Interim Results

September 11, 2007

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COMPUTACENTER PLC

Interim Results Announcement

Computacenter plc, the European IT infrastructure services provider, today announces interim results for the six months ended 30 June 2007.

Financial Highlights:

- Group revenues up 4.1% to £1.16 billion (2006: £1.11 billion)
- Operating profit* up 12.1% to £12.8 million (2006: £11.4 million)
- £3.0 million net interest income reduction, primarily due to capital return in 2006
- Profit before tax* 11.8% lower at £12.8 million (2006: £14.5 million)
- Diluted earnings per share up 9.3% to 4.7p (2006: 4.3p)
- Interim dividend of 2.5p per share (2005: 2.5p)

* Reported post amortisation of acquired intangibles

Operating Highlights:

- Awarded multinational BT Group contract to provide desktop services and supply product to BT's entire global estate
- UK operating profit impacted by price erosion and services contract renewals
- Improved pipeline of UK services activity
- Acquisitions of Digica and Allnet strengthening services capability
- Improved performance in Germany with growth across all areas of the business and significant contract wins
- Continued progress in France with further restructuring cost efficiencies

Ron Sandler, Chairman of Computacenter plc, commented:

"Overall, the Group performance in the first half has been encouraging. We were pleased to see a stronger performance from France and Germany and expect this trend to continue. In the UK, despite a weaker performance, we have made good progress in transforming our business in response to some fundamental changes in our markets. We remain committed to translating these adjustments into consistent performance improvements.

Looking ahead, we expect our market positioning and performance to continue to improve. The second half of the year has started positively for the Group and we are increasingly confident about our outlook for the full year, which remains unchanged."

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Chairman's statement

The Group had an encouraging first half, with stronger performance in France and Germany partially offset by a weaker result in the UK. Overall, Group revenues, including acquisitions, were up 4.1% at £1.16 billion and up 2.1% on a like-for-like basis (H1 2006: £1.11 billion).

Operating profit was up 12.1% to £12.8 million (H1 2006: £11.4 million). Following the £74.4 million capital return in July 2006 and expenditure of £32.6 million on acquisitions in 2007, net interest income reduced from £3.0 million to nil. Consequently, profit before tax decreased 11.8% to £12.8 million (H1 2006: £14.5 million). Despite the pre tax profit reduction, diluted earnings per share increased by 9.3% to 4.7p (H1 2006: 4.3p), as a result of the reduced number of shares in issue.

The balance sheet remains strong, with net borrowings prior to customer-specific financing of £16.5 million at the period end. There was an outflow of £45.9 million in the half-year, driven by the two acquisitions and a working capital outflow of £15.1 million.

I am pleased to announce the payment of an interim dividend of 2.5p per share (2006: 2.5p) to be paid on 19 October 2007 to shareholders on the register as at 21 September 2007. This is consistent with our policy of seeking to keep the interim dividend at a level equal to one-third of the preceding year's total dividend.

A central pillar of our strategy for ensuring long-term earnings growth is the expansion of our contracted services business. An important milestone was achieved in March 2007 with the signing of a five-year contract with BT Group to provide desktop services and supply product to BT's entire global estate, covering 54 countries. This replaces our previous UK contract with BT and represents a considerable enhancement in both scope and breadth of service.

Excluding the results of the acquired businesses, UK revenues declined 1.8% to £649.2 million (H1 2006: £661.1 million) and operating profit declined 27.9% to £11.9 million (H1 2006: £16.4 million), with both product and services activities delivering a lacklustre performance. The operating profit decline was largely due to price erosion on renewals and the loss of some key services contracts in 2006, which adversely affected revenues and operating profit in H1 2007. However we have seen an improving pipeline of services activity, with a number of contract wins secured in late 2006 and 2007 yet to be translated fully into revenue.

Product sales, in particular to public sector organisations, were below expectations in the first quarter, although some recovery was evident towards the end of the period and we continued to see strong growth in software revenues. We continue to invest in our products business for the long term, through tools and processes that lower our cost of sale, by adding sales capacity, and by leveraging our successful mid-market sales model for smaller organisations and for customers with less complex service requirements.

Computacenter UK made two significant services acquisitions in the period to extend our capability in the growth areas of datacentre services and network computing. In January we concluded the acquisition of Digica Limited, a provider of datacentre managed services. This was followed in April by the acquisition of Cable & Wireless (Allnet) Limited, a leading provider of network integration and structured cabling services.

Computacenter Germany enjoyed strong growth across all areas of its business, with H1 revenues up 14.4% to £340.7 million (H1 2006: £297.7 million) and operating profit of £3.8 million (H1 2006: £0.5 million). This is the best first-half performance since the German business was acquired in 2003 and reflects both a market recovery and our success in diversifying into new sectors, particularly the mid-market. With market conditions likely to remain strong and the full impact of the change programme in our German business yet to be realised, we expect this level of performance improvement to continue throughout the year.

The improvement in our French performance, evident in H2 2006, continued in the first half of this year. Operating losses for the half-year decreased from £5.4 million to £2.1 million despite a 4.5% fall in revenues to £135.3 million (H1 2006: £141.7 million). French Managed Services revenue growth of 5.6% was offset by a 3.8% reduction in Professional Services revenues and a fall in product sales of 5.3%; however, margins increased in both products and services. Additionally, operating performance improved as a result of the cost savings arising from the restructuring of the French cost base that took place at the end of 2006. We expect the performance of Computacenter France to continue to improve and, based on progress to date, we are confident of a return to profit.

Whilst much remains to be done, particularly in translating the substantial changes we have made to the UK business into consistent performance improvements, we have made good progress in transforming our business in response to some fundamental changes in our markets. For our continuing success in this endeavour, I am indebted to our staff for their hard work and commitment.

Looking ahead, we expect our market positioning and performance to continue to improve. The second half of the year has started positively and we are increasingly confident about our outlook for the full year, which remains unchanged.

Review of Operations

UK

UK performance has been below expectation. Despite a strong performance from the Technology Solutions business unit, Services Division revenues were adversely affected by price erosion on renewals and the previously reported loss of some key contracts in 2006. The Product Division, whilst showing some recovery in Q2 compared to Q1, has traded below 2006 levels, largely due to a reduction in government sales.

Services Division

Overall services revenues, excluding the effect of acquisitions, declined 3.7% to £129.9 million (2006: £134.9 million), with Technology Solutions growth partially compensating for a decline in contractual revenues.

Managed Services

Our Managed Services business saw a 14.3% decline in revenues largely due to the loss of several key contracts in H2 2006, which also led to a gross margin reduction.

Our strategy has focused on the growing market for datacentre and enterprise computing Managed Services and on extending our offering to mid-market customers. In the datacentre market, our presence was enhanced substantially with the acquisition of Digica in January.

The use of the Shared Services Factory's repeatable processes and embedded best practice were fundamental to our securing a number of contracts, including a recent win with EDF Energy, worth £9.6 million, signed in July.

Important new mid-market wins in the period included a five-year, £4.1 million, datacentre Managed Services contract with FremantleMedia.

Support Services

The market for IT infrastructure support continues to be highly cost competitive, with increased price pressure at renewals of larger contracts mostly responsible for a small decline in our Support Services revenues.

Demand for our offerings is polarising into larger, complex deals and smaller commoditised packaged services. For the former, customers look to us to consolidate their infrastructure support whilst reducing cost and improving service levels. An example of this is our four-year, £20 million contract win with Reuters, where services provided to their customers include product supply logistics, engineering, service management and contract management.

At the more commoditised end of the market, there is increasing demand for simplified packaged services with transparent pricing. To address this market sector, Computacenter launched three packaged services in the first half of the year: lifetime maintenance, resource on demand and a disaster recovery service.

29 new contracts were signed with Support Services in the period, including with Merrill Lynch for server support and with TGI Fridays UK for server, desktops and EPoS maintenance.

Technology Solutions

This business unit continued to perform well, with Professional Services revenue growth of approximately 20% compared to H1 2006, prior to the effect of acquisitions. Increased project activity also benefited our product supply business, with a 21% increase in associated hardware and software sales. Particularly pleasing was the continued strong performance of our datacentre business, particularly our virtualisation and consolidation activities, and our datacentre utility and relocations services, which have been a major focus of our business development efforts.

The acquisition and integration in April of Allnet, a leading UK provider of network integration and structured cabling services, has significantly increased our penetration of the connectivity market, doubling the size of Computacenter's business in this segment. Recent wins utilising Allnet's capabilities include Varian Medical Systems, a new trading customer for whom we worked on the design and implementation of a new datacentre facility, and a major telecoms operator, where we are providing the system design, installation, migration and testing for a new subscriber pre-payment service.

Other significant wins in the period include a contract for the design, implementation and hosting of a software testing environment for Amdocs, a leading provider of customer experience systems.

Digica

The H1 profit performance of this newly acquired business was below expectation, due to some disruption resulting from the transaction, plus the start-up of several large new datacentre contracts. However we are confident of a significant improvement in the second half of the year.

Demand for Digica's services remained buoyant, with the business achieving record new business contract values in the 12 months to June 2007. Significant wins include Crest Nicholson, where we added a major transformation project to our existing five-year outsourcing contract. The strength of the combined Computacenter/Digica proposition was an important consideration in awarding this project.

Product Division

Total UK products revenue, excluding the effect of acquisitions, declined 1.3% to £519.2 million (H1 2006: £526.2 million), although improved product margins from increased enterprise technology spend partially compensated for this revenue deterioration.

There is an increasing demand from customers for Computacenter to own assets, particularly in the datacentre, and charge for the cost of equipment bundled with the service. We welcome this and see it as an opportunity to improve margins and increase services revenue over time. This customer specific finance amounted to £36.9 million at the end of the period (H1 2006: £1.8 million).

To lower our cost of sale and increase productivity in this business we launched new versions of our online procurement system, Connect, and our sales administration system, One Touch. We also continue to focus on improving automated processes for the direct delivery of technology to clients.

Hardware

Desktop sales continue to decline, largely offset by the increase in sales of server, networking and storage systems from Sun, EMC and Cisco and a significant increase in HP Intel server business.

We continued to see growing demand for electronic trading, with sales via our webshop and other EDI links increasing to over 30% of all orders. This area remains a key focus.

Supply associated services such as portfolio management, technology benchmarking and commercial advisory services proved important market differentiators. These include our new 'green advisory service', which shows how organisations can reduce costs and increase competitive advantage whilst reducing the IT element of their carbon footprint.

Significant hardware wins in the period include technology benchmarking and desktop supply for Leeds City Council, which also includes disposals management via our RDC subsidiary.

Software

Our Software business unit had a strong start to the year, with revenues recording a 14.5% increase on the first half of 2006.

The needs of our customers to reduce their software costs and increase their return on investment helped us win important new business. Our ability to track licence renewals and entitlements and so monitor compliance, consolidate licences and improve discount bands is leading to significant opportunities.

Computacenter continues to invest in this business and we are increasing the numbers of licensing executives and managers in response to growing customer demand. Significant wins include a three-year Microsoft Enterprise Agreement with the NHS, worth £37 million.

Computacenter Direct

We continued to target the growing market for IT product and services in the medium-sized business sector. The success of our 'light touch' account management approach led to over 1,000 smaller trading accounts being transferred to this sales model and we continued to recruit significant numbers of new sales staff.

Over 650 new trading customers were added in H1, and we are confident of continuing growth in the mid-market sector.

CCD

The first half of 2007 saw a continuation of the improving trend in the financial performance of our trade distribution arm, CCD. This was attributable to a focus on tight operational control, combined with the new sales structure implemented during 2006.

Germany

Computacenter Germany recorded the best H1 operating performance since the acquisition of the German business in 2003. Revenue growth was fairly evenly spread, with services revenue growing by some 12%, and product revenues by 16%. As a result, our business mix remained fairly constant, with approximately 35% of our revenues coming from services and 65% from product.

In part this performance can be attributed to an upturn in the German IT market driven by general economic factors. However, it is also the result of a concerted campaign over the last two years to expand our customer base, especially in the medium-sized enterprise sector, and to leverage opportunities for cross-selling to existing customers.

The profitability in 2006 was affected by start-up losses from the shared datacentre contracts, which totalled £6.3 million, £5.4 million of which were in the second half. As a consequence, we will see a further additional material improvement in our overall German profitability in H2 2007.

We secured a number of new and extended Managed Services contracts and saw strong growth in our solutions business, particularly in Voice Over IP Telephony and Voice on Demand. This in turn helped boost enterprise technology sales, driving growth of over 17% in our server and storage products business.

Reversing a long-standing trend, we also saw 15% growth in our desktop products business, with software sales in particular performing very well. Despite continuing price declines, this revenue growth has been achieved with no degradation to margins.

Significant wins in the period include a server support contract with SAP Hosting, and a network supply and maintenance contract with BMW Group. Additionally, we secured a datacentre outsourcing contract with Immobilienscout 24, which operates Germany's largest Internet real estate marketplace.

France

Significant progress was made in France, where operating losses reduced 60.6% despite a small decline in revenues. Services revenue growth of 0.8% was offset by a fall in product revenues of 5.3%; however the margin improvements of late 2006 continued into the first half of 2007, with increased margins from both products and services.

The performance improvement is largely attributable to our ongoing focus on reducing the cost base and streamlining our operations, with particular progress made in the latter half of 2006. As well as further progress in reducing expenses in 2007, we are already seeing the benefits of a new sales pay plan, which focuses more sharply on achieving services growth and maximising margins. We are also benefiting from a sales management programme, launched last year, which is designed to better identify, qualify and capture maintenance and enterprise product opportunities.

Significant wins include four new Managed Services contracts, worth in the region of £2 million a year, including a large European staffing and recruitment company and one of France's biggest power and energy companies.

Benelux

Overall, our Benelux operation recorded a small loss of £111,000 (2006: £82,000). Product supply again performed strongly, as did Managed Services, whilst project and consulting services remained weak.

Key wins include a large international hardware supply contract with KBC, an extension of current infrastructure projects at Recticel, and an application services project for Dexia.

RDC

RDC has made a good start to the year with H1 profit above expectations. In the UK business, service sales grew 21% on H1 2006 and remarketing margin was up 20%. This growth came from the success of our Computacenter Asset Recovery Services offering and was also boosted by sales of our fledgling 'collect and recycle' service into the mid-market. RDC's German business was slow in H1, but revenues from two major wins will start to come through in the second half of the year.

Consolidated income statement
For the six months ended 30 June 2007

	Unaudited six months ended 30 June 2007 £'000	Unaudited six months ended 30 June 2006 £'000	Year ended 31 Dec 2006 £'000
Revenue	1,160,333	1,114,939	2,269,903
Cost of sales	(1,006,183)	(969,619)	(1,974,437)
Gross profit	154,150	145,320	295,466
Distribution costs	(9,267)	(9,304)	(19,075)
Administrative expenses	(131,819)	(124,581)	(242,819)
Operating profit:			
Before amortisation of acquired intangibles and exceptional items	13,064	11,435	33,572
Amortisation of acquired intangibles	(240)	-	-
Operating profit before exceptional items	12,824	11,435	33,572
Impairment of non-current assets	-	-	(2,606)
Redundancy costs	-	-	(2,425)
Operating profit	12,824	11,435	28,541
Finance revenue	2,157	4,044	6,677
Finance costs	(2,166)	(1,053)	(2,289)
Share of profit of associate	-	98	-
Profit before tax:			
Before amortisation of acquired intangibles and exceptional items	13,055	14,524	37,961
Amortisation of acquired intangibles	(240)	-	-
Profit before tax before exceptional items	12,815	14,524	37,961
Impairment of non-current assets	-	-	(2,606)
Redundancy costs	-	-	(2,425)
Profit before tax	12,815	14,524	32,930
Income tax expense	(5,319)	(6,434)	(13,994)
Profit for the period	7,496	8,090	18,936

Attributable to:			
Equity holders of the parent	7,496	8,090	18,927
Minority interests	-	-	8
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	7,496	8,090	18,935
	========	========	========

Earnings per share			
- basic for profit for the year	4.8p	4.3p	11.0p
- basic for profit pre exceptional items and amortisation of acquired intangibles	4.9p	4.3p	13.9p
- diluted for profit for the year	4.7p	4.3p	10.9p
- diluted for profit pre exceptional items and amortisation of acquired intangibles	4.8p	4.3p	13.8p

Consolidated balance sheet
As at 30 June 2007

	Unaudited six months ended 30 June 2007 £'000	Unaudited six months ended 30 June 2006 £'000	Year ended 31 Dec 2006 £'000
Non-current assets			
Goodwill	32,199	4,755	4,755
Intangible assets	12,563	4,993	5,190
Property, plant and equipment	102,116	77,456	84,874
Investment accounted for using the equity method	-	184	-
Deferred income tax asset	8,238	5,582	6,166
	--------	--------	--------
	155,116	92,970	100,985
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Current assets			
Inventories	92,011	87,733	94,586
Trade and other receivables	410,222	365,120	427,319
Prepayments	66,133	68,421	50,435
Forward currency contracts	167	26	111
Cash and short-term deposits	47,352	161,862	77,882
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	615,885	683,162	650,333
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Total assets	771,001	776,132	751,318
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Current liabilities			
Trade and other payables	306,919	269,250	315,846
Deferred income	71,428	80,313	77,714
Financial liabilities	81,189	70,519	55,736
Income tax payable	7,278	8,006	8,394
Provisions	2,166	1,585	2,132
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	468,980	429,673	459,822
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Non-current liabilities			
Financial liabilities	20,511	704	11,362
Provisions	11,653	13,384	12,839
Other non-current liabilities	731	12	917
Deferred income tax liabilities	2,486	837	1,249

	35,381	14,937	26,367
Total liabilities	504,361	444,610	486,189
Net assets	266,640	331,522	265,129

Capital and reserves			
Issued capital	9,585	9,543	9,571
Share premium	2,776	76,004	2,247
Capital redemption reserve	74,542	100	74,542
Own shares held	(2,503)	(2,503)	(2,503)
Foreign currency translation reserve	(2,381)	(1,524)	(2,455)
Retained earnings	184,594	249,883	183,700
Shareholders' equity	266,613	331,503	265,102
Minority interest	27	19	27
Total equity	266,640	331,522	265,129

Approved by the Board on 10 September 2007

MJ Norris, Chief Executive FA Conophy, Finance Director

Consolidated statement of changes in equity

	Attributable to equity holders of the parent								
	Issued capital	Share premium	Capital redemption reserve	Own shares held	Foreign currency translation reserve	Retained earnings	Total	Minority interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2006	9,505	74,680	100	(2,503)	(1,757)	250,630	330,655	19	330,674
Exchange differences on retranslation of foreign operations	-	-	-	-	233	-	233	-	233
Net income recognised directly in equity	-	-	-	-	233	-	233	-	233
Profit for the period	-	-	-	-	-	8,090	8,090	-	8,090
Total recognised income for the period	-	-	-	-	233	8,090	8,323	-	8,323
Exercise of options	38	1,324	-	-	-	-	1,362	-	1,362
Cost of share based payments	-	-	-	-	-	568	568	-	568

Equity dividends	-	-	-	-	-	(9,405)	(9,405)	-	(9,405)
	38	1,324	-	-	233	(747)	848	-	848
At 30 June 2006	9,543	76,004	100	(2,503)	(1,524)	249,883	331,503	19	331,522
Exchange differences on retranslation of foreign operations	-	-	-	-	(931)	-	(931)	-	(931)
Net expense recognised directly in equity	-	-	-	-	(931)	-	(931)	-	(931)
Profit for the period	-	-	-	-	-	10,837	10,837	8	10,845
Total recognised income and expense for the period	-	-	-	-	(931)	10,837	9,906	8	9,913
Cost of share-based payments	-	-	-	-	-	843	843	-	843
Exercise of options	28	993	-	-	-	-	1,021	-	1,021
Bonus issue	74,442	(74,442)	-	-	-	-	-	-	-
Expenses on bonus issue	-	(308)	-	-	-	-	(308)	-	(308)
Share redemption	(74,442)	-	74,442	-	-	(73,886)	(73,886)	-	(73,886)
Expenses on share redemption	-	-	-	-	-	(56)	(56)	-	(56)
Equity dividends	-	-	-	-	-	(3,921)	(3,921)	-	(3,921)
	28	(73,757)	74,442	-	(931)	(66,183)	(66,401)	8	(66,393)
At 1 January 2007	9,571	2,247	74,542	(2,503)	(2,455)	183,700	265,102	27	265,129
Exchange differences on retranslation of foreign operations	-	-	-	-	74	-	74	-	74
Net income recognised directly in equity	-	-	-	-	74	-	74	-	74
Profit for the period	-	-	-	-	-	7,496	7,496	-	7,496
Total recognised income for the period	-	-	-	-	74	7,496	7,570	-	7,570
Exercise of									

options	14	529	-	-	-	-	543	-	543
Cost of share based payments	-	-	-	-	-	1,269	1,269	-	1,269
Equity dividends	-	-	-	-	-	(7,871)	(7,871)	-	(7,871)
	14	529	-	-	74	894	1,511	-	1,511
At 30 June 2007	9,585	2,776	74,542	(2,503)	(2,381)	184,594	266,613	27	266,640

Consolidated cash flow statement
For the six months ended 30 June 2007

	Unaudited six months ended 30 June 2007 £'000	Unaudited six months ended 30 June 2006 £'000	Year ended 31 Dec 2006 £'000
Operating activities			
Operating profit	12,824	11,435	28,541
Adjustments to reconcile Group operating profit to net cash inflows from operating activities			
Depreciation	11,124	6,869	14,585
Amortisation	1,648	850	1,907
Cost of share-based payment	1,269	568	1,411
Impairment of property, plant & equipment	-	-	2,492
Loss on disposal of property, plant and equipment	60	260	353
Impairment of intangible assets	-	-	114
Loss on disposal of intangible assets	36	9	9
Dividend received from associate	-	203	202
Decrease in inventories	4,897	12,846	4,560
Decrease/(increase) in trade and other receivables	16,234	14,240	(35,498)
(Decrease)/increase in trade and other payables	(36,234)	(41,629)	6,895
Currency and other adjustments	(72)	(73)	5
Cash generated from operations	11,786	5,578	25,576
Income taxes paid	(6,345)	(4,744)	(11,994)
Net cash flow from operating activities	5,441	834	13,582
Investing activities			
Interest received	1,988	4,066	6,600
Acquisition of subsidiaries, net of cash acquired	(32,596)	-	-
Sale of property, plant and equipment	306	22	24
Purchases of property, plant and equipment	(6,173)	(1,400)	(7,504)
Purchases of intangible assets	(2,934)	(1,115)	(2,499)
Sale of interest in associate	-	-	364
Net cash flow from investing activities	(39,409)	1,573	(3,015)
Financing activities			
Interest paid	(2,069)	(1,293)	(2,152)

Dividends paid to equity holders of the parent	(7,871)	(9,405)	(13,326)
Proceeds from issue of shares	543	1,362	2,383
Repayment of capital element of finance leases	(2,061)	(1,320)	(2,629)
Repayment of loans	-	-	(326)
Repayment of other loans	(6,742)	-	(5,201)
New borrowings	6,203	-	12,447
Return of capital	-	-	(74,442)
Expenses on return of capital	-	-	(365)
(Decrease)/increase in factor financing	(8,381)	2,066	(1,377)
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Net cash flows from financing activities	(20,378)	(8,590)	(84,988)
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Decrease in cash and cash equivalents	(54,346)	(6,183)	(74,421)
Effect of exchange rates on cash and cash equivalents	1	(156)	492
Cash and cash equivalents at beginning of period	58,982	132,911	132,911
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Cash and cash equivalents at end of period	4,637	126,572	58,982
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Analysis of net funds

Cash and cash equivalents	4,637	126,572	58,982
Factor financing	(21,148)	(33,805)	(29,549)
Bank loan	-	(326)	-
	--------	--------	--------
Net funds prior to customer-specific loans and finance leases	(16,511)	92,441	29,433
Finance leases	(30,218)	(646)	(11,403)
Other loans	(6,707)	(1,156)	(7,246)
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Net funds	(53,436)	90,639	10,784
	========	========	========

Notes to the accounts

1 Accounting policies

Basis of preparation

The unaudited interim financial statements have been prepared on the basis of the accounting policies set out in the Group's statutory accounts for the year ended 31 December 2006, with one exception. The revenue on a limited number of Support and Managed Services contracts has been recognised in line with the stage of work completed rather than on a straight line basis, where such a basis does not represent the stage of work completed. The taxation charge is calculated by applying the Directors' best estimate of the annual tax rate to the profit for the period. Other expenses are accrued in accordance with the same principles used in the preparation of the annual accounts.

2 Segment information

The Group's primary reporting format is geographical segments and its secondary format is business segments. The Group's geographical segments are determined by the location of the Group's assets and operations. The Group's business in each geography is managed separately and held in separate statutory entities.

Segmental performance for the period to 30 June 2007 was as follows:

	Unaudited six months ended 30 June 2007	Unaudited six months ended 30 June 2006	Year ended 31 Dec 2006
	£'000	£'000	£'000
Revenue by geographic market			
UK	671,154	661,095	1,281,498
Germany	340,680	297,671	654,671
France	135,309	141,732	307,264
Benelux	13,190	14,441	26,470
Total	1,160,333	1,114,939	2,269,903
Gross profit by geographic market			
UK	95,324	91,115	181,900
Germany	43,339	40,397	83,405
France	14,178	12,606	27,711
Benelux	1,309	1,202	2,450
Total	154,150	145,320	295,466
Operating profit/(loss) by geographic market			
UK	11,267	16,432	37,470
Germany	3,779	450	2,788
France	(2,111)	(5,365)	(11,526)
Benelux	(111)	(82)	(191)
Total	12,824	11,435	28,541
Revenue by business segment			
Product	873,628	846,831	1,735,210
Professional services	71,088	59,263	128,895
Support and managed services	215,617	208,845	405,798
Total	1,160,333	1,114,939	2,269,903

3 Exceptional items

	Unaudited six months ended 30 June 2007	Unaudited six months ended 30 June 2006	Year ended 31 Dec 2006
	£'000	£'000	£'000
Impairment of property, plant and equipment	-	-	2,492
Impairment of intangibles	-	-	114
Redundancy costs	-	-	2,425
	-	-	5,031

4 Finance costs

	Unaudited six months ended 30 June 2007	Unaudited six months ended 30 June 2006	Year ended 31 Dec 2006
	£'000	£'000	£'000
Bank overdrafts and factor financing	1,537	1,044	1,886
Finance charges payable under customer specific finance leases and other loans	629	9	403

	2,166	1,053	2,289

5 Income tax

The charge, based on the profit for the period, comprises:

	Unaudited six months ended 30 June 2007 £'000	Unaudited six months ended 30 June 2006 £'000	Year ended 31 Dec 2006 £'000
UK Corporation tax			
- Current	5,388	6,988	14,421
- Prior	-	-	76
Deferred tax	(107)	(569)	(774)
Foreign tax	38	15	212
	5,319	6,434	13,935
Share of joint venture's tax	-	-	59
	5,319	6,434	13,994

6 Dividends

The proposed final dividend for 2006 of 5.0p per ordinary share was approved at the AGM in May 2007 and was paid on 31 May 2007. An interim dividend in respect of 2007 of 2.5p per ordinary share, amounting to a total dividend of £3,910,000, was declared by the Directors at their meeting on 10 September 2007. This interim report does not reflect this dividend payable.

7 Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period adjusted for the effect of dilutive share options.

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	Unaudited six months ended 30 June 2007 £'000	Unaudited six months ended 30 June 2006 £'000	Year ended 31 Dec 2006 £'000
Profit attributable to equity holders of the parent	7,496	8,090	18,927
Amortisation of acquired intangibles attributable to equity holders of the parent	240	-	-
Exceptional items attributable to equity holders of the parent	-	-	5,031
Profit before exceptional items and amortisation of acquired intangibles attributable to equity holders of the parent	7,736	8,090	23,958
	No '000	No '000	No '000
Basic weighted average number of shares (excluding own	157,272	187,753	172,312

shares held)			
Effect of dilution:			
Share options	2,616	725	1,232
Diluted weighted average number of shares	159,888	188,478	173,544

8 Business combinations

Acquisition of Digica Group

On 4 January 2007, the Group acquired 100% of the voting shares of Digica Group Holdings Ltd ("Digica") for a consideration of £15,835,000, in addition to which the Group settled the assumed debt of £11,426,000. The costs of acquisition amounted to £627,000. Digica is a private company, based principally in England, who specialises in IT infrastructure and application services. Outside of the UK, Digica operates a purpose built data-centre in Cape Town, South Africa. The acquisition has been accounted for using the purchase method of accounting. The interim condensed consolidated financial statements include the results of Digica for the six month period from the acquisition date.

The book and provisional fair values of the net assets at date of acquisition were as follows:

	Book value £'000	Provisional fair value to Group £'000
Intangible assets		
Comprising:		
Purchased goodwill	9,784	-
Existing customer contracts	-	1,282
Existing customer relationships	-	2,275
Trademark	-	1,513
Tools and technology	-	576
Software	40	40
Total intangible asets	9,824	5,686
Property, plant and equipment	1,216	1,083
Deferred tax assets	-	2,000
Inventories	2,561	1,995
Trade and other receivables	2,271	2,271
Prepayments	1,801	1,801
Cash	84	84
Trade payables	(2,893)	(2,893)
Other payables	(2,252)	(2,502)
Deferred income	(4,562)	(4,562)
Deferred tax liabilities	-	(1,240)
Net assets	8,050	3,723
Goodwill arising on acquisition		24,165
		27,888
Discharged by:		
Cash		15,835
Assumed debt		11,426
Costs associated with the acquisition, settled in cash		627
		27,888

From the date of acquisition, Digica has made a loss of £476,000 on revenues of

£12,148,000.

Included in the £24,165,000 of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include the expected value of synergies and an assembled workforce.

Acquisition of Cable & Wireless (Allnet) Ltd

On 3 April 2007, the Group acquired 100% of the voting shares of Cable &

Wireless (Allnet) Ltd ("Allnet") for an initial consideration of £9,265,000 plus acquisition costs of £201,000. The purchase price shall be subsequently increased in the event that specific earnings targets are met in the period April 2007 to March 2010. Allnet is a private company based in England which provides in-premises cabling services. The acquisition has been accounted for using the purchase method of accounting. The interim condensed consolidated financial statements include the results of Allnet for the three month period from the acquisition date.

The book and provisional fair values of the net assets at date of acquisition were as follows:

	Book value	Provisional fair value to Group
	£'000	£'000
Intangible assets		
Comprising:		
Trademark	-	409
Software	29	29
	--------	--------
Total intangible assets	29	438
Property, plant and equipment	658	601
Inventories	1,675	364
Trade receivables	9,499	9,499
Prepayments	1,284	1,284
Cash	4,674	4,674
Trade payables	(5,829)	(5,829)
Other payables	(764)	(764)
Deferred income	(3,078)	(3,078)
	--------	--------
Net assets	8,148	7,189
	========	
Goodwill arising on acquisition		3,277

		10,466
		========
Discharged by:		
Cash		9,265
Contingent consideration		1,000
Costs associated with the acquisition, settled in cash		201

		10,466
		========

From the date of acquisition, Allnet has contributed £9,823,000 to the Group's revenue and £162,000 to the net profit of the Group.

If the acquisition had taken place at the beginning of the year, Group revenues for the year would have been £1,176,573,000 and net profit would have been £12,910,000.

Included in the £3,277,000 of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include the expected value of synergies and an assembled workforce.

9 Cash and cash equivalents

	Unaudited six months ended 30 June 2007 £'000	Unaudited six months ended 30 June 2006 £'000	Year ended 31 Dec 2006 £'000
Cash and cash equivalents as at the end of the period comprises:			
Cash at bank and in hand	47,352	161,862	17,882
Short term deposits	-	-	60,000
Bank overdrafts	(42,715)	(35,290)	(18,900)
	4,637	126,572	58,982

10 Financial assets and liabilities

Customer-specific loans and finance leases

Included within financial liabilities are the following amounts in respect of other loans and finance leases which are only secured on the assets that they finance. These assets are used to satisfy specific customer contracts.

Other loans

The other loans are borrowings to finance assets leased to customers on operating leases.

The maturity profile of these loans is given in the table below:

	Unaudited six months ended 30 June 2007 £'000	Unaudited six months ended 30 June 2006 £'000	Year ended 31 Dec 2006 £'000
Not later than one year	5,309	743	4,443
After one year but not more than five years	1,398	413	2,803
	6,707	1,156	7,246

Finance lease commitments

The Group has finance leases for various items of plant and machinery; these leases have no terms of renewal or purchase options and escalation clauses. Future minimum lease payments under finance leases are as follows:

	Unaudited six months ended 30 June 2007 £'000	Unaudited six months ended 30 June 2006 £'000	Year ended 31 Dec 2006 £'000
Within one year	13,918	376	3,501
After one year but not more than five years	19,836	296	10,593
	33,754	672	14,094
Less finance charges allocated to future periods	3,536	26	2,691

Present value of minimum lease payments	30,218	646	11,403

Operating lease receivables where the Group is lessor

During the period the Group entered into commercial leases with customers on certain items of machinery.

Future amounts receivable by the Group under the non-cancellable operating leases are as follows:

	Unaudited six months ended 30 June 2007 £'000	Unaudited six months ended 30 June 2006 £'000	Year ended 31 Dec 2006 £'000
Not later than one year	19,689	672	8,541
After one year but not more than five years	22,246	-	12,723
	41,935	672	21,264

11 Publication of non-statutory accounts

The financial information contained in the interim statement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The auditors have issued an unqualified opinion on the Group's statutory financial statements under International Accounting Standards for the year ended 31 December 2006. Those accounts have been delivered to the Registrar of Companies.