

Interim Results 2010

27 August 2010



H1 2010 Financial highlights

- Adjusted profit before tax increased 16.6% to £21.3 million (2009: £18.2million)
- Adjusted diluted earnings per share increased by 8.3% to 10.4p (2009: 9.6p)
- Group revenues increased by 5.4% to £1.29 billion (2009: £1.22 billion)
- Interim dividend increased 16.7% to 3.5p (2009: 3.0p)
- Net funds before customer-specific financing of £95.6 million (2009: £47.3 million)

Operating highlights

- Revenue growth ahead of the market in all our major geographies
- Growth in contractual services base of 4.6% to £509.7 million (2009: £487.3 million)
- Encouraging growth in product revenue, up 14.8%, in constant currency and excluding the effect of the disposal of our trade distribution business in 2009
- Professional services revenue, closely linked to product and shorter term projects, improved by 8.1% in the UK and by 11.6% in France
- Clear signs of improved performance in Germany after a challenging start to the period

Financial Review: Tony Conophy

A glossary

Adjusted results

- PBT and EPS are adjusted for exceptional items and amortisation on acquired intangibles
- Operating profit is stated after charging finance costs on CSF, and excludes the transfer of internal ERP implementation costs between segments

Customer-specific financing ('CSF')

- Finance costs for CSF are charged after operating profit for statutory purposes
- These costs are considered to be contract specific costs, and operating profit is adjusted to charge for these costs
- Net finance costs are also adjusted in this presentation

Net funds

- Net funds prior to CSF is monitored internally by the Group
- Statutory net funds includes future obligations for CSF, that are covered by future income streams
- All CSF facilities are committed

Group – adjusted income statement



	As reported			In constant currency		
	H1 10	H1 09	Movement 10 v 09	H1 10	H1 09	Movement 10 v 09
	£m	£m	%	£m	£m	%
Revenue	1,288.8	1,222.2	5.4%	1,288.8	1,206.4	6.8%
Adjusted gross profit	172.5 13.4%	168.6 13.8%	2.3% (0.4%)	172.5 13.4%	166.5 13.8%	3.6% (0.4%)
Other operating expenses	(151.8)	(150.6)	0.8%	(151.8)	(148.6)	2.1%
Adjusted operating profit	20.6 1.6%	18.0 1.5%	14.9% 0.1%	20.6 1.6%	17.8 1.5%	15.8% 0.1%
Adjusted net interest	0.6	0.3	129.8%	0.6	0.3	121.8%
Adjusted profit before tax	21.3	18.2	16.6%	21.3	18.1	17.5%
Adjusted tax expense	(5.3)	(3.9)	37.8%			
<i>Adjusted tax rate</i>	(24.9%)	(21.1%)	18.2%			
Adjusted profit after tax	16.0	14.4	10.9%			
Diluted earnings per share						
– Adjusted	10.4p	9.6p	8.3%			
– Statutory	10.3p	6.3p	63.5%			

Adjusted profit before tax, income tax expense and EPS are stated prior to amortisation of acquired intangibles and exceptional items. Adjusted operating profit and adjusted gross profit is also stated after charging finance costs on CSF

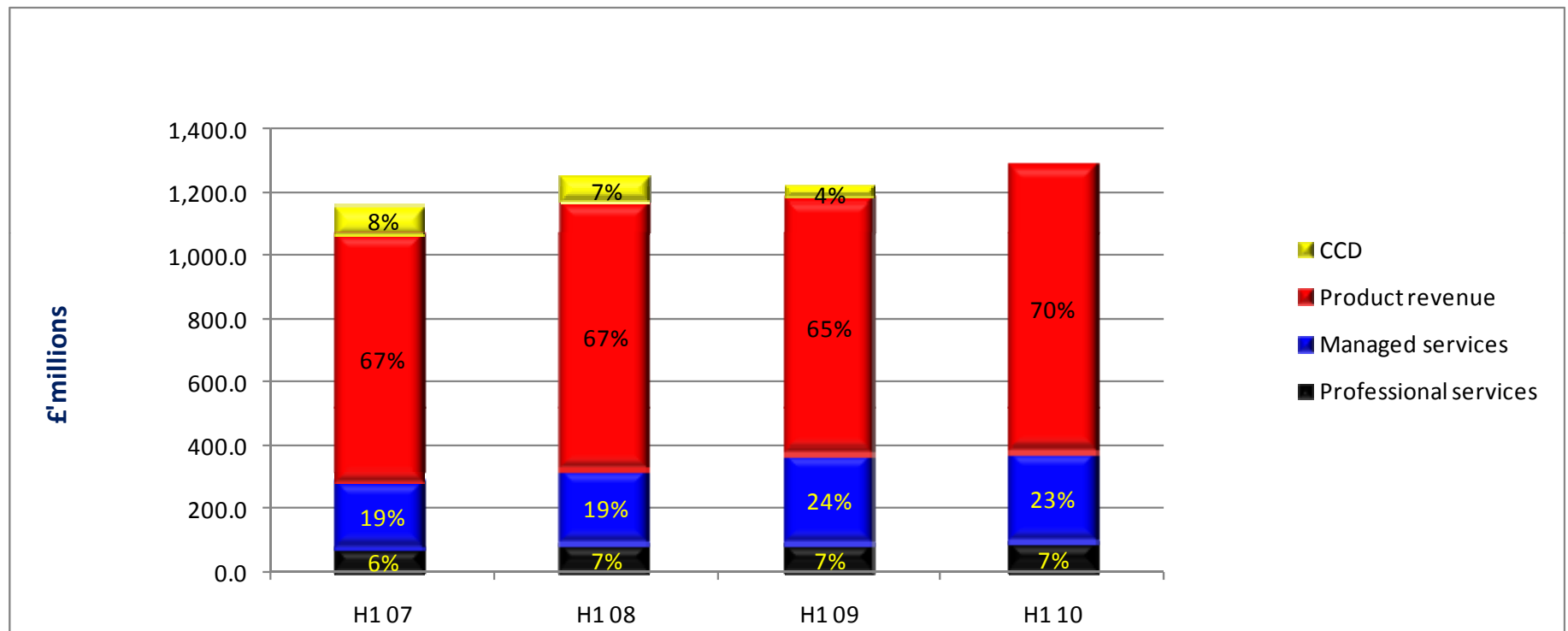
P&L exchange rate	
2010	1.150
2009	1.120

Group – sources of revenue



	Reported			In constant currency		
	H1 10	H1 09	Growth 10 v 09	H1 10	H1 09	Growth 10 v 09
	£m	£m	%	£m	£m	%
Product revenue						
Ongoing	907.1	800.4	13.3%	907.1	790.0	14.8%
Trade Distribution	-	46.5	(100.0%)	-	46.5	(100.0%)
Total product revenue	907.1	846.8	7.1%	907.1	836.5	8.4%
Services revenue						
Professional services	90.3	85.7	5.4%	90.3	84.6	6.7%
Support and managed services	291.4	289.6	0.6%	291.4	285.3	2.1%
Total services revenue	381.7	375.4	1.7%	381.7	369.9	3.2%
Group Revenue						
Ongoing	1,288.8	1,175.7	9.6%	1,288.8	1,159.9	11.1%
Trade Distribution	-	46.5	(100.0%)	-	46.5	(100.0%)
Total Revenue	1,288.8	1,222.2	5.4%	1,288.8	1,206.4	6.8%

Sources of revenue

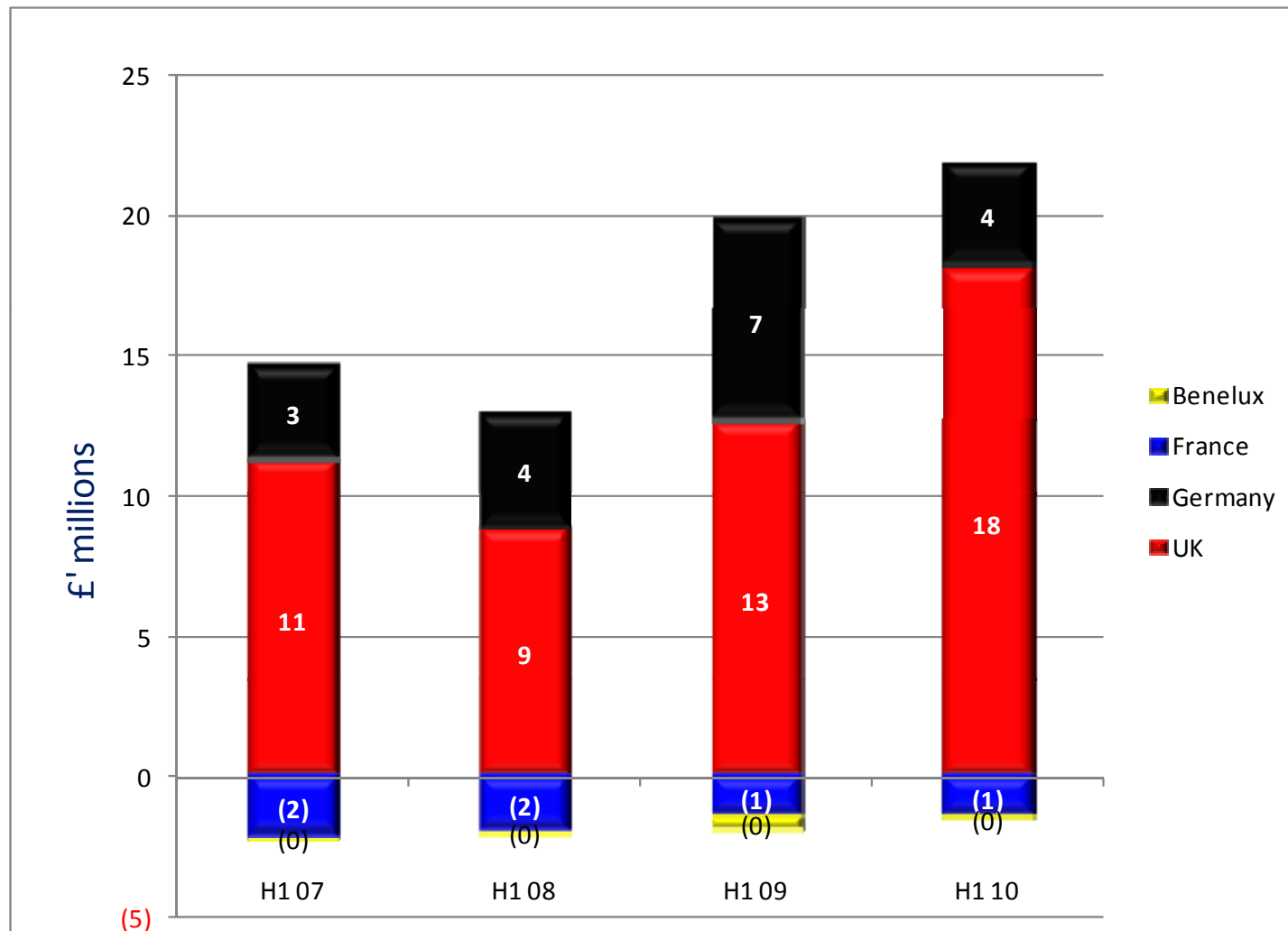


Group – reconciliation of adjusted to statutory profit after tax



	H1 10	H1 09	Movement 10 v 09
	£m	£m	%
Adjusted profit before tax	21.3	18.2	16.6%
Amortisation of acquired intangibles	(0.3)	(0.3)	15.8%
Exceptional items	0.0	(6.0)	-100.0%
Statutory profit before tax	21.0	12.0	75.1%
Adjusted tax expense	(5.3)	(3.9)	37.8%
<i>Adjusted Tax %</i>	24.9%	21.2%	
Tax on exceptional items	-	1.3	-100.0%
Tax on amortisation of acquired intangibles	0.1	0.1	25.4%
Income tax expense	(5.2)	(2.5)	108.3%
<i>Tax %</i>	24.9%	20.9%	
Statutory profit after tax	15.8	9.5	66.3%

Segment adjusted operating profit



Group – Operating expenses



	As Reported			In constant currency		
	H1 10	H1 09	Growth 10 v 09	H1 10	H1 09	Growth 10 v 09
	£m	£m	%	£m	£m	%
UK	73.8	75.2	-2%	73.8	75.2	-2%
Germany	56.3	53.1	6%	56.3	51.7	9%
France	19.5	20.4	-4%	19.5	19.9	-2%
Benelux	2.2	1.9	17%	2.2	1.9	20%
Group	151.8	150.6	1%	151.8	148.6	2%
<i>Estimated expenses related to disposed & acquired businesses</i>						
CCD	0.0	1.9	-100%	0.0	1.9	-100%
becom	3.9	0.0	n/a	3.9	0.0	n/a
Thesaurus	0.8	0.0	n/a	0.8	0.0	n/a
	4.7	1.9	152%	4.7	1.9	152%

UK – income statement



UK	H1 10	H1 09	Growth 10 v 09
	£m	£m	%
Revenue - Ongoing	651.9	578.4	12.7%
- CCD	-	46.5	(100.0%)
- Total	651.9	624.9	4.3%
Adjusted gross profit	91.9	87.8	4.7%
	14.1%	14.0%	0.1%
Other operating expenses	(73.8)	(75.2)	(1.8%)
	(11.3%)	(12.0%)	0.7%
Adjusted operating profit	18.1	12.6	43.7%
	2.8%	2.0%	0.8%
Headcount: *			
Direct	3,669	3,433	6.9%
Indirect	1,410	1,464	(3.7%)

* period end headcount

Germany – income statement



Germany	Reported			In local currency		
	H1 10	H1 09	Growth 10 v 09	H1 10	H1 09	Growth 10 v 09
	£m	£m	%	€m	€m	%
Excluding becom	422.7	433.3	(2.4%)	486.2	485.3	0.2%
becom	33.1	0.0	n/a	38.1	0.0	n/a
Revenue	455.8	433.3	5.2%	524.3	485.3	8.0%
Adjusted gross profit	60.0	60.3	(0.5%)	69.0	67.6	2.1%
	13.2%	13.9%	(0.8%)	13.2%	13.9%	(0.8%)
Other operating expenses	(56.3)	(53.1)	5.9%	(64.7)	(59.5)	8.8%
	(12.3%)	(12.3%)	(0.1%)	(12.3%)	(12.3%)	(0.1%)
Adjusted operating profit	3.7	7.2	(48.1%)	4.3	8.1	(46.7%)
	0.8%	1.7%	(0.8%)	0.8%	1.7%	(0.8%)
Headcount: *						
Direct	3,023	3,006	0.5%			
Indirect	1,136	1,078	5.4%			

* period end headcount

France – income statement

France	Reported			In local currency		
	H1 10 £m	H1 09 £m	Growth 10 v 09 %	H1 10 €m	H1 09 €m	Growth 10 v 09 %
Revenue	164.3	151.1	8.7%	189.0	169.2	11.7%
Gross profit	18.3 11.2%	19.0 12.6%	(3.6%)	21.1 11.2%	21.3 12.6%	(1.0%)
Other operating expenses	(19.5) (11.9%)	(20.4) (13.5%)	(4.5%) 1.6%	(22.5) (11.9%)	(22.9) (13.5%)	(1.9%) 1.6%
Adjusted operating profit	(1.2) (0.7%)	(1.4) (1.0%)	16.4% 0.2%	(1.4) (0.7%)	(1.6) (1.0%)	14.2% 0.2%
Headcount *:						
Direct	831	768	8.1%			
Indirect	372	350	6.2%			

* period end headcount

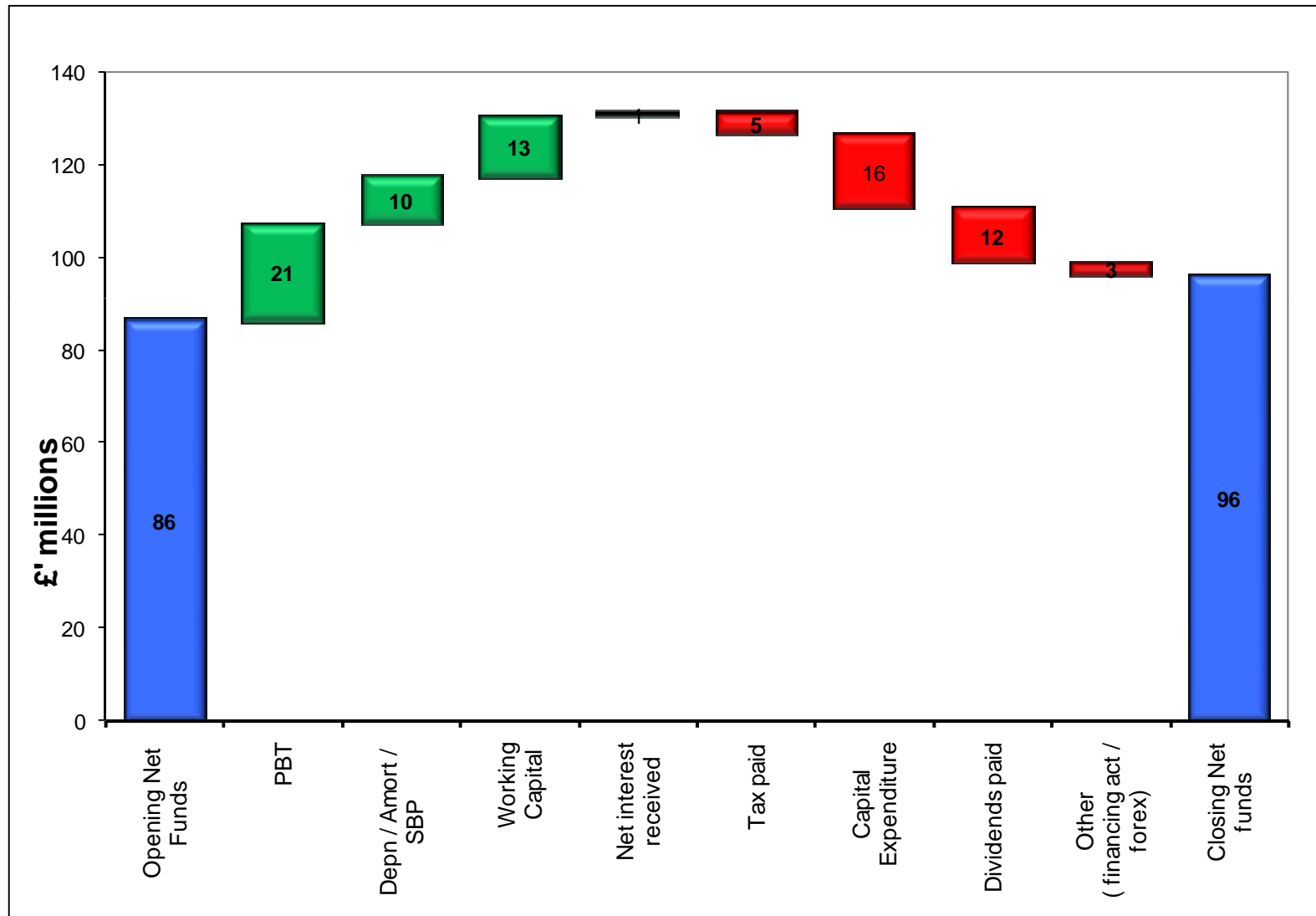
Analysis of net funds



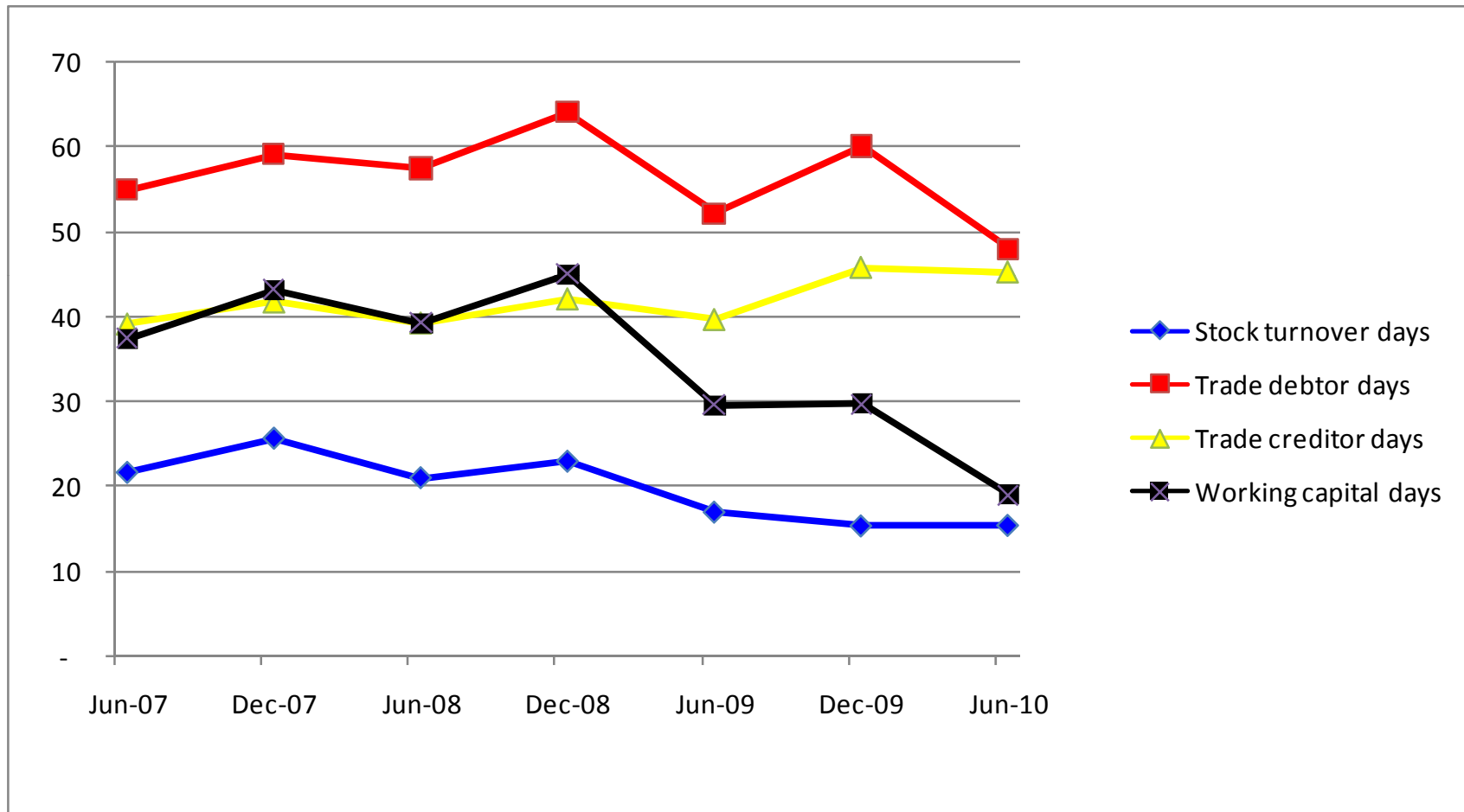
	June 10	June 09	Dec 09
	£m	£m	£m
Cash and cash equivalents	128.1	69.7	105.0
Own loans	(1.4)	0.0	(3.7)
Factor financing	(31.1)	(22.4)	(14.8)
Net funds prior to CSF	95.6	47.3	86.4
Finance leases	(32.8)	(48.9)	(42.6)
Other loans	(5.7)	(16.4)	(6.5)
Total CSF	(38.5)	(65.3)	(49.1)
Net cash / (debt)	57.1	(18.1)	37.3

- The Group's primary measure when managing the business is net funds pre CSF
- Cash growth is enhanced by £9.2 million since Dec 2009 net of paying a dividend of £11.8 million and investment in our ERP and datacentre implementation of £8 million

Adjusted Cash Flow (excluding CSF)



Working capital days



Group – balance sheet



	Jun 10	Jun 09	Dec 09
	£m	£m	£m
Non-current assets			
Property, plant and equipment	96.2	113.4	105.3
Goodwill & Intangibles	77.4	52.5	73.0
Deferred income tax asset	17.6	17.7	16.4
	191.2	183.6	194.7
Current assets			
Inventories	69.0	71.1	67.1
Trade & other receivables	411.1	403.1	475.6
Prepayments & accrued income	103.9	129.4	85.3
Cash and short-term deposits	129.6	75.5	108.0
	713.6	679.1	736.1
Current liabilities			
Trade payables	235.9	190.6	229.0
Deferred income	93.8	107.6	123.9
Financial liabilities	55.9	64.4	48.6
Other liabilities & provisions	156.7	147.8	155.2
	542.3	510.3	556.7
Non-current liabilities			
Financial liabilities	16.5	29.3	22.0
Other liabilities & provisions	11.9	12.2	13.5
	28.4	41.5	35.5
Net assets	334.1	310.9	338.5

PP&E DOWN: reduction of leased assets (held on customer contracts)

Intangibles UP: ERP investment

Inventories STABLE: Sale of CCD (less stock held) offset by impact of increased revenues

Payables FLAT: Improved terms with major supplier

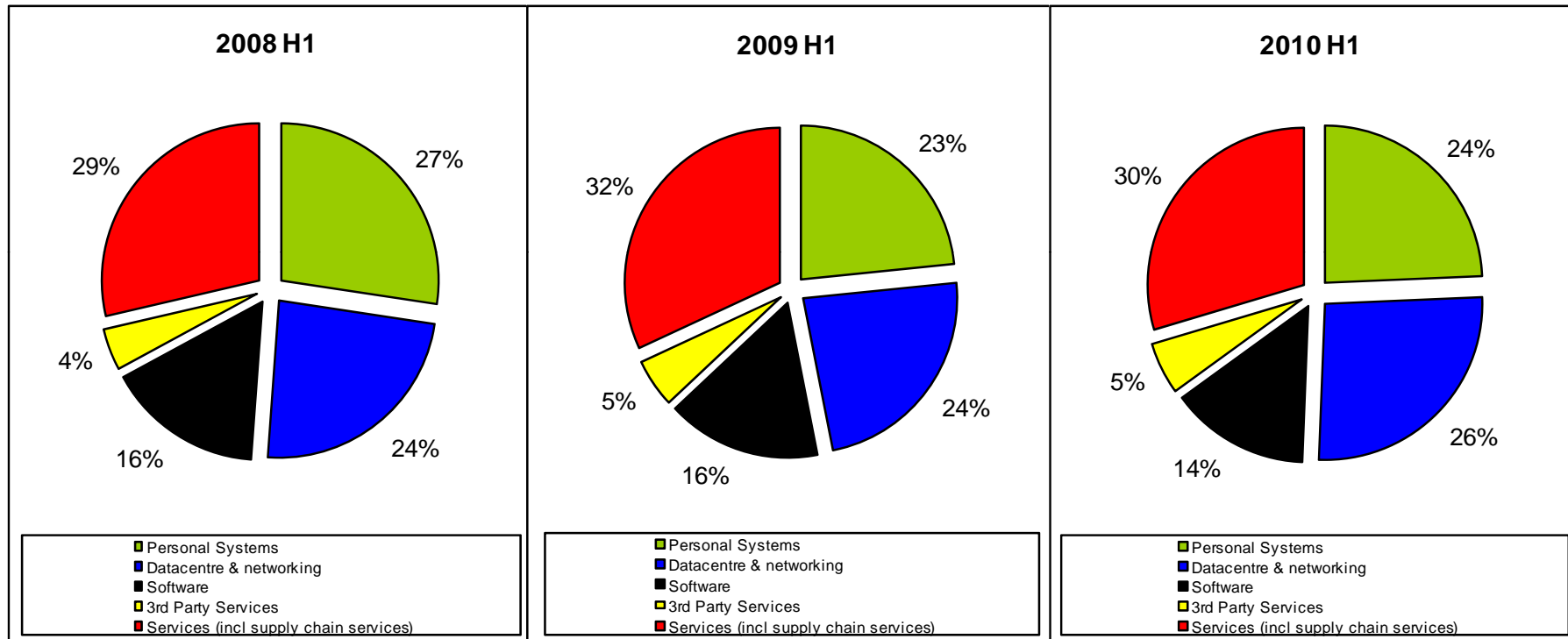
Financial liabilities FLAT : reduced CSF offset by increase in factoring in France due to temporary working capital requirements at the end of June.

Operational Review: Mike Norris

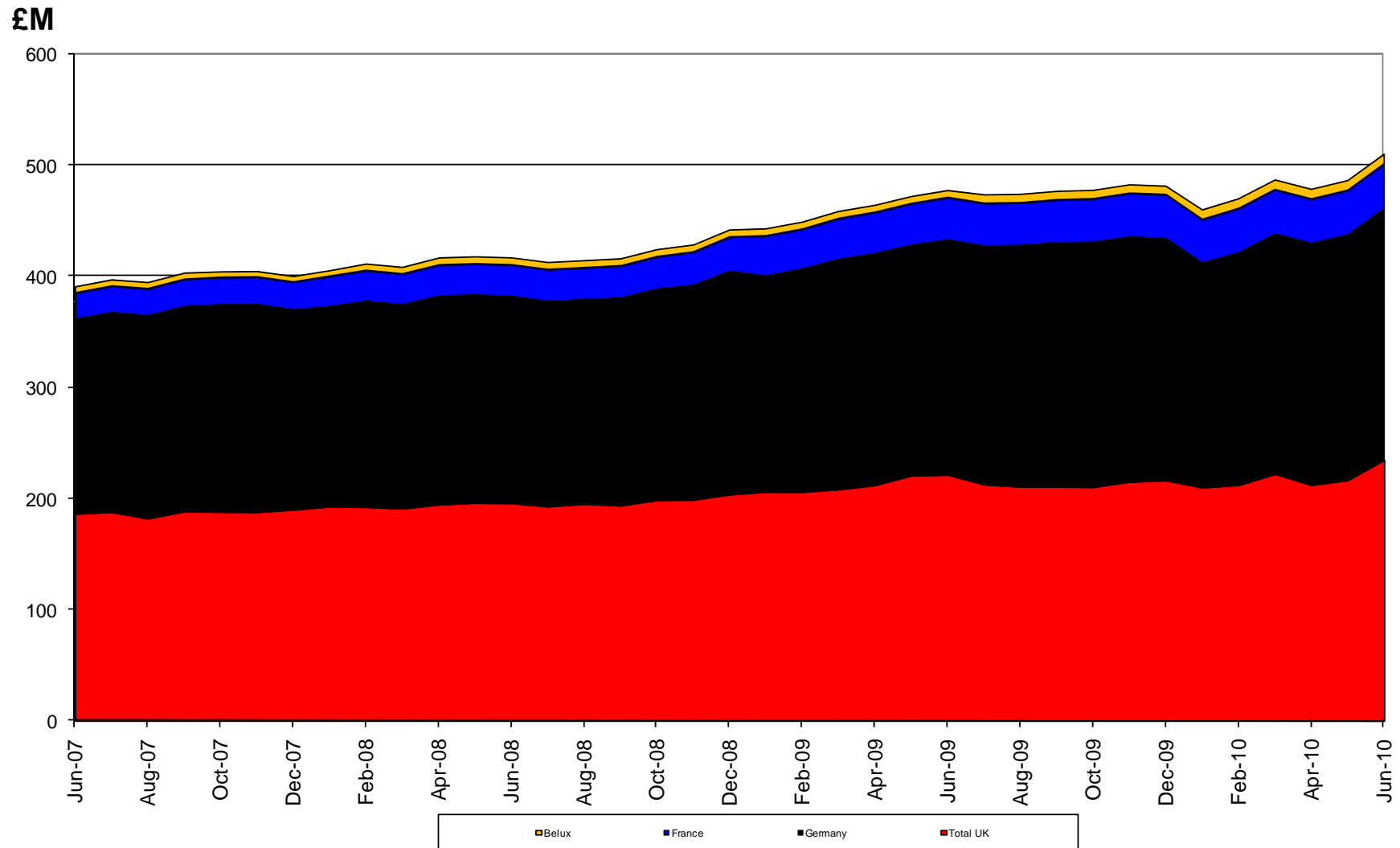
Group Trends and Highlights

- Return of capital expenditure gave a boost to product sales
- Integration projects have returned
- Professional services are busy
- Good contractual growth
- Good strengthening balance sheet
- ERP project on track, approximately 80% of capital spent

Revenue by type – Group



Contract base – Group*

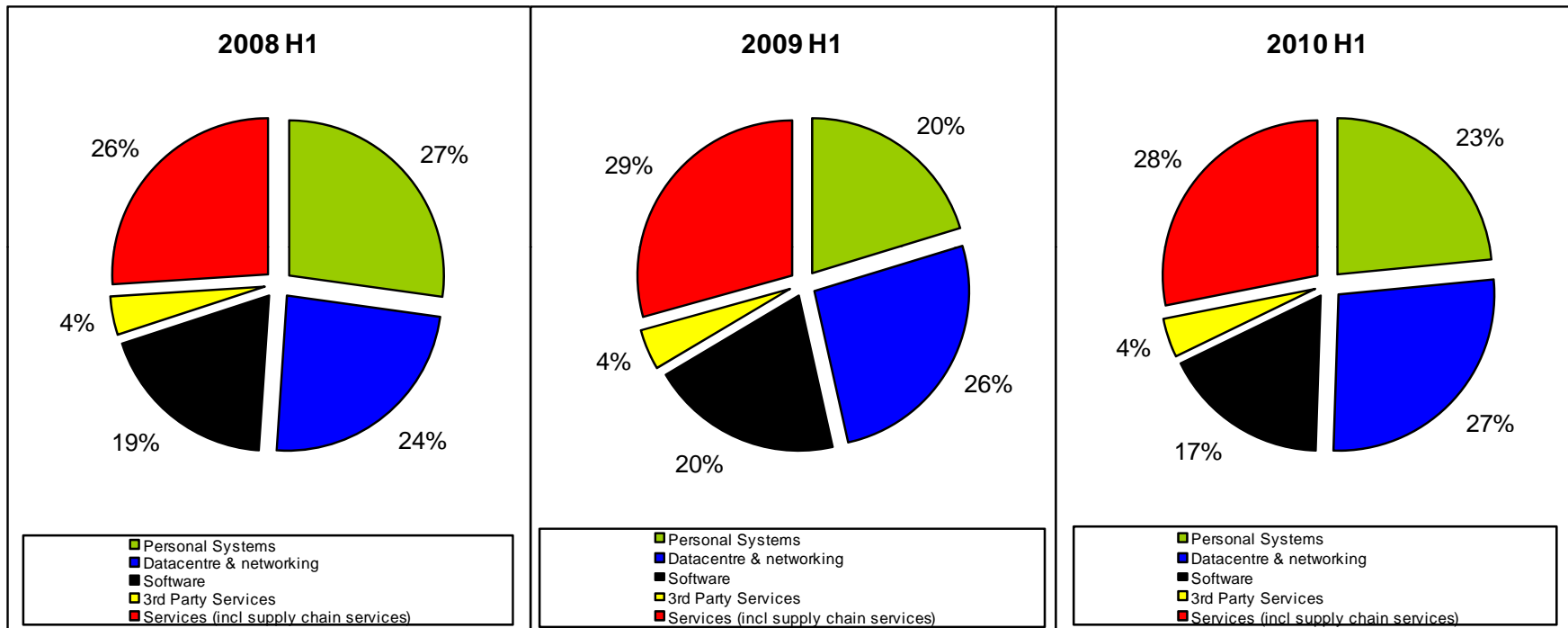


* Stated at constant currency at exchange rates prevailing on 30 June 2010

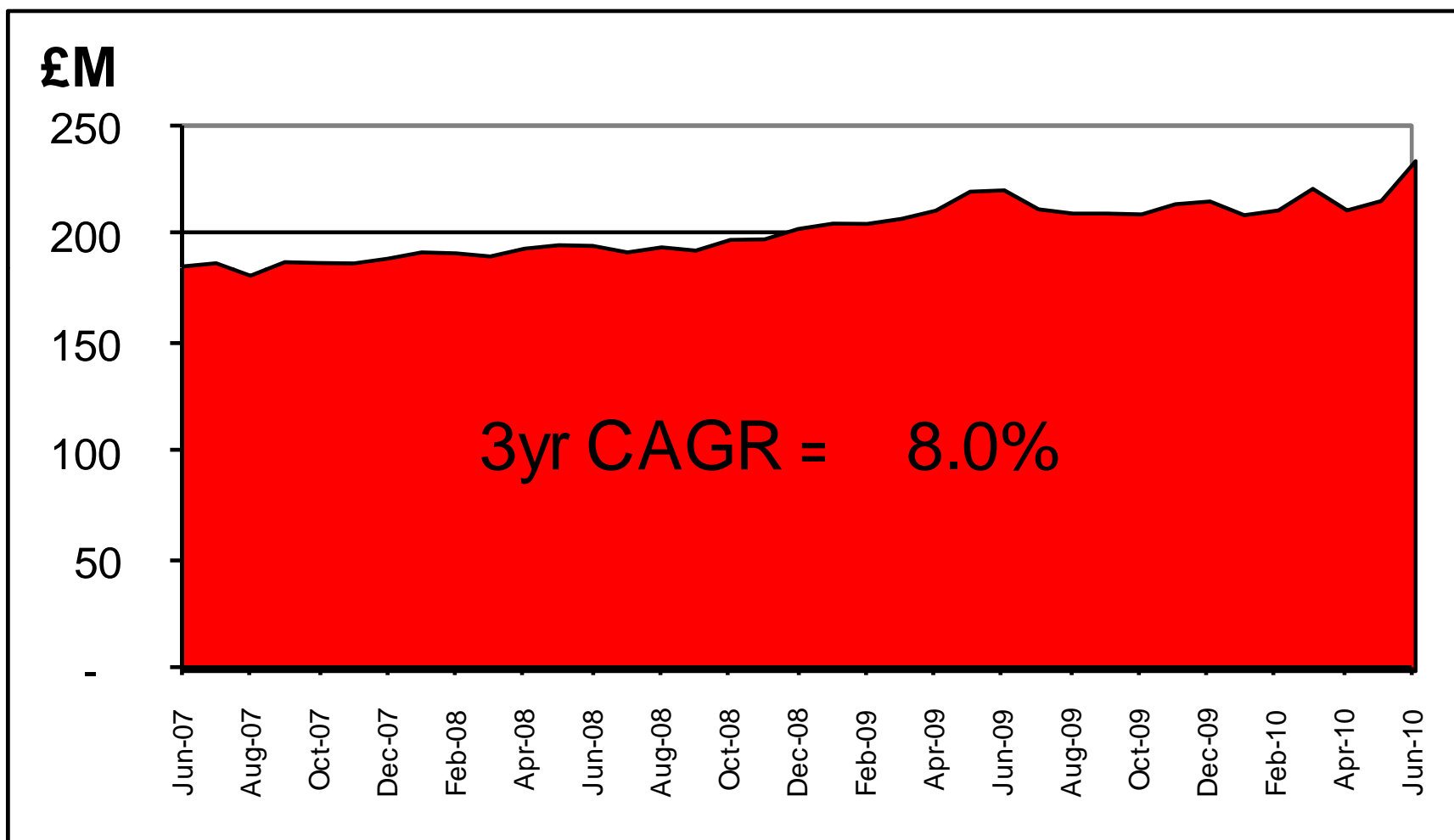
UK Highlights

- Revenue growth of 12.7% to £651.9 million
- Services grew by 8.0%
- Product revenue increase of 14.6%
- Flat SG&A
- Service contract base grew by 6.1%
- Strong performance by RDC
- Operating profit grew by 43.7% to £18.1 million

Revenue by type – UK



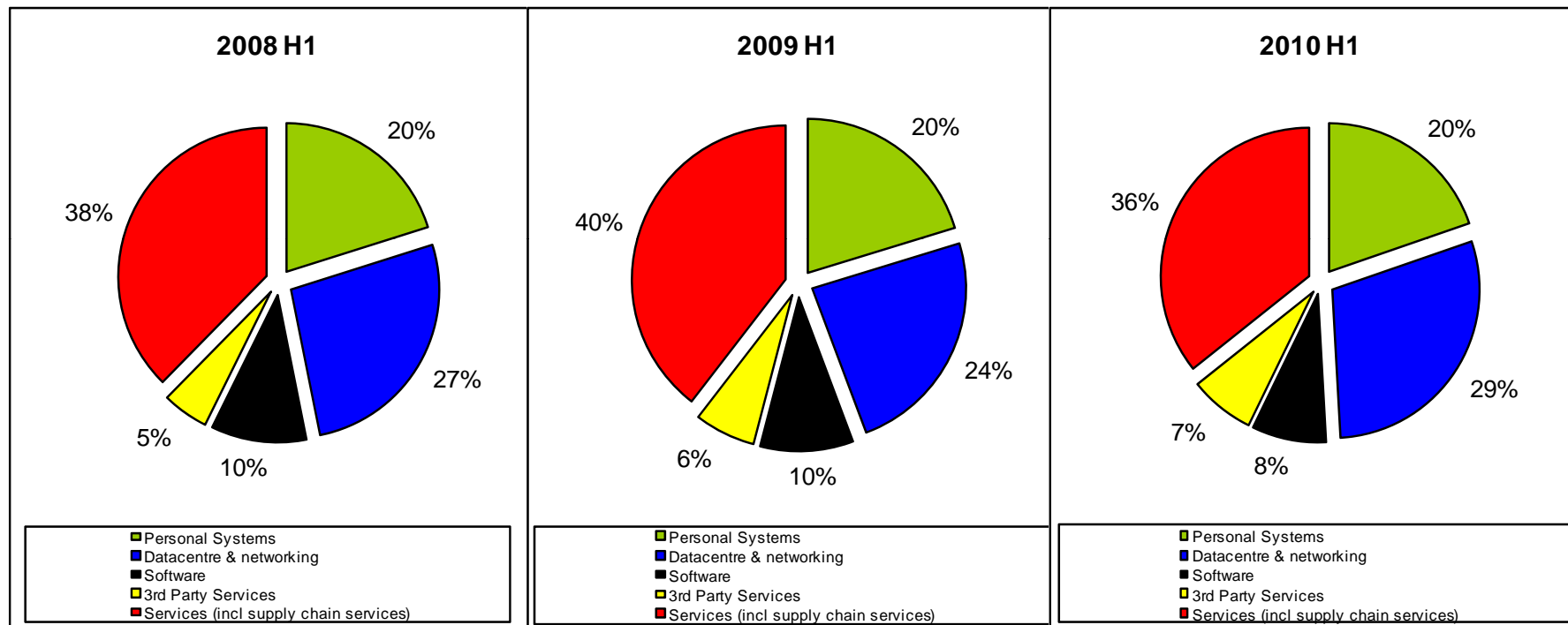
Contract base - UK



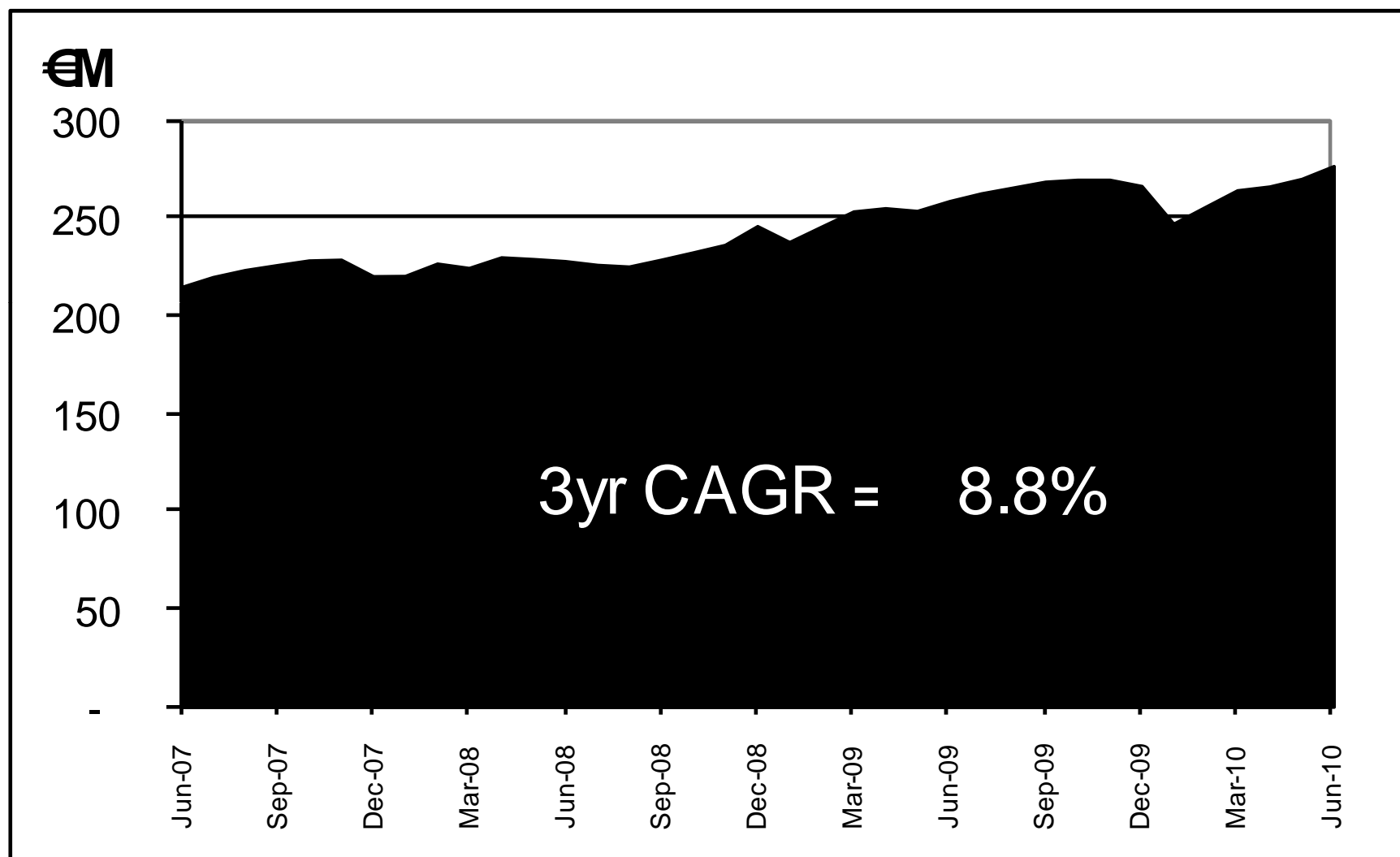
Germany Highlights

- Revenue increased by 8.0% including becom
- Very weak Q1 getting better in Q2
- Decrease in service revenue of 2.4%
- Poor utilisation of professional services
- Good integration of becom
- Operating profit reduced by 46.7%

Revenue by type - Germany



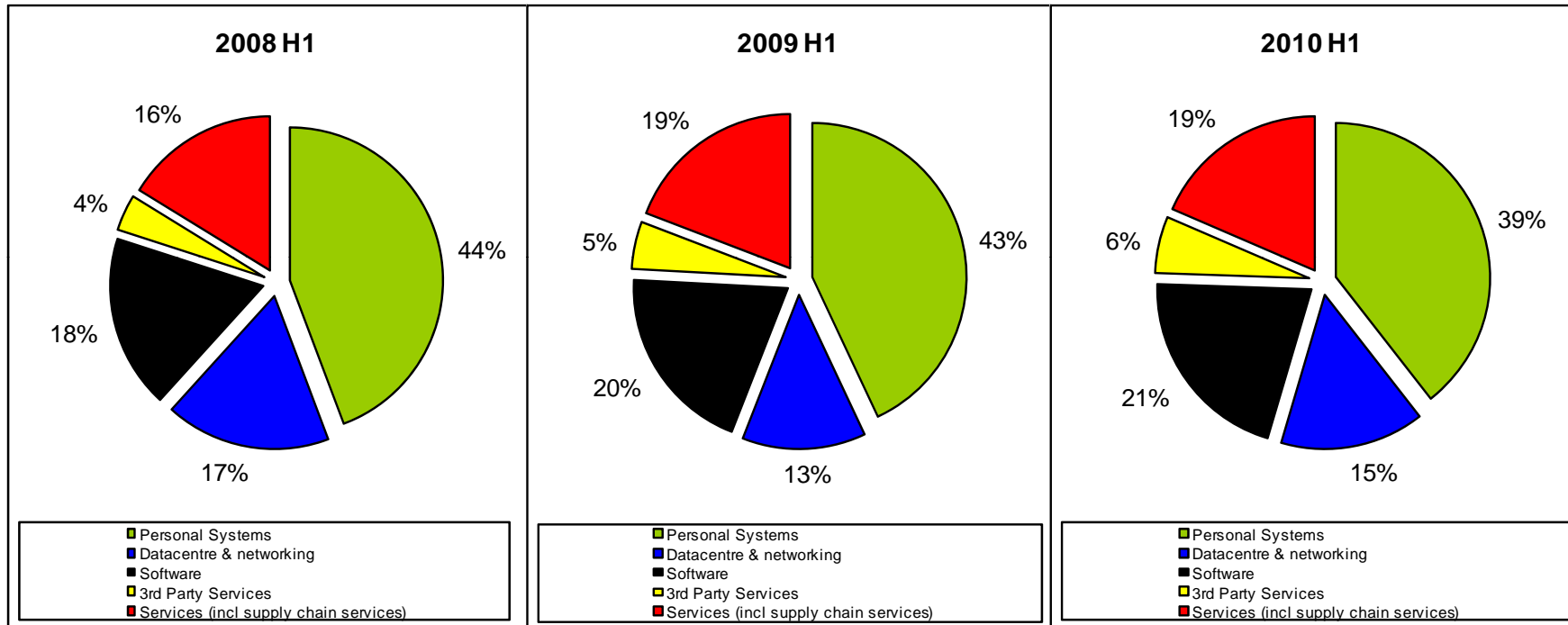
Contract base - Germany



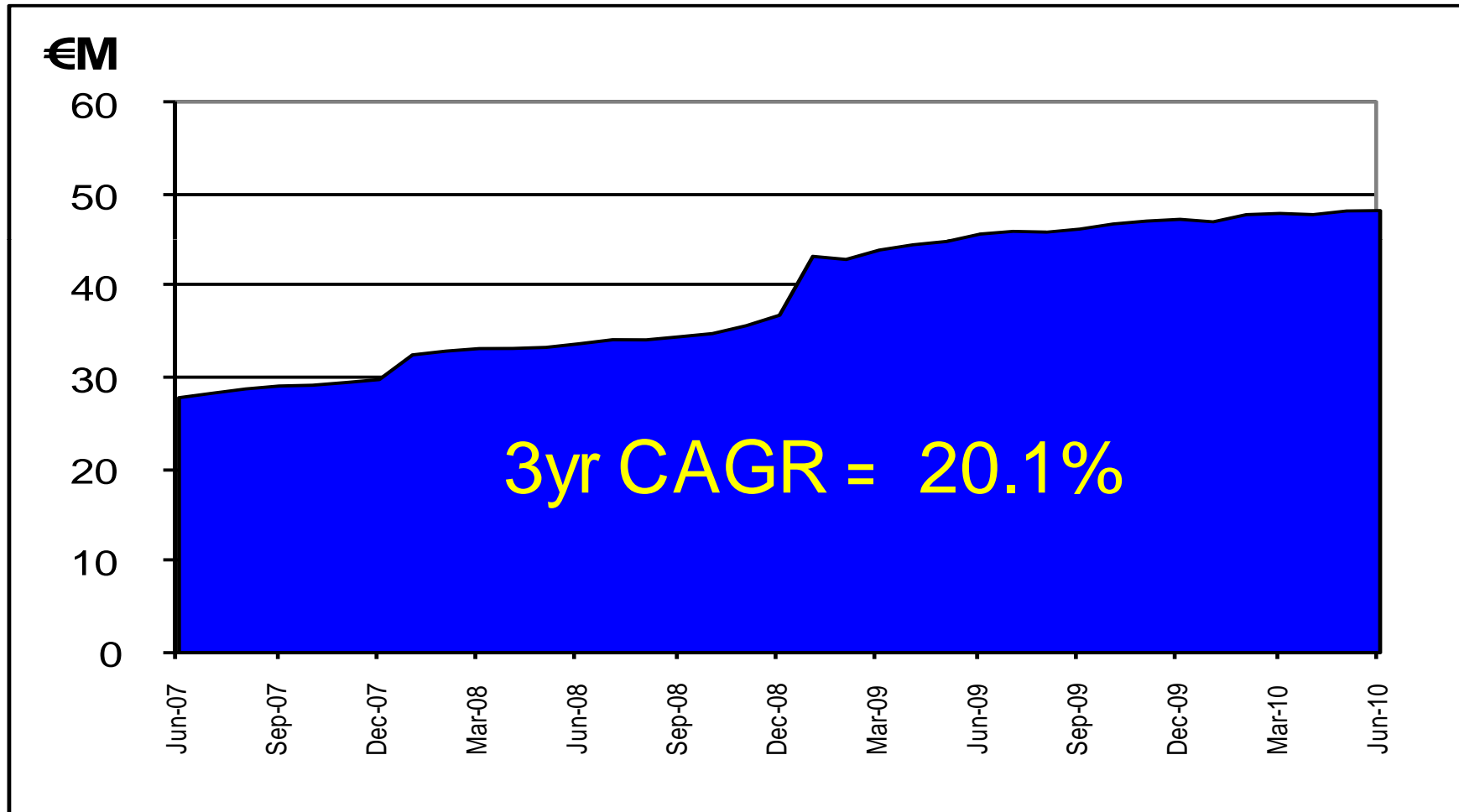
France Highlights

- Revenue increase of 8.7%
- Some product margin erosion
- Service growth of 7.8%
- Product growth of 12.6%
- Ahead of our internal Plan
- Operating loss reduced to £1.2 million

Revenue by type - France



Contract base - France



H1 2010 Financial highlights

- Adjusted profit before tax increased 16.6% to £21.3 million (2009: £18.2million)
- Adjusted diluted earnings per share increased by 8.3% to 10.4p (2009: 9.6p)
- Group revenues increased by 5.4% to £1.29 billion (2009: £1.22 billion)
- Interim dividend increased 16.7% to 3.5p (2009: 3.0p)
- Net funds before customer-specific financing of £95.6 million (2009: £47.3 million)

Outlook

- It is early in the second half but so far growth rates are in line or ahead of H1
- Contractual services growth will continue in H2 but we need new wins to maintain the growth in 2011
- Product sales look strong even when you include UK Public Sector
- Professional services are very encouraging
- We are entering a critical phase of our ERP implementation
- Our balance sheet should continue to strengthen
- We are confident that we are on track to meet our expectations for the year

Appendix

Adjusted cash flow

	H1 10	H1 09
	£m	£m
Adjusted operating profit	20.6	18.0
<i>Adjustments to reconcile Group adjusted operating profit to net cash inflows from operating activities</i>		
Depreciation and amortisation	8.8	8.3
Share-based payment	1.3	1.1
Working capital movements	13.2	39.3
Other adjustments	0.1	(0.2)
Adjusted operating cashflow	44.0	66.4
Net interest received	0.5	0.3
Income taxes paid	(4.6)	(10.0)
Capital expenditure and investments	(16.1)	(8.6)
Acquisitions and disposals	-	-
Equity dividends paid	(11.8)	(8.1)
Cash out flow before financing	12.0	40.1
Financing		
Proceeds from issue of shares	0.3	-
Purchase of own shares	(2.0)	(0.6)
Change in net debt pre CSF in the period	10.3	39.5
Net debt pre CSF at beginning of period	86.4	4.6
Effect of exchange rates on net funds pre CSF	(1.1)	3.2
Net debt pre CSF at end of period	95.6	47.3