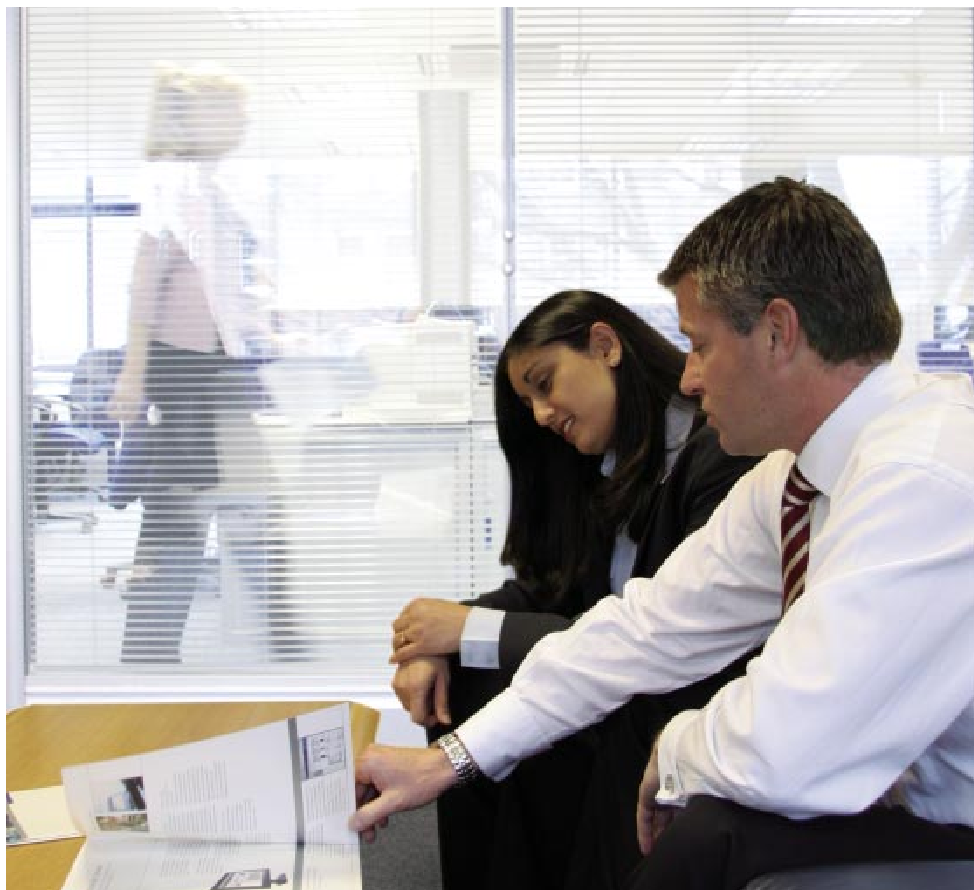

Computacenter plc
Interim Report 2006

Half year results to 30 June 2006

Computacenter

Computacenter supports 750,000 end-users across the UK through central facilities such as our UK Service Support Centre (pictured) and our International Support Center (ISC) in Barcelona. Over 400 people, more than 10% of our UK staff, work in the SSC, which provides centralised 24x7x365 help desk support and call management services and takes more than 1.5 million inbound calls per year.

Computacenter plc is an Investor in People.

Computacenter made steady progress in the first half of 2006, with an encouraging growth in profitability over the same period of 2005. We are increasingly confident that we are on the right track.

Group Highlights
H1 2006

Turnover
£1,114.9m (€1,623.3m)

Operating profit*
£12.0m (€17.5m)

Profit before tax
£14.5m (€21.1m)

Profit after tax
£8.1m (€11.8m)

Diluted earnings per share
4.3p (6.3 cents)

*Before share-based payments.
All Euro values were calculated using the rate £1 = €1.456.

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IBC Corporate information

Computacenter made steady progress in the first half of 2006. Although Group revenues were largely unchanged at £1.11 billion (2005: £1.15 billion), profit before tax increased by 76.7% to £14.5 million (2005: £8.2 million) due to a more favourable business mix. The balance sheet remained strong, although a requirement for greater working capital across the Group, largely as a result of revenue growth in France and the lengthening of terms of payment with some key customers in the UK, meant that net funds fell by £9.8 million to £90.6 million at the period end.

The intention of the Board to return surplus cash to shareholders, subject to the resolution of various tax matters, was announced in March. I am pleased to report that the tax uncertainties were satisfactorily resolved during the period and on 4 July 2006, £74.4 million was returned to shareholders by way of a B share issue. As a part of this process, a 5 for 6 share consolidation was undertaken.

I am pleased to announce the payment of an interim dividend of 2.5p per share (2005: 2.5p) to be paid on 20 October 2006 to shareholders on the register as at 22 September 2006. This reflects the available cash resources in the business and 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.

The improvement in the Group's profitability is encouraging. I have reported in the past on the market challenges faced in recent years by Computacenter, and on the significant efforts underway in each of our three principal European businesses to improve our competitiveness. Whilst the various transformation programmes are essentially long-term in nature and it is far too early to comment definitively on their success, we are increasingly confident that we are on the right track.

In recent years our growth in sales of enterprise products (including servers), software and services has outstripped our performance in the area of desktops, notebooks and peripherals. This trend continued in the first half of 2006 to such an extent that PC and peripheral business revenues now account for only 33% of the Group total. This figure varies widely by country; it is just 13% in Germany and 35% in the UK; whilst in France, this business still accounts for 60% of revenues.

In the UK, Computacenter's operating profit increased by 10.3% to £16.4 million (2005: £14.9 million), with both the Services and Product Divisions contributing to this improvement. Within the Services Division, the performance of Technology Solutions, our consulting and systems integration unit, was particularly encouraging with a number of significant projects undertaken in such areas as server virtualisation, datacentre relocation and security solutions. Considerable efforts have been made in recent years to increase the breadth and sophistication of Computacenter's technology integration capabilities, and it is pleasing to see these increasingly recognised by customers.

Within our contractual services business units, Support Services and Managed Services, good progress was made in further embedding a shared services delivery model. Through centralisation of core resources, such as the help desk, and rigorous

> In recent years our growth in sales of enterprise products (including servers), software and services has outstripped our performance in the area of desktops, notebooks and peripherals.

This trend continued in the first half of 2006 to such an extent that PC and peripheral business revenues now account for only 33% of the Group total.

adherence to key processes and routines, the consistency, reliability and cost effectiveness of our services delivery are being improved.

The increase in profitability of the Product Division in the UK is due to improved gross margins and reduction in the cost base. Gross margin improvement has arisen primarily from better execution, more effective sales incentives and a more favourable customer mix. Cost reduction has been the result of a number of projects carried out during the second half of 2005. Software revenues also grew strongly as a result of the creation last year of a specialist business unit to focus on this segment of the market.

Computacenter Direct, our telesales mid-market provider, continued on its aggressive growth path, achieving in excess of 60% organic revenue growth compared to H1 2005.

Our German business returned a small operating profit of £0.5 million (2005: operating loss of £1.5 million) on revenues that were largely unchanged at £297.7 million. Much of this is due to improving the performance within a number of specific service contracts. More significantly, the German business secured several new Managed Services contracts during the period, the revenues from which will start to flow during the second half of the year. As in the UK, there was a discernible shift in the German business away from desktop products and services towards higher-margin datacentre and networking technologies.

Revenues from Computacenter France grew strongly to £141.7 million (2005: £126.2 million), although in part this simply reflects the temporary withdrawal from the market of a key customer in the first half of 2005 pending the renegotiation of the supply contract. However, product margins were under pressure in the French market as vendors increasingly sought to sell direct, with the result that our operating loss only reduced to £5.4 million (2005: £7.9 million).

> Looking ahead, we anticipate that the improvements we are seeing in the Group's market positioning and performance will continue as the year progresses.

Turning to matters of governance, there have been two Board changes in recent months. I am pleased to welcome Dr Ian Lewis to the Board as a Non-Executive Director. Ian has had a distinguished career as an IT director, initially in financial services and latterly in academia, and I very much look forward to his involvement with the Group. As previously announced, pressures on his time have led Nick Cosh to resign from the Board. Nick has made a significant contribution to the Group over the last four years and we are sorry to see him leave. An executive search firm has been appointed to assist in recruiting a suitable candidate to replace Nick on the Board and its sub-committees, including his role as Chair of the Audit Committee. I am delighted that Cliff Preddy has agreed to take on the role of Senior Independent Non-Executive Director.

Computacenter has made considerable efforts in recent years, particularly in the UK, to transform itself in response to some fundamental changes in the way our markets operate. Whilst this process is far from complete, a great deal of progress has been made. Changes of this nature are never easy and new demands are continually being made on our employees, whose dedication and commitment have been exemplary and to whom I am pleased to record my thanks.

Looking ahead, we anticipate that the improvements we are seeing in the Group's market positioning and performance will continue as the year progresses. The outlook for the full year remains in line with expectations.

RON SANDLER
CHAIRMAN

UK

In the UK, improved profitability across both Services and Product Divisions resulted in overall operating profit growth of 10.3% to £16.4 million. This was despite a 7.6% decline in revenues, which was predominately due to hardware price decline.

Services Division

The total services revenue of the Division for H1 2006 was £134.5 million. Our Technology Solutions unit grew strongly on the back of a number of projects, while our Managed and Support Services businesses achieved modest growth in comparison.

Within the Services Division, we made further progress on standardisation and the implementation of a 'shared services factory', our delivery model that enables services to be easily repeated across clients, improving both the quality and cost-effectiveness of our delivery.

Managed Services

Whilst our Managed Services business unit saw a growing pipeline of opportunities in H1, revenue growth was somewhat disappointing. However, we continued to lay the foundations for future growth through the launch of a number of new propositions. These include offerings particularly designed to address a growing market for the contractual management of datacentre and other business-critical systems.

We were successful in securing a number of significant Managed Services contracts in H1 2006. These include a five-year contract with IT services firm Parity Group plc, worth more than £6 million, where Computacenter Services will be responsible for managing Parity's entire IT infrastructure, including its datacentre. The contract is expected to reduce Parity's IT operational costs by approximately 25% over the term.

Technology Solutions

Increased demand for technology change projects to support business growth helped drive strong profit and revenue growth in H1. As with Managed Services, client datacentres were a particular focus in 2006, with a newly launched server virtualisation proposition for client datacentres generating a significant number of projects.

The strong performance of our Technology Solutions business is in part due to the increased value of our offerings to clients, for whom we increasingly underwrite some of the risk of technology integration projects. Approximately two thirds of our technology services billing is now based on delivered outcomes rather than on day rates.

A significant development in the first half was an agreement with Oracle to provide an application migration service for the company's large number of independent software vendors. The service, which is designed to offer fast, low-risk and low-cost migrations, will be offered through our Solutions Centre.

> In the UK, improved profitability across both Services and Product Divisions resulted in overall operating profit growth of 10.3% to £16.4 million.

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Support Services
Our Support Services business has sought to capitalise on the growing trend for global outsourcing companies to subcontract IT support services to third parties. We have created a specialist sales team to target the systems integrator marketplace and, as a result, are now starting to see an encouraging pipeline of opportunities for 2007.

We have also extended our off-site disaster recovery activities, with our new Work Area Recovery service providing 200 fully provisioned user desks available at locations across the UK for client staff unable to occupy their usual premises. We also now offer a Fixed Server Recovery service, providing clients with access to a constantly available server facility that exactly matches their live configuration.

Key wins include a three-year contract with John Lewis Partnership for the support of all their desktops, laptops, printers and networks across the UK.

Product Division
Total UK products revenue declined to £518.8 million, largely attributable to substantial desktop and laptop price declines, in the order of 10% compared with H1 2005. However, improved product margins more than compensated for this revenue deterioration. The margin improvement came principally from a more favourable mix of business, including increased datacentre spend, strong demand from the financial services sector and a decline in low margin trade distribution sales.

A key development in the first half of the year was the launch of our revised webshop, Connect v6, which adds significantly to the competitiveness of our product offerings by reducing cost of sale and maximising cross-selling opportunities. The proportion of product sales completed over the internet continues to grow, with 16% of orders by volume now placed via our webshop, compared with 11% in 2005.

Corporate Hardware
We continued to see a shift in product mix towards enterprise server and networking products, and strengthening relationships with enterprise vendors such as Sun, IBM and Cisco.

Hardware sales were particularly strong in the financial markets and we saw growing interest in our range of value-added deployment services, including advisory services in the area of reducing operational costs.

Software
Our new Software business unit, created in 2005, continued to record strong revenue and profit growth, with gross profit from software sales up more than 50% on H1 2005. Some of this growth has been driven by merger and acquisition activity, with customers auditing and consolidating software expenditure across the merged entities to ensure compliance and reduce costs.

As well as actively targeting these organisations, we have also launched new systems that allow us to track customers' software procurement cycles and identify licence renewal or extension opportunities at an early stage. Approximately £12 million of renewal opportunities have been identified in this way and £3.5 million closed to date.

Computacenter is increasingly considered a key value-added software partner to large organisations, as evidenced by the decision of the UK Association of Chief Police Officers to appoint us one of only three preferred suppliers for its multi-million pound framework agreement. The three-year agreement is expected to be worth up to £5 million per year.

> Product margin improvement came principally from a more favourable mix of business, including increased datacentre spend, strong demand from the financial services sector and a decline in low margin trade distribution sales.

Computacenter Direct
Our division targeting the growing market for IT product and services in the medium-sized business sector continued to grow strongly, with improved product margins and organic revenue growth of more than 60% over H1 2005.

Computacenter Direct continues to attract substantial numbers of new customers in its segment – averaging approximately 100 new customers per month in the first half. We expect this number to increase further following the launch of our new transactional website in June, which enables us to target and service customers whose preference is online procurement, whilst dramatically lowering our cost of sale.

We continue to invest for growth in this business, with 15 new telesales staff joining over the period and further recruitment anticipated for H2.

CCD
Despite an improvement in the profit performance of our trade distribution arm following the cost reduction programme in 2005, CCD continued to experience challenging conditions, with particularly fierce price competition in the high volume segment of the market.

Changes were made to the senior management of this unit and significant steps have been taken to increase the breadth of relationships across both customers and vendor partners. Whilst these are anticipated to bring longer-term benefits, CCD's margins are expected to remain under pressure for the remainder of 2006.

RDC
Whilst trading conditions remain very competitive, RDC saw early signs in H1 that improvements initiated at the end of 2005 are beginning to take effect. In particular, the launch of the Computacenter Asset Recovery Services together with the creation of a new frontline sales team, have been instrumental in a number of significant service wins. Overall RDC remains profitable and some major wins in H1 from existing accounts are expected to boost performance further in H2.

Germany
Our German business recorded an H1 operating profit of £0.5 million (2005: loss of £1.5 million) on revenues that were broadly unchanged.

35% of revenues came from services, where growth in the Managed Services contract base helped drive a 5.1% year-on-year revenue increase. We also began to see increasing client interest in converged phone and data networks and concerns over security compliance.

As in the UK, Computacenter Germany experienced a continuing shift in product mix, in terms of both volumes and revenues, towards products that attract higher margins, with increased demand for datacentre and networking technology and a subdued market for desktop systems.

To increase our share of the medium-sized business market, where we believe there are significant opportunities for growth, we created a national account team dedicated to winning new customers in this market.

An important development was the implementation of a centrally provided, shared-resource approach for the delivery of managed desktop and datacentre services. To support this approach, we have established a new computer centre in Frankfurt, enabling all services and applications managed on behalf of the client to be located and managed on our own systems. The first client for this offering is Cognis, with which we have signed a seven-year Managed Service contract covering 120 locations across 30 countries. We expect our investment in this shared services model, together with the creation of new national account teams and our

> In Germany, 35% of revenues came from services, where growth in the Managed Services contract base helped drive a 5.1% year-on-year revenue increase.

focus on long-term client contracts to lead to future sales growth.

Significant wins in the period include the renewal of a worldwide Managed Services contract with Deutsche Börse, worth several million Euros, in which we will provide user support, management of moves and changes and engineering services for 5,000 IT seats across Germany, USA, Hong Kong and Dubai.

France

Our French business recorded an improvement on the first half of 2005, with revenue growth of 12.3% to £141.7 million (2005: £126.2 million) and operating loss reducing to £5.4 million (2005: £7.9 million). The operating loss improvement was due to the effects of the ongoing cost reduction programme and, in part, attributable to the non-recurring costs of that programme in H1 2005, of approximately £1.7 million.

We made progress in addressing the poor utilisation levels across our services activities, which had a significant impact on profit performance. At the same time, we improved maintenance customer service levels and continue to see a growing pipeline of new contracts in our projects business.

To accelerate growth and address rising demand for enterprise technology, particularly related to IBM products, Computacenter France invested in the development of specialist technical and sales skills in the enterprise solutions market.

We saw a marked decline in product margins in H1, largely fuelled by major vendors bypassing the channel and selling direct to clients. It is too early to say whether this margin decline will continue into the second half of the year and beyond.

Significant wins include a three-year Managed Services contract renewal with Elior Services, worth over £1.6 million covering user help desk, maintenance and installations, moves and changes for 6,000 users across 2,500 catering sites. We also won a maintenance contract with a leading French insurance company, covering the provision of laptop and printer maintenance services to approximately 4,000 users.

Belgium, Netherlands and Luxembourg

Overall, our small Benelux operation showed a reduced loss of £82,000 (2005: £105,000 loss). Gross profit performance was strongest from Managed Services and product supply, with project and consultancy services remaining weak.

Key wins include a £4.6 million Belgian government-sponsored employee PC purchase contract, international procurement deals secured with Campbell and World Directories, and a major CRM deployment project, covering 19 countries, with OMRON in the Netherlands.

MIKE NORRIS
CHIEF EXECUTIVE OFFICER

> Significant wins in France include a three-year Managed Services contract renewal with Elior Services, worth over £1.6 million.

INDEPENDENT REVIEW REPORT TO COMPUTACENTER PLC

Introduction
We have been instructed by the Company to review the financial information for the six months ended 30 June 2006 which comprises the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity, and the related notes 1 to 8. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' 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 interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

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

Review conclusion
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Ernst & Young LLP
Luton
11 September 2006

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Unaudited six months ended 30 June 2006 £'000	Unaudited six months ended 30 June 2005 £'000	Year ended 31 Dec 2005 £'000
Revenue	**1,114,939**	1,151,553	2,285,209
Cost of sales	**(969,619)**	(1,009,276)	(1,996,381)
Gross profit	**145,320**	142,277	288,828
Distribution costs	**(9,304)**	(10,290)	(19,928)
Administrative expenses	**(124,013)**	(127,227)	(241,634)
Operating profit:			
Before share based payments	**12,003**	4,760	27,266
Share based payments	**(568)**	662	392
Operating profit	**11,435**	5,422	27,658
Finance costs	**(1,053)**	(1,275)	(2,002)
Finance income	**4,044**	3,956	8,127
Share of profit of associate	**98**	118	229
Profit before tax	**14,524**	8,221	34,012
Income tax expense	**(6,434)**	(6,078)	(13,579)
Profit for the period	**8,090**	2,143	20,433
Attributable to:			
Equity holders of the parent	**8,090**	2,184	20,406
Minority interests	**–**	(41)	27
	8,090	2,143	20,433
Earnings per share			
– basic for profit for the year	**4.3p**	1.2p	10.9p
– diluted for profit for the year	**4.3p**	1.2p	10.9p

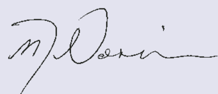
CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2006

	Unaudited six months ended 30 June 2006 £'000	Unaudited six months ended 30 June 2005 £'000	Year ended 31 Dec 2005 £'000
Non-current assets			
Property, plant and equipment	**77,456**	86,243	81,601
Intangible assets	**9,748**	9,576	9,493
Investment accounted for using the equity method	**184**	173	288
Deferred income tax asset	**5,582**	1,548	5,528
	92,970	97,540	96,910
Current assets			
Inventories	**87,733**	88,205	100,233
Trade and other receivables	**365,120**	388,269	382,970
Prepayments	**68,421**	59,751	63,476
Forward currency contracts	**26**	–	191
Cash and short-term deposits	**161,862**	144,832	164,797
	683,162	681,057	711,667
Total assets	**776,132**	778,597	808,577
Current liabilities			
Trade and other payables	**269,250**	299,577	315,997
Deferred income	**80,313**	78,505	73,827
Financial liabilities	**70,519**	57,867	64,131
Forward currency contracts	**–**	351	–
Income tax payable	**8,006**	5,005	5,712
Provisions	**1,585**	1,700	2,190
	429,673	443,005	461,857
Non-current liabilities			
Financial liabilities	**704**	664	275
Provisions	**13,384**	14,722	14,007
Other non-current liabilities	**12**	2,716	371
Deferred income tax liabilities	**837**	1,455	1,393
	14,937	19,557	16,046
Total liabilities	**444,610**	462,562	477,903
Net assets	**331,522**	316,035	330,674

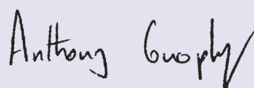
CONSOLIDATED BALANCE SHEET CONTINUED
AS AT 30 JUNE 2006

	Unaudited six months ended 30 June 2006 £'000	Unaudited six months ended 30 June 2005 £'000	Year ended 31 Dec 2005 £'000
Capital and reserves			
Issued capital	**9,543**	9,504	9,505
Share premium	**76,004**	74,628	74,680
Capital redemption reserve	**100**	100	100
Own shares held	**(2,503)**	(2,503)	(2,503)
Other reserves	**(1,524)**	(2,517)	(1,757)
Retained earnings	**249,883**	236,818	250,630
Shareholders' equity	**331,503**	316,030	330,655
Minority interest	**19**	5	19
Total equity	**331,522**	316,035	330,674

Approved by the Board on 11 September 2006



MJ Norris
Chief Executive



FA Conophy
Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent								
	Issued capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total £'000	Minority interest £'000	Total equity £'000
At 1 January 2005	**9,489**	**73,920**	**100**	**(2,503)**	**(911)**	**244,965**	**325,060**	**46**	**325,106**
Exchange differences on retranslation of foreign operations	–	–	–	–	(1,606)	–	(1,606)	–	(1,606)
Net income/(expenses) recognised directly in equity	–	–	–	–	(1,606)	–	(1,606)	–	(1,606)
Profit for the period	–	–	–	–	–	2,184	2,184	(41)	2,143
Total recognised income and expenses for the period	–	–	–	–	(1,606)	2,184	578	(41)	537
Exercise of options	15	708	–	–	–	–	723	–	723
Cost of share based payments	–	–	–	–	–	(596)	(596)	–	(596)
Equity dividends	–	–	–	–	–	(9,735)	(9,735)	–	(9,735)
	15	708	–	–	(1,606)	(8,147)	(9,030)	(41)	(9,071)
At 30 June 2005	**9,504**	**74,628**	**100**	**(2,503)**	**(2,517)**	**236,818**	**316,030**	**5**	**316,035**
Exchange differences on retranslation of foreign operations	–	–	–	–	760	–	760	–	760
Net income/(expenses) recognised directly in equity	–	–	–	–	760	–	760	–	760
Profit for the period	–	–	–	–	–	18,222	18,222	14	18,236
Total recognised income and expenses for the period	–	–	–	–	760	18,222	18,982	14	18,996
Exercise of options	1	52	–	–	–	–	53	–	53
Cost of share based payments	–	–	–	–	–	230	230	–	230
Equity dividends	–	–	–	–	–	(4,640)	(4,640)	–	(4,640)
	1	52	–	–	760	13,812	14,625	14	14,639
At 31 December 2005	**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/(expenses) recognised directly in equity	–	–	–	–	233	–	233	–	233
Profit for the period	–	–	–	–	–	8,090	8,090	–	8,090
Total recognised income and expenses 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**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Unaudited six months ended 30 June 2006 £'000	Unaudited six months ended 30 June 2005 £'000	Year ended 31 Dec 2005 £'000
Operating activities			
Operating profit from operations	**11,435**	5,422	27,658
Adjustments to reconcile Group operating profit to net cash inflows from operating activities			
Depreciation	**6,869**	8,032	15,535
Amortisation	**850**	885	1,784
Share based payment	**568**	(637)	(366)
Loss/(profit) on disposal of property, plant and equipment	**260**	(155)	(85)
Loss on disposal of intangibles	**9**	–	–
Dividend received from associate	**203**	303	303
Decrease in inventories	**12,846**	27,770	16,824
Decrease/(increase) in trade and other receivables	**14,240**	29,832	(25,904)
(Decrease)/increase in trade and other payables	**(41,629)**	(5,423)	29,925
Currency and other adjustments	**(73)**	609	287
Cash generated from operations	**5,578**	66,638	65,961
Income taxes paid	**(4,744)**	(12,591)	(18,366)
Net cash flow from operating activities	**834**	54,047	47,595
Investing activities			
Interest received	**4,066**	4,721	9,086
Sale of subsidiary net of cash disposed of	**–**	(252)	(252)
Sale of property, plant and equipment	**22**	89	205
Purchases of property, plant and equipment	**(1,400)**	(5,284)	(6,950)
Purchases of intangible assets	**(1,115)**	(1,403)	(3,385)
Funds received from settlement of net asset claim on previously acquired subsidiary	**–**	–	26,918
Net cash flow from investing activities	**1,573**	(2,129)	25,622
Financing activities			
Interest paid	**(1,293)**	(1,071)	(2,063)
Dividends paid to equity holders of the parent	**(9,405)**	(9,735)	(14,418)
Proceeds from issue of shares	**1,362**	722	776
Repayment of capital element of finance leases	**(1,320)**	(250)	(321)
Increase/(decrease) in factor financing	**2,066**	(20,498)	(6,401)
Net cash flows from financing activities	**(8,590)**	(30,832)	(22,427)
(Decrease)/increase in cash and cash equivalents	**(6,183)**	21,086	50,790
Effect of exchange rates on cash and cash equivalents	**(156)**	2,493	1,576
Cash and cash equivalents at beginning of period	**132,911**	80,545	80,545
Cash and cash equivalents at end of period	**126,572**	104,124	132,911

ANALYSIS OF NET FUNDS

Cash and cash equivalents	**126,572**	104,124	132,911
Factor financing	**(33,805)**	(16,804)	(31,542)
Finance leases	**(646)**	(694)	(652)
Loans	**(1,482)**	(326)	(326)
Net funds	**90,639**	86,300	100,391

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 2005. 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 2006 was as follows:

Segmental analysis

	Unaudited six months ended 30 June 2006 £'000	Unaudited six months ended 30 June 2005 £'000	Year ended 31 Dec 2005 £'000
Revenue by geographic market			
UK	**661,095**	715,517	1,351,307
Germany	**297,671**	299,983	618,238
France	**141,732**	126,206	295,784
Benelux	**14,441**	9,847	19,880
Total	**1,114,939**	1,151,553	2,285,209
Gross profit by geographic market			
UK	**91,115**	88,130	169,876
Germany	**40,397**	40,720	87,709
France	**12,606**	12,383	28,941
Benelux	**1,202**	1,044	2,302
Total	**145,320**	142,277	288,828
Operating profit/(loss) by geographic market			
UK	**16,432**	14,904	32,079
Germany	**450**	(1,457)	5,001
France	**(5,365)**	(7,920)	(9,313)
Benelux	**(82)**	(105)	(109)
Total	**11,435**	5,422	27,658
Revenue by business segment			
Product	**846,831**	893,753	1,757,967
Technology solutions	**59,263**	52,820	114,236
Support and managed services	**208,845**	204,980	413,006
Total	**1,114,939**	1,151,553	2,285,209

3 Income tax

The charge based on the profit for the period comprises:

	Unaudited six months ended 30 June 2006 £'000	Unaudited six months ended 30 June 2005 £'000	Year ended 31 Dec 2005 £'000
UK Corporation tax			
– Current	**6,988**	5,793	12,872
– Prior	**–**	196	(202)
– Deferred tax	**(569)**	(37)	997
Foreign tax	**15**	2	31
	6,434	5,954	13,698
Share of joint venture's tax	**–**	124	(119)
	6,434	6,078	13,579

4 Dividends

The proposed final dividend for 2005 of 5.0p per ordinary share was approved at the AGM in May 2006 and was paid on 31 May 2006. An interim dividend in respect of 2006 of 2.5p per ordinary share, amounting to a total dividend of £3,910,000, was declared by the Directors at their meeting on 11 September 2006. This interim report does not reflect this dividend payable.

5 Earnings per share

Basic earnings per share is 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 in issue during the period.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue 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 2006 £'000	Unaudited six months ended 30 June 2005 £'000	Year ended 31 Dec 2005 £'000
Profit attributable to equity holders of the parent	**8,090**	2,184	20,406

	No. 000's	No. 000's	No. 000's
Weighted average number of ordinary shares for basic earnings per share	**187,753**	187,147	187,210
Effect of dilution:			
Share options	**725**	1,010	658
Adjusted weighted average number of ordinary shares for diluted earnings per share	**188,478**	188,157	187,868

6 Cash and cash equivalents

	Unaudited six months ended 30 June 2006 £'000	Unaudited six months ended 30 June 2005 £'000	Year ended 31 Dec 2005 £'000
Cash and cash equivalents as at the end of the period comprises:			
Cash at bank and in hand	161,862	142,832	164,797
Short term deposits	–	2,000	–
Bank overdrafts	(35,290)	(40,708)	(31,886)
	126,572	104,124	132,911

7 Post balance sheet event

On 3 July 2006 the Company effected a capital reorganisation under which each ordinary share of 5p was divided into one ordinary share of 6p and one B share of 39p. Following this sub-division every 6 ordinary shares of 5p were consolidated into 5 ordinary shares of 6p.

The B shares were immediately redeemed and cancelled.

As a result of the 5 for 6 consolidation, 190,876,000 ordinary shares of 5p became 159,063,000 ordinary shares of 6p.

8 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 2005. Those accounts have been delivered to the Registrar of Companies.

CORPORATE INFORMATION

Company Registration Number:
3110569

Board of Directors:
Ron Sandler (Executive Chairman)
Mike Norris (Chief Executive)
Tony Conophy (Finance Director)
Cliff Preddy (Senior Independent Director)
Philip Hulme (Non-Executive Director)
Peter Ogden (Non-Executive Director)
Ian Lewis (Non-Executive Director)

Company Secretary:
Stephen Benadé

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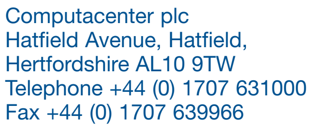
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