29 August 2007

LogicaCMG reports first half results and updates on Board changes

Financial headlines

For the six months ended 30 June 2007, LogicaCMG plc financial results were as follows, with comparatives on a restated basis[1] for 2006:

Continuing operations

- Revenue up 36.2% at **£1,525.3** million (2006: £1,120.1 million)
- Operating profit up 13.1% at **£43.9** million (2006: £38.8 million)
- Profit before tax of **£29.2** million (2006: £26.8 million)
- Basic earnings per share, including exceptional items and amortisation of acquisition related intangibles, of **1.8p** (2006: 0.6p)
- Cash conversion[2] of 44% (2006: (1%)), based on net cash inflow from trading operations of £39.8 million (2006: £0.8 million outflow)

Group

- Profit from discontinued operations at £**122.0** million (2006: £1.4 million)
- Net profit at £**149.4** million (2006: £10.3 million)
- Net debt at 30 June 2007 of **£399.1** million (31 December 2006: £557.1 million)
- Interim dividend up 4.5% at **2.3p** (2006: 2.2p)

Summary operational results

For the six months ended 30 June 2007, LogicaCMG plc results were as follows, with comparatives on a pro forma constant currency basis[3] for 2006:

- **Revenue up 3.5% on a pro forma basis to £1,525.3 million (2006: £1,474.3 million)**
  - Revenue growth above the market in France, Nordics, Netherlands and Germany partly offset by an 8.3% decline in UK revenue due to weakness in commercial sectors
- **Adjusted operating profit[4] down 17.1% on a pro forma basis to £89.7 million (2006: £108.2 million)**
  - Declines in the UK and International businesses partly offset by higher adjusted operating profit in the Netherlands and Germany
  - Most significant contributor to decline in profit and margin was a £13.6 million write-off on a previously disclosed UK project cost overrun
  - Adjusted operating margin[4] at 5.9% (2006: 7.3%), with strong performance in Germany delivering an adjusted operating margin[4] of 3.6% (2006: (7.2%))
- **Adjusted basic EPS[5] from continuing operations up 11.1% at 4.0p (2006 actual: 3.6p)**
  - Improvements in the tax rate to 18% offset lower UK profitability

Update on Board changes

- David Tyler to become Chairman on retirement of Cor Stutterheim
- Progress being made in the search for a new Chief Executive

Commenting on current trading, Jim McKenna, Chief Operating Officer, said:

"Our outlook on the market remains unchanged, with healthy demand in our major markets.

"A key priority for the second half is improving the operational performance in the UK. We will also be working on recruiting the right people in the right places to grow the business and on expanding the use of common systems and processes throughout the larger group."

Commenting on the Board changes announced today, Cor Stutterheim, Chairman, said:

"I am delighted that we have been able to secure my succession with the appointment of David Tyler. David brings a wealth of experience, which will be invaluable to the Board.

"I would like to express my gratitude to George Loudon, on behalf of the Board, for his very important contribution to the business. George leaves at the end of nine years of service, over the course of which he has provided extremely valuable strategic insight and business advice as LogicaCMG transformed itself into a leading European IT services player.

"It has been a great pleasure chairing the Board of LogicaCMG over the last five years. I believe that we have built a strong platform for future growth and I wish the group well in the next phase of its development."

Commenting on the Board changes announced today, David Tyler, joint Deputy Chairman, said:

"I want to express, on behalf of the Board, our sincere thanks to Cor Stutterheim. Cor has had an outstanding career in the IT services industry. He was the driving force behind the very successful development of CMG from its early days in 1970 to its merger with Logica five years ago. As Chairman of LogicaCMG, he has helped to guide the company through a period of rapid expansion. The Board thanks him very much for his long-standing commitment and contribution to the company and wishes him well for the future.

"The Board is pleased with the progress being made in the search for a new Chief Executive; we remain focused on securing the best possible candidate to take LogicaCMG forward."

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Notes:

1. 2006 reported figures have been restated for the disposal of the Telecoms Products business. See notes to the accounts for details.

2. Cash conversion represents net cash inflow from trading operations divided by adjusted operating profit. Net cash inflow from trading operations is cash generated from operations before cash flows from restructuring and integration charges and other exceptional items.

3. Comparatives are based on pro forma IT services and exclude pdv.com and No Limits which were disposed of in 2006. Adjustments have been made for non-recurring passthrough in France which was reported in 2006. The comparatives have also been adjusted to include Caran to the beginning of June 2006, the remainder of WM-data for the full year and the acquired Siemens Business Services for the nine months from March 2006 and to reflect current exchange rates as listed below. 2006 pro forma constant currency revenue numbers are as follows:

2006	**H1**	**H2**	**FY**
UK	364.6	353.8	718.4
Nordics	395.2	370.1	765.3
France	262.8	260.5	523.3
Netherlands	219.1	225.5	444.6
Germany	73.9	87.5	161.4
International	158.7	168.1	326.8
Total	**1,474.3**	**1,465.5**	**2,939.8**

4. Adjusted operating profit and margin are from continuing operations and, where applicable, before exceptional items and amortisation of intangible assets initially recognised at fair value in a business combination.

	H1'07	H1'06 Pro forma	H1'06 Restated	Growth Pro forma	Growth
Operating profit	**43.9**		**38.8**		**13.1%**
Add back impact of:					
Exceptional items	7.6		23.6		
Amortisation of acquisition related intangibles	38.2		11.5		
Adjusted operating profit	**89.7**	**108.2**	**73.9**	**(17.1%)**	**21.4%**

5. Adjusted earnings per share is based on net profit attributable to ordinary shareholders, excluding the following items:
   - discontinued operations
   - exceptional items
   - mark-to-market gains and losses on financial assets and financial liabilities designated at fair value through profit or loss
   - amortisation of intangible assets initially recognised at fair value in a business combination
   - tax on the items above, where applicable

6. Exchange rates used are as follows:

	H1'07	FY'06	H2'06	H1'06
£1 / €				
Average	1.48	1.47	1.48	1.46
End of period	1.49	1.48	1.48	1.45
£1 / SEK				
Average	13.67	13.57	13.58	13.56
End of period	13.76	13.39	13.39	13.32

Overview

In the first half of 2007, there was good demand for IT services in all our major markets. We achieved strong pro forma revenue growth in the Nordics, France, Netherlands and Germany. In the UK, we saw weakness in the commercial sectors in spite of good underlying demand, but achieved strong Public Sector growth. Selective price increases and more efficient delivery offset increased use of subcontractors to meet demand in France and the Nordics.

We had a total of 38,496 employees at the end of June, which included 3,300 SAP consultants. Excluding the impact of the previously announced disposals of Telecoms Products and Caran, our headcount increased by around 2% in the first half. In a competitive market, we have seen attrition for the group at 15%, slightly below the 16% attrition rate for 2006.

The acquisition of WM-data (completed in October 2006) contributed to an uplift of 36.2% in group revenue to £1,525.3 million, compared to the first half of 2006. This represented growth of 3.5% on a pro forma constant currency basis.

REVENUE BY GEOGRAPHY

	H1'07 £'m	H1'06 Pro forma £'m	H1'06 Actual £'m	Growth H1'07 on H1'06 Pro forma %	FY'06 Pro forma £'m	Share H1'07 %
UK	334.2	364.6	364.6	(8.3)	718.4	21.9
Nordics	424.0	395.2	2.1	7.3	765.3	27.8
France	289.4	262.8	284.3	10.1	523.3	19.0
Netherlands	237.2	219.1	222.1	8.3	444.6	15.6
Germany	81.1	73.9	81.1	9.7	161.4	5.3
International	159.4	158.7	165.9	0.4	326.8	10.4
Total continuing	**1,525.3**	**1,474.3**	**1,120.1**	**3.5**	**2,939.8**	**100.0**

Strong pro forma growth in the Nordics, France, the Netherlands and Germany offset a decline in the UK in the first half. The Nordics surpassed the UK in revenue terms, making it our largest business by revenue. Revenue in the International business was at the same level when compared to last year but reflected a changing contract mix.

REVENUE BY MARKET SECTOR

	H1'07 £'m	H1'06 Pro forma £'m	H1'06 Actual £'m	Growth H1'07 on H1'06 Pro forma %	FY'06 Pro forma £'m	Share H1'07 %
Public Sector	427.9	402.7	284.3	6.3	797.4	28.1
Industry, Distribution & Transport	474.1	446.9	294.5	6.1	869.4	31.1
Energy & Utilities	234.0	223.1	204.0	4.9	458.9	15.3
Financial Services	272.0	255.8	227.7	6.3	531.1	17.8
Telecoms and Media	117.3	145.8	109.6	(19.5)	283.0	7.7
Total continuing	**1,525.3**	**1,474.3**	**1,120.1**	**3.5**	**2,939.8**	**100.0**

We saw pro forma growth of over 6% when compared to the first half of last year in our three largest market sectors. Approximately half the decline in the Telecoms and Media sector was due to the strong revenue recorded under the Natrindo contract in Asia in the first half of last year. Pro forma growth of almost 5% in Energy & Utilities reflected the combination of a decline in the UK and slower growth in the Netherlands, offset against strong growth in France and the Nordics.

Including WM-data, our top 10 customers accounted for 16% of group revenue in the first half of 2007 (FY 2006: 15%).

The percentage of revenue from outsourcing increased from 28% to 31% on a restated basis, reflecting the addition of WM-data into the group. Over time, we expect to see continued progress towards the higher end of our target of 30-40% as a result of the following:

- a general market trend to consolidate suppliers resulting in more complex deals being awarded to larger suppliers with a more comprehensive service delivery capability and specialised business knowledge; and
- a shift in buying behaviour in continental Europe toward more outsourcing based contracts.

Overall, we had approximately 6,900 people in our onshore, nearshore and offshore delivery centres at the end of June. The ability to blend the skills from across these competency centres to provide value for money at minimal risk is fundamental to our customers' requirements. Our capability to deliver a blended model encompasses application development and support, testing, product engineering and BPO (Finance & Accounting, HR and procurement). We intend to continue building this capability with refinements to the model as we deploy it more widely within the larger group through 2007 and 2008.

We continue to see increased interest in our global service delivery capability from customers in the Nordics and Germany, with some small initial orders for customers in Finland in the first half. Demand for lower cost capability among our French customer base led to a significant increase in the number of resources deployed on customer projects in Morocco and India as well as at regional French centres. Our Dutch business expects to have doubled its use of our global service delivery organisation by the end of 2007. The Philippines operation is expected to have over 150 people by the end of 2007, initially concentrating on supporting internal functions.

Adjusted operating profit was £89.7 million, compared to £108.2 million on a pro forma basis last year. This represents an adjusted operating margin of 5.9%, down from 7.3% on a pro forma basis last year. Margin improvements in Germany and the Netherlands were partially offset by a disappointing performance in the UK, a slight decrease in France due to higher use of subcontractors and a lower margin in the International business in the first half.

Amortisation of intangible assets initially recognised on acquisition was £38.2 million (2006: £11.5 million), principally as a result of the WM-data and Unilog acquisitions.

The net exceptional items of £7.6 million represent restructuring costs related to the integration of WM-data (2006: £23.6 million). Total restructuring and integration costs are expected to be £15.7 million in 2007 and £5.2 million in 2008.

Higher financing expense and amortisation of intangibles compensated by lower exceptional costs resulted in a profit before tax of £29.2 million (2006: £26.8 million).

The tax charge on continuing operations for the six months ended 30 June 2007, before share of post-tax profits from associates, exceptional items and amortisation of intangible assets initially recognised on acquisition was £13.4 million, representing an effective tax rate of 18% (2006: £19.3 million or 31.2% effective tax rate).

Adjusted basic earnings per share from continuing operations were 4.0p (2006: 3.6p) on a weighted average number of shares of 1,521.7 million in the first half of 2007. Basic earnings per share from continuing operations, which included higher amortisation of acquisition-related intangibles than last year, were 1.8p (2006: 0.6p).

The profit from discontinued operations was £122.0 million (2006: £1.4 million). This comprises a profit on the sale of the Telecoms Products business of £152.8 million less the operating loss prior to disposal of £22.6 million and taxation of £8.2 million.

Cash generated from operations was £23.7 million (2006: £(14.2) million). The net cash inflow from trading operations was £39.8 million, giving a cash conversion of 44% (2006: (1%)).

Group net debt at 30 June 2007 was £399.1 million, compared to £557.1 million at 31 December 2006. This decrease is largely attributable to a net inflow from the net proceeds of the Telecoms Products disposal of £222.0 million offset against an outflow of £2.7 million as a result of the share buyback.

Dividend

The directors have declared an interim dividend of 2.3 pence per share (2006: 2.2p) to be paid on 19 October 2007 to shareholders on the register at the close of business on 21 September 2007. This represents an increase of 4.5% over the dividend in the first half of 2006.

Outlook

Our outlook on the market remains unchanged, with healthy demand in our major markets and European growth expected to be between 4% and 6%. As indicated at the time of our May trading update, we still expect revenue growth around the lower end of this range for 2007 (based on underlying revenue for 2006 of £2,939.8 million at current exchange rates and taking into account acquisitions and disposals).

From an operational perspective, priorities for the business for the remainder of 2007 continue to be:

1) improved operational performance in the UK business, with sequential revenue growth in the second half;
2) continued progress on WM-data integration, with delivery of expected cost savings of £5.0 million in 2007;
3) further progress on recruitment and attrition; and
4) planning for further implementation of common operational systems and processes throughout the larger group.

We have made some progress on these priorities already in the second half, with additional cross-selling wins in the Nordics and new business won in the UK since the end of June. Our contracted order backlog and expected renewals now represent 70% of our second half forecast for the UK commercial sectors. Our UK Public Sector order backlog remains strong with steady progress in winning new orders.

Given the progress we are making in the UK, second half margin for the group is likely to be above 9.0% but behind the 9.9% level achieved in the second half of 2006.

The effective tax rate (before share of post-tax profits from associates, exceptional items and amortisation of intangible assets initially recognised on acquisition) is now expected to be 18% for 2007 with the tax rate beyond 2007 expected to be around 23%.

The £130 million share buyback was initiated in June following the disposal of the Telecoms Products business. To date, we have completed just under half of that amount and expect to complete the share buyback programme by the end of 2007.

Review of Continuing Operations

Note: Comparatives are based on pro forma IT services and exclude pdv.com and No Limits. Adjustments have been made for non-recurring passthrough in France which was reported in 2006. The comparatives have also been adjusted to include Caran to the beginning of June 2006, the remainder of WM-data for the full year and the acquired Siemens Business Services for the nine months from March 2006 and to reflect current exchange rates. This is intended to provide a more meaningful comparison to the prior year.

UNITED KINGDOM

	H1'07 £'m	H1'06 Pro forma £'m	H1'06 Actual £'m	Growth H1'07 on H1'06 Pro forma %	Share H1'07 %
Public Sector	186.7	174.0	174.0	7.3	55.9
Industry, Distribution & Transport	48.7	67.5	67.5	(27.9)	14.6
Energy & Utilities	49.0	53.1	53.1	(7.7)	14.6
Financial Services	31.4	39.8	39.8	(21.1)	9.4
Telecoms and Media	18.4	30.2	30.2	(39.1)	5.5
Total	**334.2**	**364.6**	**364.6**	**(8.3)**	**100.0**
Outsourcing %	**41**	**39**	**39**		
Adjusted operating margin %	**1.3**	**9.1**	**9.1**		

Due to weakness in the commercial sectors, first half revenue was down 8.3% on last year to £334.2 million. The commercial sector weakness was partially offset by Public Sector revenue growth of 7.3% in the first half. As a result, the Public Sector represented 55.9% of revenue compared to 47.7% in the first half of 2006. The impact of the IDT contract concluded at the end of last year represented approximately half the decline in UK revenue in the first half. In addition to the decline in IDT, our smaller commercial sectors (Financial Services and Telecommunications) were down. Increased M&A activity in the Financial Services sector had a dampening effect on consulting volumes in the second quarter. In Telecommunications, volumes were impacted as we completed some development projects.

A strong Public Sector order intake continued to drive the book to bill of 1.04:1, with the Public Sector representing just over 60% of the orders booked. Among these were orders under extensions or new contracts with a number of UK Public Sector clients such as the Ministry of Defence and Companies House. Within the Public Sector, demand for project work drove increased orders in Space and Defence. Within the commercial sectors, we have made progress on winning orders and identifying new opportunities within our existing framework agreements in the Energy, Utilities and Telecoms business. We have also been selected as the preferred supplier for managed testing within a major telecoms contract. Our contracted order backlog and expected renewals represented over 60% of our second half revenue forecast for the commercial sectors at the end of June. At the end of July, this had increased to 70%. Including the weighted pipeline of opportunities in these sectors, we have visibility of substantially all our commercial sector revenue. In line with our previous guidance, we expect sequential revenue growth in the second half, with full year UK revenue slightly lower than 2006.

Adjusted operating profit was £4.4 million (2006: £33.3 million), with adjusted operating margin at 1.3%. This reflected the £13.6 million write-off on the previously announced UK project cost overrun, costs associated with overhead reduction and a disappointing performance across commercial market sectors. Public Sector margins remain strong, benefiting from additional volumes of work in the sector.

NORDICS

	H1'07 £'m	H1'06 Pro forma £'m	H1'06 Actual £'m	Growth H1'07 on H1'06 Pro forma %	Share H1'07 %
Public Sector	121.8	120.4	-	1.2	28.7
Industry, Distribution & Transport	199.7	173.4	0.1	15.2	47.1
Energy & Utilities	26.5	23.1	-	14.7	6.3
Financial Services	41.6	38.2	1.1	8.9	9.8
Telecoms and Media	34.4	40.1	0.9	(14.2)	8.1
Total	**424.0**	**395.2**	**2.1**	**7.3**	**100.0**
Outsourcing %	**33**	**-**	**-**		
Adjusted operating margin %	**8.7**	**8.9**	**(23.8)**		

Revenue in the Nordics was up 7.3% on a pro forma basis to £424.0 million. This included Caran revenue of £27 million up to 4 June 2007 (2006: £25 million). The Swedish business continues to be the major driver of regional growth, with a steady demand for ongoing work with existing customers. It represented 56% of Nordics revenue in the first half. IDT was strong as a result of good overall demand, strong growth in the Caran business and the final phase of a customer contract. The Energy and Utilities market also continues to be an important driver of growth. Swedish elections in 2006 had a dampening effect, resulting in slightly lower growth in the Public Sector in the first half. Telecoms revenue was down as a result of an anticipated reduction in license sales within the billing solutions activity.

Initial cross-selling wins have been encouraging, with £13 million of small cross-selling orders recorded in the first half. New or extended outsourcing agreements have also been signed with Volvo Cars, Alfa Laval, facilities services company ISS, government defence customer FMV and Swedish alcohol retailer Systembolaget. In addition, our recently announced win with Växjö Energi in Sweden, while small, demonstrates the Energy and Utilities expertise which we are able to leverage across the group.

Despite having absorbed a share of group overheads which included costs related to cross-selling and participation in the group's share-based payments arrangements, adjusted operating margin was broadly unchanged at 8.7% (2006: 8.9%). Excluding these costs, underlying margins improved slightly. The transfer of a number of internal support and software development and maintenance functions to India has begun. The changes put in place this year will allow us to achieve 2007 cost savings of £5 million, which will be largely second half weighted. Although 2008 cost savings will come at a slightly slower pace than expected in the context of higher revenue growth, we now expect £13 million of cost savings in 2008 and annualised cost savings of £15 million from 2009. We continued to deliver double-digit operating margins in Finland. Adjusted operating profit was £36.8 million (2006: £35.0 million).

FRANCE

	H1'07 £'m	H1'06 Pro forma £'m	H1'06 Actual £'m	Growth H1'07 on H1'06 Pro forma %	Share H1'07 %
Public Sector	33.1	31.1	31.6	6.4	11.4
Industry, Distribution & Transport	109.7	105.0	124.2	4.5	37.9
Energy & Utilities	42.5	31.6	32.0	34.5	14.7
Financial Services	77.3	72.3	73.3	6.9	26.7
Telecoms and Media	26.8	22.8	23.2	17.5	9.3
Total	**289.4**	**262.8**	**284.3**	**10.1**	**100.0**
Outsourcing %	**32**	**28**	**26**		
Adjusted operating margin %	**7.6**	**7.9**	**7.6**		

In France, revenue was up 10.1% on a pro forma basis to £289.4 million, with increased headcount and greater use of subcontractors allowing us to meet demand. With the exception of IDT, we saw growth of more than 6% across all sectors. Existing contracts with EDF, Carrefour and the French Ministry of Defence were contributors to growth. Demand for payments consulting along with revenues under the cross-selling contract announced last year drove the growth in Financial Services. The Public Sector grew by 6.4% in spite of slower public spending in an election year.

Order intake was healthy, with good progress in the Public Sector and Financial Services. New Public Sector projects included the Foreign Ministry and the Employment Agency. We have been awarded six individual contracts greater than €5 million, totalling approximately €70 million. This includes a €15 million applications management project for a major bank, following our selection as a preferred supplier earlier in the year.

Adjusted operating profit was £22.1 million (2006: £20.7 million), with adjusted operating margin broadly stable at 7.6%. Margin improvements as a result of increased utilisation and integration cost savings were offset slightly by increased use of subcontractors and salary increases to retain key staff in a competitive labour market. Recruitment was strong in the first half of 2007. Use of global service delivery model has also increased, with a further 100 GSD employees deployed on projects for French customers and increased use of regional service centres within France.

NETHERLANDS

	H1'07 £'m	H1'06 Pro forma £'m	H1'06 Actual £'m	Growth H1'07 on H1'06 Pro forma %	Share H1'07 %
Public Sector	69.2	57.9	58.7	19.5	29.2
Industry, Distribution & Transport	53.2	52.5	53.2	1.3	22.4
Energy & Utilities	24.5	24.7	25.0	(0.8)	10.3
Financial Services	77.3	71.2	72.2	8.6	32.6
Telecoms and Media	13.0	12.8	13.0	1.6	5.5
Total	**237.2**	**219.1**	**222.1**	**8.3**	**100.0**
Outsourcing %	**15**	**13**	**13**		
Adjusted operating margin %	**8.5**	**8.1**	**8.1**		

In the Netherlands, revenue was up 8.3% to £237.2 million. We continue to expect full year revenue growth to outperform the market. The Public Sector growth was particularly strong in the first half and a major contributor to strong year on year revenue growth in the Netherlands. A number of contracts with existing customers contributed to growth of more than 8% in Financial Services. Outsourcing and risk and compliance continue to be drivers in Financial Services while Public Sector growth is linked to ongoing investment in IT-driven initiatives to deliver government services to the public. As we transition the business in the Netherlands to more outsourcing, we are seeing longer contract cycles which resulted in slightly slower revenue growth in some sectors in the first half. IDT growth was slower when set against a strong first half in 2006.

Book to bill was 1.06:1. Despite a competitive market, the pipeline in the Netherlands remains solid with good opportunities in the Public Sector and Financial Services. Among the orders signed in the first half was an applications management outsourcing contract for Philips in the Netherlands as well as a systems integration project for nutrition and pharmaceutical company DSM. In the Public Sector, we were awarded contracts with the Dutch Council for Judiciary and the Ministry of Internal Affairs. In early July, we signed a letter of intent for the divestment of our non-core payroll business. The divestment will not have a material impact on 2007 revenue (it accounted for less than 2% of total Netherlands revenue in 2006). The business being divested provides solutions primarily for the SME and local government market and represented only one-quarter of the overall HR and payroll product services revenue in the Netherlands. We continue to invest in the core HR and payroll BPO solutions business.

Adjusted operating profit was £20.1 million (2006: £17.9 million) with adjusted operating margin continuing to improve on last year to 8.5% (2006: 8.1%). The level of subcontractors remained stable with good progress on recruitment and lower attrition in the second quarter.

GERMANY

	H1'07 £'m	H1'06 Pro forma £'m	H1'06 Actual £'m	Growth H1'07 on H1'06 Pro forma %	Share H1'07 %
Public Sector	3.0	4.9	5.0	(38.8)	3.7
Industry, Distribution & Transport	38.7	35.1	35.6	10.3	47.7
Energy & Utilities	10.3	10.8	10.9	(4.6)	12.7
Financial Services	19.0	13.2	19.5	43.9	23.4
Telecoms and Media	10.1	9.9	10.1	2.0	12.5
Total	**81.1**	**73.9**	**81.1**	**9.7**	**100.0**
Outsourcing %	**16**	**20**	**18**		
Adjusted operating margin %	**3.6**	**(7.2)**	**(6.7)**		

We have made further progress in Germany with revenue growth of 9.7% on a pro forma basis in the first half to £81.1 million. This was mainly driven by growth in IDT and Financial Services. Demand for applications management outsourcing and use of our global service delivery capability is increasing while consulting demand remains healthy.

We also saw continued profitability in the second quarter with first half adjusted operating profit of £2.9 million (2006: £(5.3) million). Adjusted operating margin was 3.6%, as we began to see the benefit of integration cost savings and improved utilisation. Headcount increased by around 2% in the first half, with over 200 external recruits joining the business in a competitive labour market.

INTERNATIONAL

	H1'07 £'m	H1'06 Pro forma £'m	H1'06 Actual £'m	Growth H1'07 on H1'06 Pro forma %	Share H1'07 %
Public Sector	14.1	14.4	15.0	(2.1)	8.9
Industry, Distribution & Transport	24.1	13.4	13.9	79.9	15.1
Energy & Utilities	81.2	79.8	83.0	1.8	50.9
Financial Services	25.4	21.1	21.8	20.4	15.9
Telecoms and Media	14.6	30.0	32.2	(51.3)	9.2
Total	**159.4**	**158.7**	**165.9**	**0.4**	**100.0**
Outsourcing %	**37**	**36**	**35**		
Adjusted operating margin %	**2.1**	**4.2**	**4.2**		

Revenue in the International business was at £159.4 million, up 0.4% on a pro forma basis when compared to last year. As expected, the Telecoms and Media business declined (due mainly to the completion of the development phase of the Natrindo contract) but this was largely offset by growth in IDT mainly as a result of increased revenue from European outsourcing contracts signed with InBev in 2006. Public Sector revenue was down slightly when compared to the first half of 2006 when we deployed a number of projects in the Middle East.

Revenue from the Edinfor business remains at a similar level to last year and continued to represent just over a third of International revenue.

In Australia, we grew well above the market, with double-digit revenue growth in our two largest sectors (Energy and Utilities and Public Sector) and strong momentum in our IDT business.

Book to bill was 1.07:1 (excluding EDP where a significant proportion of revenue is being delivered under the EDP order signed in April 2005). Among the orders signed in the first half were an £8.1 million, 5-year applications and infrastructure outsourcing contract for natural gas distributor Comgás in Brazil and a contract renewal with a major Australian energy company.

Adjusted operating profit was £3.4 million (2006: £6.6 million), with adjusted operating margin at 2.1%. Among the movements were a decline in Asian profitability and improved profitability in Australia as a result of improved utilisation. Our ongoing requirement to reduce cost and drive efficiency improvements to compensate for planned price reductions under the EDP contract resulted in a £2 million expense in the first half.

Accounting and other matters

Acquisitions and disposals

On 31 March 2007, the group acquired the outsourcing, IT infrastructure and systems integration business of Siemens Business Systems AS in Norway for a total consideration of £11.6 million. The acquisition comprised the purchase of the business assets and liabilities together with the transfer of approximately 180 employees.

The group completed the disposal of its industrial design and product development business Caran to Swedish conglomerate JCE Group on 4 June 2007 for £24.1 million. The disposal process for Caran included a rationalisation and disposal of its previous business ventures with Saab. The sale of the group's 50% associate interest in Caran Saab Engineering AB on 1 April 2007 generated a profit of £3.0 million. Together with the £2.8 million loss on disposal of the Caran business sold to JCE Group on 4 June 2007, the group's combined profit from the disposal of all Caran-related business activities was £0.2 million.

The group announced it had completed its disposal of the Telecoms Products business to an investment consortium led by Atlantic Bridge Ventures on 19 June 2007 for £264.8 million, with a net cash inflow from the discontinued operation of £230.6 million following the £15.0 million loan to Acision (as announced at the time of the transaction), disposal costs of £4.8 million and a trading balance with the Group of £14.4 million. The results of the Telecoms Products business are reported as discontinued operations in the half year accounts. The profit from the discontinued operation was £122.0 million, resulting from a gain on disposal of £152.8 million, an operating loss for the period of £22.6 million and a net tax charge of £8.2 million.

Share buyback

The previously announced £130 million share buyback was initiated following the disposal of the Telecoms Products business. At the close of business on 28 August, we had purchased 41.6 million shares in the market (representing approximately 2.7% of the issued share capital at the end of 2006) in the market at an average price of 153.35p. We now expect the weighted average number of shares for the year for EPS purposes to be approximately 1,470 million.

Minority interests

The proceeds from the Telecoms Products disposal are to be partially used to buy out remaining minority interests in Edinfor and WM-data. EDP has a put option in respect of its remaining 40% interest in Edinfor. This became exercisable on 21 April 2007.

At the time of the WM-data transaction, LogicaCMG acquired 95.33% of the company's issued share capital. The compulsory redemption process for LogicaCMG to acquire the remaining 4.67% from WM-data minority shareholders is progressing. We currently expect the redemption process to complete by mid 2008.

Taxation

Based on the progress of the legal structure integration following the acquisitions in recent years, we are now able to accelerate the benefit of historic tax losses in 2007. Combined with other anticipated tax deductions, we now expect the effective tax rate on continuing operations (calculated as a percentage of adjusted operating profit before share of post-tax profits from associates, exceptional items and amortisation of intangible assets initially recognised on acquisition) in 2007 to be around 18%. The tax rate beyond 2007 is expected to be around 23%.

The tax charge on continuing operations for the six months ended 30 June 2007 was £13.4 million, representing an effective tax rate of 18% (2006: £19.3 million or 31.2% effective tax rate).

The total tax charge for the six months ended 30 June 2007 is £1.8 million (2006: £17.9 million tax charge) of which a tax credit of £11.6 million (2006: £1.5 million) relates to exceptional items and amortisation of intangible assets initially recognised on acquisition. The remaining decrease is mainly due to the use of unrecognised tax losses brought forward.

The effective tax rate was 10.8% for the period (2006: 37.9%) before share of post-tax profits from associates and exceptional items and after amortisation of intangible assets initially recognised on acquisition.

Update on Non-Executive Board Changes

Further to our ongoing review of the Board's size and structure, a number of changes are being announced today.

Cor Stutterheim has decided to retire from his position as Chairman of the Board with effect from 1 November 2007, having helped to create a strong platform for growth at LogicaCMG. Cor has been Chairman since the merger of Logica and CMG in December 2002. He was Executive Chairman of CMG for seven years prior to the merger.

David Tyler will take over as Non Executive Chairman on Cor's retirement. David joined the Board in July 2007 as Non Executive Deputy Chairman. David has had a wide-ranging business career, most recently as Finance Director of GUS plc. He is currently Chairman of 3i Quoted Private Equity Limited and a Non Executive Director of Reckitt Benckiser plc, Experian Group Limited and Burberry Group plc. As a member of the Nominations Committee, David will continue to play an active role in the selection of the new Chief Executive. He will become Chairman of the Nominations Committee on Cor's retirement.

George Loudon will retire from his position as Non Executive Director on 1 November 2007, in line with best practice governance principles, having served three terms of office. George joined CMG as a Non Executive Director in 1998 and has been a Non Executive Director of LogicaCMG since the merger of Logica and CMG in December 2002.

Update on Chief Executive

We continue to make progress with our search for a Chief Executive to replace Dr Martin Read. As previously announced, Jim McKenna, currently Chief Operating Officer, will become interim Chief Executive from 21 September and will continue in the position until the permanent Chief Executive has assumed the role.

Next financial calendar dates

LogicaCMG's next scheduled communications to the market are:

Monday, 5 November 2007	Trading update
Wednesday, 27 February 2008	FY 2007 results

Condensed consolidated income statement (unaudited)

For the six months ended 30 June 2007

	Note	**Six months ended 30 June 2007 £'m**	Restated* six months ended 30 June 2006 £'m
Continuing operations:			
Revenue	2	**1,525.3**	1,120.1
Net operating costs		**(1,481.4)**	(1,081.3)
Operating profit	2,4	**43.9**	38.8
Analysed as:			
Operating profit before exceptional items		**51.5**	62.4
Exceptional items	3	**(7.6)**	(23.6)
Operating profit		**43.9**	38.8
Finance costs		**(19.8)**	(16.3)
Finance income		**4.3**	4.4
Share of post-tax profits / (losses) from associates		**0.8**	(0.1)
Profit before tax		**29.2**	26.8
Taxation	6	**(1.8)**	(17.9)
Profit for the period from continuing operations		**27.4**	8.9
Discontinued operation:			
Profit from discontinued operation	7	**122.0**	1.4
Net profit for the period		**149.4**	10.3
Attributable to:			
Equity holders of the parent		**149.7**	7.8
Minority interests		**(0.3)**	2.5
		149.4	10.3
Earnings per share from continuing operations		**p / share**	p / share
- Basic	8	**1.8**	0.6
- Diluted	8	**1.8**	0.6

* Restated as described further in note 7.

Dividends recognised in the period amounted to £51.9 million (six months ended 30 June 2006: £36.2 million), or 3.4p per share (six months ended 30 June 2006: 3.2p per share). The interim dividend declared but not recognised in these interim financial statements is 2.3p per share (six months ended 30 June 2006: 2.2p per share) or approximately £33.7 million (six months ended 30 June 2006: £24.9 million), taking into account the expected impact of the share buyback programme.

The notes on pages 18 to 27 form an integral part of this condensed interim financial information.

Condensed consolidated statement of recognised income and expense (unaudited)

For the six months ended 30 June 2007

	Six months ended 30 June 2007 £'m	Six months ended 30 June 2006 £'m
Exchange differences on translation of foreign operations	**(14.6)**	2.4
Actuarial gains / (losses) on defined benefit plans	**7.1**	(4.0)
Tax on items taken directly to equity	**(1.9)**	1.1
Net expense recognised directly in equity	**(9.4)**	(0.5)
Profit for the period	**149.4**	10.3
Total recognised income and expense for the period	**140.0**	9.8
Attributable to:		
Equity holders of the parent	**140.3**	7.3
Minority interest	**(0.3)**	2.5
	140.0	9.8

The notes on pages 18 to 27 form an integral part of this condensed interim financial information.

Condensed consolidated balance sheet (unaudited)

30 June 2007

	Note	**30 June 2007 £'m**	31 December 2006 £'m	30 June 2006 £'m
Non-current assets				
Goodwill		**1,494.8**	1,552.1	821.3
Other intangible assets		**359.5**	415.1	162.4
Property, plant and equipment	9	**131.4**	136.6	107.9
Investments in associates		**4.0**	6.0	0.5
Financial assets		**24.6**	10.1	9.4
Retirement benefit assets		**4.1**	18.7	13.8
Deferred tax assets		**50.6**	50.6	37.1
Total non-current assets		**2,069.0**	2,189.2	1,152.4
Current assets				
Inventories		**3.5**	2.9	3.8
Trade and other receivables		**997.1**	1,070.2	920.2
Current tax assets		**20.4**	31.2	11.2
Cash and cash equivalents		**228.8**	177.3	125.9
Total current assets		**1,249.8**	1,281.6	1,061.1
Current liabilities				
Convertible debt		**(203.2)**	(202.4)	(210.3)
Other borrowings		**(26.2)**	(33.1)	(22.9)
Trade and other payables		**(868.4)**	(886.4)	(658.8)
Current tax liabilities		**(37.0)**	(32.3)	(22.0)
Provisions	10	**(18.1)**	(20.8)	(18.0)
Total current liabilities		**(1,152.9)**	(1,175.0)	(932.0)
Net current assets		**96.9**	106.6	129.1
Total assets less current liabilities		**2,165.9**	2,295.8	1,281.5
Non-current liabilities				
Borrowings		**(398.5)**	(498.9)	(317.4)
Retirement benefit obligations		**(40.2)**	(64.1)	(79.8)
Deferred tax liabilities		**(136.0)**	(164.4)	(48.1)
Provisions	10	**(20.3)**	(13.2)	(12.1)
Other non-current liabilities		**(0.6)**	(0.8)	(0.9)
Total non-current liabilities		**(595.6)**	(741.4)	(458.3)
Net assets		**1,570.3**	1,554.4	823.2
Equity				
Share capital	11	**154.0**	153.6	114.8
Share premium account	12	**1,097.9**	1,097.0	1,087.0
Other reserves		**289.9**	274.4	(402.4)
Total shareholders' equity		**1,541.8**	1,525.0	799.4
Minority interests		**28.5**	29.4	23.8
Total equity		**1,570.3**	1,554.4	823.2

The notes on pages 18 to 27 form an integral part of this condensed interim financial information.

Condensed consolidated cash flow statement (unaudited)

For the six months ended 30 June 2007

	Note	**Six months ended 30 June 2007 £'m**	Restated* six months ended 30 June 2006 £'m
Cash flows from continuing operating activities			
Net cash inflow / (outflow) from trading operations		**39.8**	(0.8)
Cash outflow related to restructuring and integration activities		**(16.1)**	(13.4)
Cash generated from / (used in) continuing operations	13	**23.7**	(14.2)
Finance costs paid		**(20.4)**	(7.5)
Income tax paid		**(23.4)**	(9.2)
Net cash outflow from continuing operating activities		**(20.1)**	(30.9)
Net cash inflow from discontinued operating activities		**8.6**	6.4
Cash flows from continuing investing activities			
Finance income received		**2.1**	2.6
Dividends received from associates		**0.9**	-
Proceeds on disposal of property, plant and equipment		**0.5**	2.7
Purchases of property, plant and equipment		**(19.4)**	(7.9)
Expenditure on intangible assets		**(4.4)**	(8.8)
Acquisition of subsidiaries, net of cash acquired		**(13.6)**	(227.3)
Disposal of subsidiaries and other businesses, net of cash disposed		**28.9**	-
Disposal of discontinued operation, net of cash disposed		**222.0**	-
Net cash inflow / (outflow) from continuing investing activities		**217.0**	(238.7)
Net cash outflow from discontinued investing activities		**-**	(2.0)
Cash flows from continuing financing activities			
Proceeds from issue of new shares		**1.1**	0.9
Purchase of own shares		**(2.7)**	-
Proceeds from bank borrowings		**-**	238.5
Repayments of bank borrowings		**(93.7)**	(59.1)
Repayments of finance lease principal		**(2.0)**	(1.4)
Repayments of other borrowings		**(0.1)**	-
Dividends paid to the company's shareholders		**(51.9)**	(36.2)
Dividends paid to minority interests		**(0.4)**	(0.8)
Net cash (outflow) / inflow from continuing financing activities		**(149.7)**	141.9
Net increase / (decrease) in cash, cash equivalents and bank overdrafts		**55.8**	(123.3)
Cash, cash equivalents and bank overdrafts at the beginning of the period	14	**150.9**	245.3
Net increase / (decrease) in cash, cash equivalents and bank overdrafts	14	**55.8**	(123.3)
Effect of foreign exchange rates	14	**0.7**	(1.1)
Cash, cash equivalents and bank overdrafts at the end of the period	14	**207.4**	120.9

* Restated as described further in note 13.

The notes on pages 18 to 27 form an integral part of this condensed interim financial information.

Selected notes to the condensed consolidated interim financial information

1. Accounting policies and basis of preparation

The condensed interim financial information for the six months ended 30 June 2007 has been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union and should be read in conjunction with the annual financial statements for the year ended 31 December 2006. The accounting policies adopted in these condensed interim financial statements are consistent with those of the annual financial statements for the year ended 31 December 2006 except as described in the first paragraph below.

The following standards, amendments to and interpretations of published standards are mandatory for accounting periods beginning on or after 1 January 2007 but had no material impact on the consolidated financial statements:

- IFRIC 7, 'Applying the restatement approach under IAS 29', effective for annual periods beginning on or after 1 March 2006.
- IFRIC 8, 'Scope of IFRS 2', effective for annual periods beginning on or after 1 May 2006.
- IFRIC 9, 'Reassessment of embedded derivatives', effective for annual periods beginning on or after 1 June 2006.
- IFRIC 10, 'Interims and impairment', effective for annual periods beginning on or after 1 November 2006.
- IFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after 1 January 2007. IAS 1, 'Amendments to capital disclosures', effective for annual periods beginning on or after 1 January 2007. As this interim report contains only condensed financial statements, full IFRS 7 disclosures are not required at this stage. The full IFRS 7 disclosures, including the sensitivity analysis to market risk and capital disclosures required by the amendment of IAS 1, will be given in the annual financial statements.
- IFRS 4, 'Insurance contracts', revised implementation guidance, effective when an entity adopts IFRS 7. This interpretation is not relevant for the group.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2007 and have not been early adopted:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions', effective for annual periods beginning on or after 1 March 2007. The directors do not expect this interpretation to have a significant impact on the consolidated financial statements.
- IFRIC 12, 'Service concession arrangements', effective for annual periods beginning on or after 1 January 2008. The directors do not expect this interpretation to be relevant for the group.
- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement. The group is currently considering adopting the standard early. The main impact would be that operating segments would be identified, and segment information provided, on the same basis as is used internally for evaluating segment performance and allocating resources. Reconciliations of total segment revenues, profit, assets, liabilities and other amounts to the corresponding amounts in the consolidated financial statements would be provided, together with an explanation of any differences in measurement basis.

All the IFRSs, IFRIC interpretations and amendments to existing standards had been adopted by the EU, except for IFRS 8, at the date of approval of these condensed consolidated interim financial statements.

This interim report does not constitute statutory accounts of the group within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2006, which were prepared under International Financial Reporting Standards, have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under section 237(2) and 237(3) of the Companies Act 1985.

The most important foreign currencies for the group are the euro and the Swedish krona. The relevant exchange rates to pounds sterling were:

	30 June 2007		30 June 2006	
	Average	**Closing**	Average	Closing
£1 = €	**1.48**	**1.49**	1.46	1.45
£1 = SEK	**13.67**	**13.76**	13.56	13.32

Selected notes to the condensed consolidated interim financial information (continued)

2. Segment information – primary basis

Following the disposal of the Telecoms Products business, LogicaCMG is organised into six geographical business segments. These business segments are the group's primary reporting format for segment information as they represent the dominant source and the nature of the group's risks and returns. Segment revenue and profit after tax under the primary reporting format are disclosed in the table below.

	Revenue		Profit after tax	
	Six months ended 30 June 2007 £'m	Restated six months ended 30 June 2006 £'m	**Six months ended 30 June 2007 £'m**	Restated six months ended 30 June 2006 £'m
United Kingdom	**334.2**	364.6	**4.4**	32.0
Nordics	**424.0**	2.1	**4.2**	(0.5)
France	**289.4**	284.3	**10.9**	2.1
Netherlands	**237.2**	222.1	**20.1**	18.1
Germany	**81.1**	81.1	**1.6**	(19.0)
International	**159.4**	165.9	**2.7**	6.1
Revenue and operating profit	**1,525.3**	1,120.1	**43.9**	38.8
Finance costs			**(19.8)**	(16.3)
Finance income			**4.3**	4.4
Share of post-tax profits / (losses) from associates			**0.8**	(0.1)
Taxation			**(1.8)**	(17.9)
Profit after tax from continued operations			**27.4**	8.9
Discontinued operation			**122.0**	1.4
Profit after tax			**149.4**	10.3

Additional voluntary disclosures of the geographical segments before amortisation of intangible assets initially recognised on acquisition and exceptional costs, not required under IFRS, are provided below.

	Six months ended 30 June 2007 £'m	Restated six months ended 30 June 2006 £'m
United Kingdom	**4.4**	33.3
Nordics	**36.8**	(0.5)
France	**22.1**	21.5
Netherlands	**20.1**	18.1
Germany	**2.9**	(5.4)
International	**3.4**	6.9
Adjusted operating profit	**89.7**	73.9

Following the acquisition of WM-data in 2006, the table above includes a new Nordics category representing the group's business in the Nordic countries. In the six months ended 30 June 2006 the Nordic countries were presented within the Rest of Europe category. This has resulted in revenue of £2.1 million and an operating loss of £0.5 million being reclassified to the new Nordics category from the Rest of Europe category.

In addition, the comparative information in the table above has been amended so that the new International category includes the previously reported Rest of Europe and Rest of World, with the exception described above.

Selected notes to the condensed consolidated interim financial information (continued)

3. Exceptional items

During the six months ended 30 June 2007, the group incurred a charge of £7.6 million mainly relating to the restructuring of the business in the Nordics following the acquisition of WM-data AB. The restructuring comprises costs associated with off-shoring activities and IT infrastructure integration.

During the six months ended 30 June 2006, the group incurred a charge of £23.6 million mainly relating to the restructuring of the businesses in France and Germany following the acquisition of Unilog S.A. ('Unilog') and the closure of a building in the United States of America following the change of headquarters after the Worksuite acquisition. The restructuring comprised a reduction in headcount, property restructuring provisions and other measures to reduce the cost base.

4. Adjusted operating profit

Adjusted operating profit excludes: the results of discontinued operations, exceptional items and amortisation of intangible assets initially recognised at fair value in a business combination, whenever such items occur. Adjusted operating profit is not defined under IFRS and has been shown as the directors consider this to be helpful for a better understanding of the performance of the group's underlying business. It may not be comparable with similarly titled profit measurements reported by other companies and is not intended to be a substitute for, or superior to, IFRS measures of profit.

	Six months ended 30 June 2007 £'m	Restated six months ended 30 June 2006 £'m
Operating profit	**43.9**	38.8
Exceptional costs	**7.6**	23.6
Amortisation of intangible assets initially recognised on acquisition	**38.2**	11.5
Adjusted operating profit	**89.7**	73.9

5. Employees

The average number of employees during the period was:	**Six months ended 30 June 2007 Number**	Six months ended 30 June 2006 Number
United Kingdom	**6,061**	6,089
Nordics	**10,193**	59
France	**8,672**	8,233
Netherlands	**5,973**	5,731
Germany	**2,085**	2,206
International	**6,242**	5,612
Continuing operations	**39,226**	27,930
Discontinued operation	**1,450**	1,674
	40,676	29,604

The number of employees at the end of the period was:	**Six months ended 30 June 2007 Number**	Six months ended 30 June 2006 Number
United Kingdom	**5,956**	6,082
Nordics	**9,379**	58
France	**8,775**	8,159
Netherlands	**6,015**	5,712
Germany	**2,091**	2,183
International	**6,280**	5,632
Continuing operations	**38,496**	27,826
Discontinued operation	**-**	1,679
	38,496	29,505

Selected notes to the condensed consolidated interim financial information (continued)

5. Employees (continued)

Following the acquisition of WM-data in 2006, the tables above include a new Nordics category representing the group's business in the Nordic countries. During the six months ended 30 June 2006, the group's business in the Nordic countries was presented within the Rest of Europe category. This has resulted in 58 employees at 30 June 2006 and an average of 59 employees during the six months ended 30 June 2006 being reclassified to the new Nordics category from the Rest of Europe category.

In addition, the comparative information in the tables above has been amended so that the new International category includes the previously reported Rest of Europe and Rest of World categories, with the exception described above.

6. Taxation

The tax charge on continuing operations after amortisation of intangible assets initially recognised on acquisition, for the six months ended 30 June 2007, before share of post-tax profits from associates and exceptional items was £3.9 million (10.8% effective tax rate) (restated six months ended 30 June 2006: £19.1 million (37.9% effective tax rate)) and has been based on an estimated effective tax rate for the full year excluding the impact of any share of post-tax profit from associates and exceptional items.

The effective tax rate on continuing operations for the six months ended 30 June 2007, before share of post-tax profits from associates, exceptional items and amortisation of intangible assets initially recognised on acquisition was 18.0% (restated six months ended 30 June 2006: 31.2%). The decrease is mainly due to the use of unrecognised losses brought forward.

The total tax charge for the six months ended 30 June 2007 is £1.8 million (restated six months ended 30 June 2006: £17.9 million) of which a tax credit of £11.6 million (six months ended 30 June 2006: £1.5 million) relates to exceptional items and amortisation of intangible assets initially recognised on acquisition.

The tax charge includes an overseas charge of £3.3 million (six months ended 30 June 2006: £6.9 million).

The reduction in the statutory corporate rate in Germany from around 40% to 30% has been substantially enacted post 30 June 2007 and has therefore not been reflected in the tax charge for the six months ended 30 June 2007. The effect of this change on the results for the year ended 31 December 2007 is expected to be an additional tax credit of £1.7 million.

7. Discontinued operation

The group completed its disposal of the Telecoms Products business to an investment consortium led by Atlantic Bridge Ventures on 18 June 2007 for £265.0 million. The transaction reflects the group's strategic focus on developing as a major international IT and business services company.

Analysis of profit from discontinued operation

	Six months ended 30 June 2007 £'m	Six months ended 30 June 2006 £'m
Revenue	**86.6**	123.0
Net operating costs	**(109.2)**	(119.8)
Operating (loss) / profit	**(22.6)**	3.2
Finance costs (net)	**-**	(0.5)
Taxation	**2.3**	(1.3)
Loss for the period from Telecoms Products	**(20.3)**	1.4
Gain recognised on disposal of Telecoms Products business	**152.8**	-
Taxation	**(10.5)**	-
Profit from discontinued operation	**122.0**	1.4

The income statement for the period ended 30 June 2006, was restated to show the Telecoms Products business as a discontinued operation to allow a more meaningful comparison with the current period, as required by IFRS 5.

Selected notes to the condensed consolidated interim financial information (continued)

7. Discontinued operation (continued)

The net assets of the Telecoms Products business on the date of disposal were as follows:

	£'m
Goodwill	32.0
Other intangible assets	4.1
Property, plant and equipment	5.8
Trade and other receivables	101.4
Cash and cash equivalents	38.0
Current tax	0.5
Trade and other payables	(91.2)
Deferred tax	(3.5)
Provisions	(1.4)
Net assets disposed of	**85.7**
Total consideration	265.0
Foreign exchange differences recycled from equity	4.1
Disposal costs	(30.6)
Profit on disposal	**152.8**
Cash consideration received	264.8
Cash and cash equivalents disposed of	(38.0)
Net cash inflow arising on disposal	**226.8**

The total consideration of £265.0 million comprised of cash of £264.8 million and other assets of £0.2 million. At 30 June 2007, £4.8 million of the disposal costs had been paid. Included in trade and other payables is a loan of £14.3 million provided by the group to the vendor and which is repayable on 18 June 2009.

8. Earnings per share

	Six months ended 30 June 2007		
Earnings per share from continuing operations	Earnings £'m	Weighted average number of shares Million	Earnings per share Pence
Profit for the period from continuing operations	27.4		
Minority interests	0.3		
Earnings attributable to ordinary shareholders	27.7	1,521.7	1.8
Basic EPS	**27.7**	**1,521.7**	**1.8**
Effect of share options and share awards	-	20.9	-
Diluted EPS	**27.7**	**1,542.6**	**1.8**
Adjusted earnings per share from continuing operations			
Earnings attributable to ordinary shareholders	27.7	1,521.7	1.8
Add back / (deduct):			
Exceptional items, net of tax	5.5	-	0.3
Mark-to-market gain on convertible bonds designated at fair value through profit or loss, net of tax	(0.6)	-	-
Amortisation of intangible assets initially recognised on acquisition, net of tax	28.7	-	1.9
Basic adjusted EPS	**61.3**	**1,521.7**	**4.0**
Effect of share options and share awards	-	20.9	-
Effect of convertible bonds, excluding mark-to-market gain, net of tax	2.1	64.6	(0.1)
Diluted adjusted EPS	**63.4**	**1,607.2**	**3.9**

Selected notes to the condensed consolidated interim financial information (continued)

8. Earnings per share (continued)

Earnings per share from discontinued operations	Six months ended 30 June 2007 Earnings £'m	Weighted average number of shares Million	Earnings per Share Pence
Earnings attributable to ordinary shareholders	**122.0**	**1,521.7**	**8.0**
Basic EPS	**122.0**	**1,521.7**	**8.0**
Effect of share options and share awards	**-**	**20.9**	**(0.1)**
Diluted EPS	**122.0**	**1,542.6**	**7.9**

Earnings per share from continuing operations	Restated six months ended 30 June 2006 Earnings £'m	Weighted average number of shares Million	Earnings per share Pence
Profit for the period from continuing operations	8.9		
Minority interest	(2.5)		
Earnings attributable to ordinary shareholders	6.4	1,131.3	0.6
Basic EPS	6.4	1,131.3	0.6
Effect of share options and share awards	-	10.3	-
Diluted EPS	6.4	1,141.6	0.6
Adjusted earnings per share from continuing operations			
Earnings attributable to ordinary shareholders	6.4	1,131.3	0.6
Add back:			
Exceptional items, net of tax	22.4	-	2.0
Mark-to-market gain on convertible bonds designated at fair value through profit or loss, net of tax	0.6	-	-
Amortisation of intangible assets initially recognised on acquisition, net of tax	11.3	-	1.0
Basic adjusted EPS	40.7	1,131.3	3.6
Effect of share options and share awards	-	10.3	-
Effect of convertible bonds, excluding mark-to-market loss, net of tax	2.1	64.6	(0.1)
Diluted adjusted EPS	42.8	1,206.2	3.5

Selected notes to the condensed consolidated interim financial information (continued)

8. Earnings per share (continued)

Earnings per share from discontinued operations	Restated six months ended 30 June 2006 Earnings £'m	 Weighted average number of shares Million	 Earnings per Share Pence
Earnings attributable to ordinary shareholders	1.4	1,131.3	0.1
Basic EPS	1.4	1,131.3	0.1
Effect of share options and share awards	-	10.3	-
Diluted EPS	1.4	1,141.6	0.1

Adjusted earnings per share, both basic and diluted, have been shown as the directors consider this to be helpful for a better understanding of the performance of the group's underlying business. The earnings measure used in adjusted earnings per share excludes, whenever such items occur: the results of discontinued operations; exceptional items; mark-to-market gains or losses on financial assets and financial liabilities designated at fair value through profit or loss; and amortisation of intangible assets initially recognised at fair value in a business combination. All items adjusted are net of tax where applicable.

The weighted average number of shares excludes the shares held by employee share ownership plan trusts, which are treated as cancelled.

The convertible bonds were not included in the calculation of diluted earnings per share from continuing operations for the six months ended 30 June 2007 and 2006 as they were anti-dilutive; however, the convertible bonds were dilutive for the purposes of calculating adjusted diluted earnings per share from continuing operations for the six months ended 30 June 2007 and 2006.

The impact of the charge for share-based payments was to reduce adjusted basic earnings per share from continuing operations for the six months ended 30 June 2007 by 0.3 pence per share (six months ended 30 June 2006: 0.4 pence per share).

The number of shares changed as described further in note 18.

9. Capital expenditure

Additions to property, plant and equipment during the six months ended 30 June 2007 amounted to £24.4 million (six months ended 30 June 2006: £10.9 million). The net book value of property, plant and equipment disposed (including the disposals of Telecoms Products and Caran) during the six months ended 30 June 2007 amounted to £8.7 million (six months ended 30 June 2006: £2.7 million).

10. Provisions

	Total **£'m**
At 1 January 2007	34.0
Charge for the period	23.4
Utilised in the period	(17.4)
Disposal of discontinued operation	(1.4)
Exchange difference	(0.2)
At 30 June 2007	**38.4**
Analysed as:	
Current liabilities	**18.1**
Non-current liabilities	**20.3**
	38.4

Selected notes to the condensed consolidated interim financial information (continued)

11. Share capital of LogicaCMG plc

Authorised	**30 June 2007 £'m**	30 June 2006 £'m
2,250,000,000 (30 June 2006: 1,750,000,000) ordinary shares of 10p each	**225.0**	175.0

	2007		2006	
Allotted, called-up and fully paid	**Number**	**£'m**	Number	£'m
At 1 January	**1,535,698,482**	**153.6**	1,146,238,652	114.6
Allotted under share option schemes	**4,037,763**	**0.4**	1,811,449	0.2
At 30 June	**1,539,736,245**	**154.0**	1,148,050,101	114.8

The company has entered into an irrevocable commitment for £80.0 million with its corporate brokers to purchase shares, which in part covers the close period from 30 June to 29 August 2007. This has resulted in £72.4 million being recorded as a current liability.

During the period 25 June to 29 June 2007, the company purchased and subsequently in July 2007 cancelled 5.4 million ordinary shares at an average price of £1.51, with a nominal value of £0.5 million, for consideration of £8.2 million. Consideration included stamp duty and commission of £0.1 million.

12. Share premium

	2007 £'m	2006 £'m
At 1 January	**1,097.0**	1,084.8
Premium on shares allotted under share option schemes	**0.9**	2.2
At 30 June	**1,097.9**	1,087.0

13. Reconciliation of operating profit to cash generated from continuing operations

	Six months ended 30 June 2007 £'m	Restated six months ended 30 June 2006 £'m
Operating profit:		
Continuing operations	43.9	38.8
Adjustments for:		
Derivative financial instruments	1.1	0.3
Share-based payments	5.3	5.0
Depreciation of property, plant and equipment	19.1	13.5
Amortisation of intangible assets	42.3	15.0
Loss on disposal of property, plant and equipment	0.6	-
Profit on sale of subsidiaries	(0.2)	-
Net movements in provisions	(4.3)	11.8
Non-cash element of expense for defined benefit plans	(2.0)	(0.4)
	61.9	45.2
Movements in working capital:		
Inventories	(0.5)	(1.5)
Trade and other receivables	(40.8)	(76.2)
Trade and other payables	(40.8)	(20.5)
	(82.1)	(98.2)
Cash generated from / (used in) continuing operations	23.7	(14.2)
Add back: Cash outflow related to restructuring and integration activities	16.1	13.4
Net cash inflow / (outflow) from trading operations	39.8	(0.8)

Selected notes to the condensed consolidated interim financial information (continued)

13. Reconciliation of operating profit to cash generated from continuing operations (continued)

The cash flow statement for the period ended 30 June 2006, was restated to show the Telecoms Products business as a discontinued operation to allow a more meaningful comparison with the current period.

14. Reconciliation of movements in net debt

	At 1 January 2007 £'m	Cash flows £'m	Acquisitions and disposals* £'m	Other non-cash movements £'m	Exchange differences £'m	**At 30 June 2007 £'m**
Cash and cash equivalents	177.3	51.0	-	-	0.5	**228.8**
Bank overdrafts	(26.4)	4.8	-	-	0.2	**(21.4)**
	150.9	55.8	-	-	0.7	**207.4**
Finance leases	(6.5)	2.0	0.1	(1.3)	(0.1)	**(5.8)**
Bank loans	(498.0)	93.7	-	(0.8)	8.6	**(396.5)**
Other loans	(1.1)	0.1	-	-	-	**(1.0)**
Convertible bonds	(202.4)	-	-	(2.2)	1.4	**(203.2)**
Net debt	(557.1)	151.6	0.1	(4.3)	10.6	**(399.1)**

* Excludes cash and cash equivalents disposed of £39.0 million and bank overdrafts disposed of £1.3 million.

15. Disposals

The group completed the disposal of its industrial design and product development business Caran to Swedish conglomerate JCE Group on 4 June 2007 for £24.1 million. The disposal process for Caran included a rationalisation of its previous business ventures with Saab. These latter transactions, which completed on 1 April 2007, included: the sale of a 50% interest in Caran Saab Engineering AB; the purchase of a 40% interest in A2 Acoustics AB and the acquisition of Saab's Combitech operations. The entire share capital of A2 Acoustics AB and the Combitech operations were subsequently disposed of on 4 June 2007.

The net assets of the Caran business that was sold to JCE Group on 4 June 2007 were as follows:

	£'m
Goodwill	**16.3**
Other intangible assets	**8.4**
Property, plant and equipment	**1.3**
Trade and other receivables	**18.6**
Cash and cash equivalents	**1.0**
Borrowings	**(1.3)**
Trade and other payables	**(15.1)**
Current tax	**(0.5)**
Deferred tax	**(2.5)**
Net assets disposed of	**26.2**
Total consideration	**24.1**
Foreign exchange differences recycled from equity	**0.2**
Disposal costs	**(0.9)**
Loss on disposal	**(2.8)**
Cash received	**24.1**
Cash and cash equivalents disposed of	**(1.0)**
Net cash inflow arising on disposal	**23.1**

The sale of the group's 50% associate interest in Caran Saab Engineering AB on 1 April 2007 generated a profit of £3.0 million from cash consideration received of £4.4 million. Together with the £2.8 million loss on disposal of the Caran business sold to JCE Group on 4 June 2007, the group's combined profit from the disposal of all Caran-related business activities was £0.2 million.

These disposals do not match the criteria of IFRS 5 'Non-current assets held for sale and discontinued operations' and hence are not treated as a discontinued operation.

Selected notes to the condensed consolidated interim financial information (continued)

16. Acquisitions

On 31 March 2007, the group acquired the outsourcing, IT infrastructure and systems integration business of Siemens Business Systems AS in Norway. The acquisition comprised the purchase of the business assets and liabilities, together with the transfer of approximately 180 employees.

The provisional fair values of the identifiable assets and liabilities acquired were as follows:

	Carrying amount pre-acquisition £'m	**Provisional fair value £'m**
Property, plant and equipment	3.6	**3.6**
Inventories	0.1	**0.1**
Trade and other receivables	7.4	**7.4**
Trade and other payables	(2.2)	**(2.2)**
Share of net assets acquired	8.9	**8.9**
Goodwill		**2.7**
Total consideration		**11.6**
Total consideration comprised:		
Cash paid		**5.0**
Deferred consideration		**6.6**
		11.6

The fair values above contain some provisional amounts which will be finalised before the end of the current financial year. The goodwill recognised of £2.7 million is attributable to anticipated synergies and the value of the workforce.

On 1 April 2007, the group acquired Saab's Combitech operations as part of the rationalisation of business ventures with Saab referred to in note 15. The group paid cash of £1.5 million and assumed liabilities of £0.2 million, resulting in goodwill of £1.7 million which was subsequently disposed of on 4 June 2007 through the sale of the Caran business to JCE Group.

It is impracticable for the group to disclose separately the revenues and net profit of the acquired business in Norway as its operations and financial reporting have been integrated with the group's pre-existing Norwegian business. If the acquisitions had occurred at the beginning of the financial period, the group's pro forma revenue and net profit for the six months ended 30 June 2007 would not be materially different from that reported in the consolidated income statement.

17. Contingent liabilities

The group has contingent liabilities arising during the ordinary course of business from which it is anticipated that no material loss will arise.

18. Events after the balance sheet

During the close period from 30 June to 29 August 2007, the company purchased 36.3 million ordinary shares at an average price of £1.54**,** with a nominal value of £3.6 million, for a consideration of £55.8 million.

19. Interim report

The interim report was approved by the board of directors on 28 August 2007 and copies are available from LogicaCMG plc, Stephenson House, 75 Hampstead Road, London NW1 2PL and LogicaCMG, Antareslaan11, 2132 JE Hoofddorp, the Netherlands.

Euro translation of selected financial information (unaudited)

The group has presented a translation of the consolidated income statement, balance sheet and cash flow statement into euros to assist users of the interim financial statements more familiar with that currency. The income statement and cash flow statement in euros have been calculated by converting the sterling figures to euros at an average rate of €1.48 to £1 (six months ended 30 June 2006: €1.46 to £1). The balance sheet has been calculated by converting the sterling figures to euros at the closing rate of €1.49 to £1 (31 December 2006: €1.48 to £1, 30 June 2006: €1.45 to £1).

Euro translation of condensed consolidated income statement

For the six months ended 30 June 2007

	Six months ended 30 June 2007 €'m	Restated six months ended 30 June 2006 €'m
Continuing operations:		
Revenue	**2,257.5**	1,635.3
Net operating costs	**(2,192.5)**	(1,578.7)
Operating profit	**65.0**	56.6
Analysed as:		
Operating profit before exceptional items	**76.2**	91.1
Exceptional items	**(11.2)**	(34.5)
Operating profit	**65.0**	56.6
Finance costs	**(29.4)**	(23.8)
Finance income	**6.4**	6.4
Share of post-tax profits / (losses) from associates	**1.2**	(0.1)
Profit before tax	**43.2**	39.1
Taxation	**(2.7)**	(26.1)
Profit for the period from continuing operations	**40.5**	13.0
Discontinued operation:		
Profit from discontinued operation	**180.6**	2.0
Net profit for the period	**221.1**	15.0
Attributable to:		
Equity holders of the parent	**221.5**	11.4
Minority interests	**(0.4)**	3.6
	221.1	15.0
Earnings per share from continuing operations	**cents / share**	cents / share
- Basic	**2.7**	1.0
- Diluted	**2.7**	1.0

Euro translation of condensed consolidated balance sheet
30 June 2007

See page 28 for basis of translation.

	30 June 2007 €'m	31 December 2006 €'m	30 June 2006 €'m
Non-current assets			
Goodwill	**2,227.2**	2,297.1	1,190.9
Other intangible assets	**535.7**	614.3	235.5
Property, plant and equipment	**195.8**	202.2	156.5
Investments in associates	**6.0**	8.9	0.7
Financial assets	**36.6**	14.9	13.6
Retirement benefit assets	**6.1**	27.7	20.0
Deferred tax assets	**75.4**	74.9	53.8
Total non-current assets	**3,082.8**	3,240.0	1,671.0
Current assets			
Inventories	**5.2**	4.3	5.5
Trade and other receivables	**1,485.7**	1,583.9	1,334.3
Current tax assets	**30.4**	46.2	16.2
Cash and cash equivalents	**340.9**	262.4	182.6
Total current assets	**1,862.2**	1,896.8	1,538.6
Current liabilities			
Convertible debt	**(302.8)**	(299.5)	(304.9)
Other borrowings	**(39.0)**	(49.0)	(33.2)
Trade and other payables	**(1,293.9)**	(1,311.9)	(955.3)
Current tax liabilities	**(55.1)**	(47.8)	(31.9)
Provisions	**(27.0)**	(30.8)	(26.1)
Total current liabilities	**(1,717.8)**	(1,739.0)	(1,351.4)
Net current assets	**144.4**	157.8	187.2
Total assets less current liabilities	**3,227.2**	3,397.8	1,858.2
Non-current liabilities			
Borrowings	**(593.8)**	(738.4)	(460.2)
Retirement benefit obligations	**(59.9)**	(94.9)	(115.7)
Deferred tax liabilities	**(202.7)**	(243.3)	(69.8)
Provisions	**(30.2)**	(19.5)	(17.6)
Other non-current liabilities	**(0.9)**	(1.2)	(1.3)
Total non-current liabilities	**(887.5)**	(1,097.3)	(664.6)
Net assets	**2,339.7**	2,300.5	1,193.6
Equity			
Share capital	**229.5**	227.3	166.5
Share premium account	**1,635.9**	1,623.6	1,576.1
Other reserves	**431.9**	406.1	(583.5)
Total shareholders' equity	**2,297.3**	2,257.0	1,159.1
Minority interests	**42.4**	43.5	34.5
Total equity	**2,339.7**	2,300.5	1,193.6

Euro translation of condensed consolidated cash flow statement

For the six months ended 30 June 2007

See page 28 for basis of translation.

	Six months ended 30 June 2007 €'m	Restated six months ended 30 June 2006 €'m
Cash flows from continuing operating activities		
Net cash inflow / (outflow) from trading operations	**58.9**	(1.2)
Cash outflow related to restructuring and integration activities	**(23.8)**	(19.6)
Cash generated from / (used in) continuing operations	**35.1**	(20.8)
Finance costs paid	**(30.2)**	(11.0)
Income tax paid	**(34.6)**	(13.3)
Net cash outflow from continuing operating activities	**(29.7)**	(45.1)
Net cash inflow from discontinued operating activities	**12.7**	9.3
Cash flows from continuing investing activities		
Finance income received	**3.1**	3.8
Dividends received from associated	**1.3**	-
Proceeds on disposal of property, plant and equipment	**0.7**	3.9
Purchases of property, plant and equipment	**(28.7)**	(11.5)
Expenditure on intangible assets	**(6.5)**	(12.8)
Acquisition of subsidiaries, net of cash acquired	**(20.1)**	(331.9)
Disposal of subsidiaries and other businesses, net of cash disposed	**42.8**	-
Disposal of discontinued operation, net of cash disposed	**328.6**	-
Net cash inflow / (outflow) from continuing investing activities	**321.2**	(348.5)
Net cash outflow from discontinued investing activities	**-**	(2.9)
Cash flows from continuing financing activities		
Proceeds from issue of new shares	**1.6**	1.3
Purchase of own shares	**(4.0)**	-
Proceeds from bank borrowings	**-**	348.2
Repayments of bank borrowings	**(138.7)**	(86.3)
Repayments of finance lease principal	**(3.0)**	(2.0)
Repayments of other borrowings	**(0.1)**	-
Dividends paid to the company's shareholders	**(76.8)**	(52.8)
Dividends paid to minority interests	**(0.6)**	(1.2)
Net cash (outflow) / inflow from continuing financing activities	**(221.6)**	207.2
Net increase / (decrease) in cash, cash equivalents and bank overdrafts	**82.6**	(180.0)
Cash, cash equivalents and bank overdrafts at the beginning of the period	**223.3**	358.1
Net increase / (decrease) in cash, cash equivalents and bank overdrafts	**82.6**	(180.0)
Effect of foreign exchange rates	**3.1**	(2.8)
Cash, cash equivalents and bank overdrafts at the end of the period	**309.0**	175.3

Independent review report to LogicaCMG plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2007 which comprises the condensed consolidated interim balance sheet as at 30 June 2007 and the related condensed consolidated interim statements of income, cash flows and statement of recognised income and expenses for the six months then ended and related notes. 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.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the London Stock Exchange 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.

This interim report has been prepared in accordance with the International Accounting Standard 34, 'Interim financial reporting'.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 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 disclosed accounting policies have been applied. 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 and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 2007.

PricewaterhouseCoopers LLP
Chartered Accountants
London

28 August 2007

Notes:

(a) The maintenance and integrity of the LogicaCMG Plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.