (before minority interest)			(1,172)
Adjusted profit			
Loss before tax	(716)	(35)	(751)
Amortisation of acquired intangibles	1,628	44	1,672
Exceptional Nobilas costs	1,526	–	1,526
Share based payments	508	681	1,189
Utilisation of pre-acquisition brought forward tax losses	408	–	408
	3,354	690	4,044

Central costs have been allocated on a 75:25 basis between outsourcing and software (2007: 70:30 between outsourcing and software). The change in the allocation for 2008 reflects the increased activity in outsourcing.

Primary basis – business segments

Six months ended 31 March 2007

	Outsourcing £'000	Software £'000	Total £'000
External segment revenue	32,367	16,071	48,438
Segment results	1,366	1,729	3,095
Finance income	557	199	756
Finance costs	(254)	(237)	(491)
Share of profit of associate	515	–	515
Profit before tax	2,184	1,691	3,875
Tax expense			(1,218)
Profit after tax (before minority interest)			2,657
Adjusted profit			
Profit before tax	2,184	1,691	3,875
Amortisation of acquired intangibles	1,667	44	1,711
Share based payments	71	283	354
	124	–	124
	4,046	2,018	6,064

2. SEGMENT INFORMATION continued

Primary basis – business segments

Year ended 30 September 2007

	Outsourcing £'000	Software £'000	Total £'000
External segment revenue	75,411	35,055	110,466
Segment results	4,969	3,629	8,598
Finance income	1,507	583	2,090
Finance costs	(625)	(615)	(1,240)
Share of profit of associate	953	–	953
Profit before tax	6,804	3,597	10,401
Tax expense			(2,332)
Profit after tax (before minority interest)			8,069
Adjusted profit			
Profit before tax	6,804	3,597	10,401
Amortisation of intangible assets	2,789	88	2,877
Impairment of investments	1,119	–	1,119
Share based payments	477	987	1,464
Utilisation of pre-acquisition brought forward tax losses	191	–	191
	11,380	4,672	16,052

Secondary format – geographical segments

The following table presents an analysis of revenue.

Revenue by origin and destination

	Unaudited 6 months to 31 March 2008 £'000	Unaudited 6 months to 31 March 2007 £'000	Audited 12 months to 30 September 2007 £'000
Africa	**17,247**	16,273	34,165
Europe	**28,791**	18,208	43,427
Americas	**14,188**	10,540	25,596
Asia Pacific	**3,992**	3,417	7,278
	64,218	48,438	110,466

2. SEGMENT INFORMATION continued

The following table provides disclosure of the Group's revenue analysed by the type of service

Revenue by type of service

	Unaudited 6 months to 31 March 2008 £'000	Unaudited 6 months to 31 March 2007 £'000	Audited 12 months to 30 September 2007 £'000
Outsourcing	**48,017**	32,367	75,411
Software			
Licence	**1,522**	1,420	3,669
Solution delivery	**9,436**	10,059	21,797
Maintenance and other recurring	**5,243**	4,592	9,589
	16,201	16,071	35,055
Total revenue	**64,218**	48,438	110,466

3. EXCEPTIONAL NOBILAS COSTS

	Unaudited 6 months to 31 March 2008 £'000	Unaudited 6 months to 31 March 2007 £'000	Audited 12 months to 30 September 2007 £'000
Nobilas restructuring costs			
Redundancy costs	**1,155**	–	–
Consultancy fees	**280**	–	–
Property closures and other costs	**91**	–	–
	1,526	–	–

4. TAXATION

The effective tax rate for the six months ended 31 March 2008 has been calculated at 22%. The anticipated effective tax rate for the group for the year ending 30 September 2008 is expected to be 22% (six months ended 31 March 2007 20%, year to 30 September 2007: 15%) but will be dependant on the location of trading profits in the remainder of this year.

	Unaudited 6 months to 31 March 2008 £'000	Unaudited 6 months to 31 March 2007 £'000	Audited 12 months to 30 September 2007 £'000
Current taxation			
UK taxation	**–**	25	(178)
Overseas taxation	**308**	921	3,090
Adjustments in respect of prior periods	**–**	197	141
Total current tax	**308**	1,143	3,053
Deferred taxation			
Origination and reversal of timing differences	**113**	75	(721)
Total tax charge	**421**	1,218	2,332

5. EARNINGS PER SHARE

	Unaudited 6 months to 31 March 2008 pence	Unaudited 6 months to 31 March 2007 pence	Audited Year to 30 September 2007 pence
Basic (loss)/earnings per share	**(0.30)**	0.42	1.17
Adjustment for dilutive potential ordinary shares			
– add share options	**–**	(0.01)	(0.03)
Diluted earnings per share	**(0.30)**	0.41	1.14
Basic earnings per share	**(0.30)**	0.42	1.17
Adjustments			
– amortisation	**0.26**	0.31	0.48
– exceptional costs	**0.24**	–	–
– impairment of assets	**–**	–	0.18
– share based payments	**0.18**	0.06	0.24
– utilisation of pre-acquisition brought forward tax losses	**0.06**	0.02	0.03
– tax effect of the above	**(0.21)**	(0.11)	(0.17)
Adjusted basic earnings per share	**0.23**	0.70	1.93
Adjustment for dilutive potential ordinary shares	**(0.01)**	(0.02)	(0.03)
Adjusted diluted earnings per share	**0.22**	0.68	1.90
Earnings per share is calculated as follows:			
Number of shares (thousand)			
Average number of shares in issue used to calculate basic and adjusted basic earnings per share	**643,925**	559,286	612,449
Dilutive potential ordinary shares			
– add share options	**17,184**	12,690	12,632
Shares used to calculate diluted and adjusted diluted earnings per share	**661,109**	571,976	625,081
Basic and diluted earnings (£'000)			
Basic and diluted (loss)/ earnings for the period	**(1,941)**	2,349	7,161
– add amortisation	**1,672**	1,711	2,876
– exceptional items	**1,526**	–	–
– add impairment of assets	**–**	–	1,119
– add share based payments	**1,189**	354	1,464
– add utilisation of pre–acquisition brought forward tax losses	**408**	124	191
– less tax effect of the above	**(1,367)**	(637)	(1,054)
Adjusted and diluted earnings for the period	**1,487**	3,901	11,757

6. DIVIDENDS

	Unaudited 6 months to 31 March 2008 £'000	Unaudited 6 months to 31 March 2007 £'000	Audited Year to 30 September 2007 £'000
Declared and paid during the period:			
Equity dividend on ordinary shares to shareholders			
– Final dividend of 0.30 pence per share	**1,932**	–	–
Equity dividend on ordinary shares paid to minorities			
– Holmswood and Back and Manson			
– Interim dividend of 8,837 South African Rand per Share (2007: 4,500 South African Rand per share)	**408**	–	148
Equity dividend on ordinary shares to minorities			
– TiG Netsol Pvt Limited			
– Final dividend of 33.26 Pakistan Rupees per share	**–**	–	414
	2,340	–	562

The dividend above of 0.3 pence per share was a full dividend for the 2007 financial year, approved at the AGM on 13 March 2008 and paid to shareholders on 28 March 2008.

7. INTANGIBLE ASSETS

On the 3rd December 2007 the company acquired certain businesses and assets of Nobilas Claims and Fleet Solutions for a cash consideration of £5,830,000. This represented purchase consideration of £620,000, transaction costs of £2,034,000 and payment for opening net assets of £3,176,000. The acquisition resulted in the provisional recognition of intangible assets, including goodwill of approximately £1,835,000.

From the date of acquisition the acquired activities have contributed a loss before tax of £3,196,000 and revenues of £2,951,000 to the results of the Group. Included in the loss before tax figure are exceptional costs of £1,526,000 resulting in an adjusted loss of £1,670,000.

8. TRADE AND OTHER RECEIVABLES

	Unaudited 31 March 2008 £'000	Unaudited 31 March 2007 £'000	Audited 30 September 2007 £'000
Trade receivables	**24,195**	12,089	16,795
Other debtors	**3,907**	2,312	3,146
Accrued income	**10,685**	6,558	8,256
	38,787	20,959	28,197

Included in trade receivables is £9,047,000 relating to the Nobilas businesses acquired in December 2007.

9. TRADE AND OTHER PAYABLES

	Unaudited 31 March 2008 £'000	Unaudited 31 March 2007 £'000	Audited 30 September 2007 £'000
Current			
Trade payables	**18,986**	4,646	5,662
Other payables	**6,540**	7,905	5,303
Accruals	**7,347**	5,147	7,382
Proposed dividend	**–**	–	448
Social security and other taxes	**1,392**	1,538	2,157
	34,265	19,236	20,952
Non current			
Other payables	**256**	2,437	1,719

Included in trade payables is £11,317,000 relating to the Nobilas businesses acquired in December 2007.

10. INTEREST BEARING LOANS AND BORROWINGS

	Unaudited 31 March 2008 £'000	Unaudited 31 March 2007 £'000	Audited 30 September 2007 £'000
Current			
Bank loans and overdrafts	**3,528**	2,492	3,293
Other loans	**1,148**	1,148	1,148
Obligations under finance leases and hire purchase agreements	**890**	618	625
	5,566	4,258	5,066
Non current			
Bank loans and overdrafts	**12,024**	4,973	14,820
Other loans	**1,430**	2,578	2,004
Obligations under finance leases and hire purchase agreements	**885**	718	1,052
	14,339	8,269	17,876

RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities, risks and uncertainties associated with the expected development of the Group for the remaining months of the financial year.

For and on behalf of the Board

Paul Hemsley

Group Finance Director

INDEPENDENT REVIEW REPORT TO THE INNOVATION 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 31 March 2008 which comprises the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement in Changes in Equity, and the related notes 1 to 10. 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 guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

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 Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

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 31 March 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
Reading

19 May 2008

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(Chief Executive Officer)

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(Group Finance Director)

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David Thorpe (Non-Executive)

Kurt Lauk (Non-Executive)

James Morley (Non-Executive)

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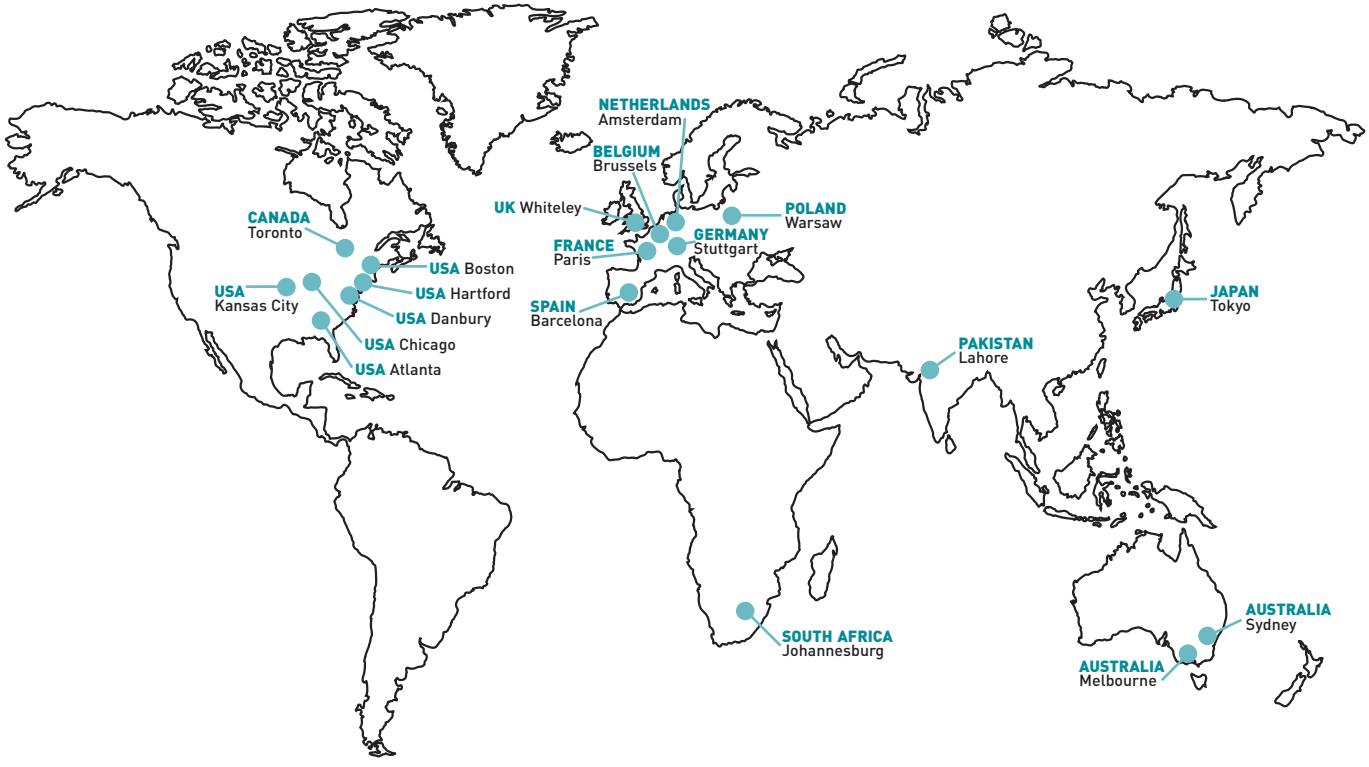

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