

Interim report 2005

Delivering global solutions, around the clock



Our mission

Our mission is to help leading organisations worldwide achieve their business objectives through the innovative delivery of information technology and business process solutions.

LogicaCMG is a major international force in IT services and wireless telecoms. It provides management and IT consultancy, systems integration and outsourcing services to clients across diverse markets including telecoms, financial services, energy and utilities, industry, distribution and transport, and the public sector.

The company employs around 21,000 staff in offices across 35 countries and has more than 40 years of experience in IT services. Headquartered in Europe, LogicaCMG is listed on both the London and Amsterdam stock exchanges (LSE: LOG; Euronext: LOG). More information is available from www.logicacmg.com

Contents

Highlights	1
Financial summary	1
Business review	2-13
Consolidated income statement	14
Consolidated statement of recognised income and expense	14
Consolidated balance sheet	15
Consolidated cash flow statement	16
Notes to the financial statements	17-33
Euro translation of selected financial information	34-36
Independent review report to LogicaCMG plc	37
Shareholder information	38

Highlights

- First half performance in line with expectations, featuring strong order intake and good organic growth
- Basic earnings per share up 63% to 3.1p from 1.9p
- Adjusted basic earnings per share* on a like-for-like basis grew 33% to 2.8p from 2.1p
- Order book up 50%, driven by outsourcing, with closing book-to-bill ratio of 1.59:1
- IT Services revenues (87% of total) grew by 11.5% (8.6% organically)
- Wireless networks revenues (13% of group total) increased 7% and the division achieved a major turnaround in profitability compared to the first half of last year
- Edinfor transaction completed in the first half – good early progress
- Revenue growth for the group for the full year is expected to be circa 5% on an organic basis and circa 10% following the consolidation of Edinfor
- First half dividend raised to 2.4p from 2.3p.

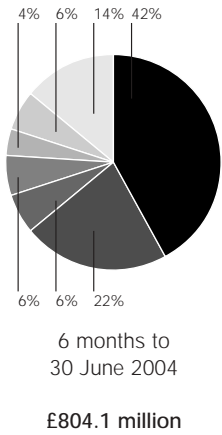
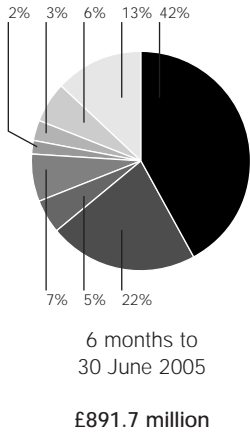
Financial summary

	Six months ended 30 June 2005 £'m	Six months ended 30 June 2004 £'m	Year ended 31 December 2004 £'m
Turnover	891.7	804.1	1,658.4
Operating profit before restructuring and other exceptional items	40.8	33.1	98.2
Profit before tax	37.7	25.8	63.7
Net profit attributable to ordinary shareholders	23.1	14.2	24.6
	p/share	p/share	p/share
Adjusted basic earnings per share*	2.8p	2.1p	7.3p

* Adjusted basic earnings per share represents basic earnings per share from continuing operations excluding mark-to-market gains or losses on convertible bonds and amortisation of those intangible assets initially recognised in an acquisition at fair value, net of tax where applicable.

Business review

Revenue by geographic location of operations



“With the longer-term benefits of the merger increasingly reflected in the group’s performance, we are focusing on growth and the future development of the group”

	Six months to 30 June 2005 £'m	Six months to 30 June 2004 £'m
United Kingdom	370.0 (42%)	336.1 (42%)
The Netherlands	199.9 (22%)	176.0 (22%)
Germany	39.8 (5%)	46.3 (6%)
France	57.6 (7%)	50.9 (6%)
Iberia	20.3 (2%)	-
Rest of Europe	30.5 (3%)	32.2 (4%)
Rest of World	53.6 (6%)	50.4 (6%)
Wireless networks	120.0 (13%)	112.2 (14%)



Moscow, Russia

LogicaCMG supports some 300 telecoms operators in more than 130 countries

Overview

Markets for IT services continued to improve gradually in the first half of 2005 and although macroeconomic indicators in Europe remain mixed, many of our customers are planning to spend more on external IT services this year.

Order intake was very strong in the first half, up 50% over last year as the group further leveraged its scale and value-based propositions. This growth was driven primarily by outsourcing, including contracts with the UK Ministry of Defence (MoD), Energias de Portugal, Transport for London, the Metropolitan Police, Thames Water, ING and Delta Lloyd.

Group revenues grew by 11% compared to the same period last year (8% excluding Edinfor, which joined the group on 20 April). Outsourcing as a percentage of group revenues grew to 24% in the period. Growth accelerated through the second quarter during the start-up phase of several outsourcing contracts that included significant materials and contractor revenues. Wireless networks business returned to revenue growth and had another profitable half. Overall, operating profit was in line with expectations and 23% ahead of last year, driving like-for-like adjusted earnings per share* growth of 33% in the first half.

Outlook

The strong order bookings produced an overall book-to-bill ratio of 1.59:1. With most markets still slowly improving, we continue to expect organic revenue growth of around 5% for the year as a whole. In addition, there will be the benefit of a full six months' trading from Edinfor in the second half.

The second half is seasonally stronger in both the IT services and wireless networks businesses, particularly from an operating margin perspective. This is reinforced by the introduction of International Financial Reporting Standards (IFRS) whereby provisions for holiday entitlement in the first half largely reverse through the remainder of the year. The second half margin should also benefit from further progress in France and Germany, and a lower proportion of materials revenues. Higher second half revenues in wireless networks will drive further margin improvement in that business. In line with our expectations, we are confident of significant progress for the remainder of the year.

LogicaCMG has been positioned strongly to take advantage of the changes impacting both its customers' and its own businesses. With the longer-term benefits of the merger increasingly reflected in the group's performance, we are focusing on growth and the future development of the group, while maintaining the drive to improve profitability.

Business results[^]

Revenues from continuing operations of £891.7 million were up 10.9% and the operating margin was 4.6%, up from 4.1% for the same period last year. For the six months ended 30 June 2005, the profit before tax was £37.7 million compared with £25.8 million for the same period last year.

Basic earnings per share were 3.1p (H1 2004: 1.9p). Earnings per share after adjusting for discontinued operations, mark-to-market gains on convertible bonds, amortisation of those intangible assets initially recognised in an acquisition at fair value, and tax on the items above, where applicable, were 2.8p (H1 2004: 2.1p). Cash generated from operations was £12.5 million. The net cash inflow from trading operations was £20.2 million, representing a cash conversion of 50%. Following the acquisition of our 60% stake in Edinfor in April this year, net debt at 30 June 2005 was £303.0 million (£219.2 million at 1 January 2005 after the introduction of IFRS, which impacted the opening net debt by £24.7 million). The directors have declared an interim dividend for the six months of 2.4p to be paid on 21 October 2005 to shareholders on the register at the close of business on 23 September 2005.

IT services revenues in reported currency grew by 11.5% over the corresponding period last year, and 8.6% on an organic basis, driven by the performances in the UK and the Netherlands. Outsourcing represented 28% of IT services revenues compared to 27% in the first half of 2004.

The UK performed well with the industry, distribution & transport sector in particular showing a marked recovery from last year and the public sector continuing its strong trend. Some pricing pressure was felt in short term, time and materials assignments, notably in the telecoms sector. The Netherlands continued to achieve good revenue growth with financial services performing very strongly.

[^] All results are presented under IFRS with the appropriate restated comparatives.

* Adjusted basic earnings per share represents basic earnings per share from continuing operations excluding mark-to-market gains or losses on convertible bonds and amortisation of those intangible assets initially recognised in an acquisition at fair value, net of tax where applicable.

Madrid 18.45

A daughter chats and shares photos with her family using her mobile handset. LogicaCMG gives Spanish mobile operator TME the community solution infrastructure to make it happen.

New York 12.45

A Union Telephone customer sends a picture message, thanks to LogicaCMG's next generation multimedia messaging software.

In June, LogicaCMG was chosen as a solutions and systems integration partner for Bridge Mobile, an alliance encompassing eight leading Asia Pacific mobile operators, serving a combined subscriber base of 64 million.

LogicaCMG also celebrated the official opening of its new office in Moscow, following the strong growth in the Russian mobile communications market and the company's success in the region. In February, Russia's largest mobile operator, Mobile TeleSystems (MTS) awarded LogicaCMG a multi-million framework agreement that covers products, solutions and system integration. This was followed with a £4.1 million contract in June confirming the company as its preferred supplier of next generation messaging solutions.

Business review

Market sector review

Revenue by sector *	H1 05 £'m	% Growth H1 05 on H1 04	% share	% Growth H1 05 on H2 04
Wireless networks	120.0	7.0	13.5	(4.1)
Telecoms services	56.7	(12.0)	6.3	(10.8)
Telecommunications	176.7	0.1	19.8	(6.4)
Public sector	235.2	5.1	26.4	6.9
Industry, distribution & transport	161.5	0.6	18.1	(2.3)
Energy & utilities	174.7	47.7	19.6	19.7
Financial services	143.6	15.0	16.1	6.9
Total group	891.7	10.9	100.0	4.4

* From continuing operations.

While the market in Germany remains difficult, we expect a significant improvement in the operating performance compared to 2004 as the year progresses. Good progress is being made in outsourcing and financial services but the industry, distribution & transport market remains very difficult, slowing the return to profitability of the business. In France, some reductions in the overhead structure were carried through as planned in the first half and attention was focused on targeting our pre-sales effort more effectively. We expect to see the benefit of these actions progressively as we come through the second half.

Overall, pricing has remained stable in the group's key territories. Where skills are in demand, it has been possible to pass some rate increases on to customers. However, the availability of lower cost delivery from offshore facilities continues to limit the scope for broader rises. Wage increases and recruitment strategies have been aligned with these market realities. Central overheads continue to be driven down wherever practical, including a progressive shift of back office tasks to the group's lower cost locations.

Performance in wireless networks has been more stable with revenues up 7.0% on the first half of last year which, with the benefit of cost reduction actions in 2004, enabled the business to deliver a small profit of £1.2 million (H1 2004: loss of £(6.5) million). Revenues from the traditional text messaging (SMS) business are holding up better than originally expected as developing countries install capacity to meet demand and existing customers add IP-based functionality. Good first-half order intake and normal seasonality increase our confidence that revenue for the year will be slightly ahead of last year and that in consequence profitability will be significantly improved.

Overall staffing levels grew to 20,732 at 30 June, primarily as a result of the Edinfor personnel and continued expansion in Bangalore where we now have some 1,500 people. The next phase of our campus development there is now underway which will take our capacity to 3,000 seats, while across the group recruitment continues to meet the demands of growth and to accelerate skills change in line with customer requirements.

Market sector review

Public sector revenues grew 5% over the corresponding period and 7% sequentially, with good performances in the UK, the Netherlands and Australia. The order book and pipeline remain solid and we are leveraging the group's track record to gradually develop public sector business in our smaller territories. While growth has slowed from the very high rates of recent years, this sector continues to offer significant opportunities.

Revenues in industry, distribution & transport were broadly flat, a marked improvement over the significant reductions in previous years. The improvement has come primarily from the transport and logistics areas, including significant outsourcing contracts and SAP-related projects. A major smart card project using biometric data (iris/fingerprint recognition) for border security started in the period and provides an excellent reference for large-scale application of this technology.

LogicaCMG has been a key partner for the UK's Ministry of Defence for more than 35 years



London, UK

United Kingdom operations

Revenue by market sector	H1 05 £'m	% Growth H1 05 on H1 04	% share	% Growth H1 05 on H2 04
Public sector	168.1	(0.3)	45.4	5.5
Industry, distribution & transport	55.6	16.8	15.0	27.8
Energy & utilities	90.7	45.6	24.5	11.8
Financial services	31.3	20.4	8.5	7.6
Telecommunications	24.3	(23.1)	6.6	(19.5)
Total	370.0	10.1	100.0	7.8

	H1 05	H1 04	H2 04	FY 04
Operating margin	9.4%	10.7%	12.5%	11.6%

Energy & utilities revenues improved in most countries, notably in the UK and Australia, and with the significant contribution from Edinfor, were up 48% overall (33% organically). This performance is consistent with the strong order taking last year. An innovative deal with a consortium of US utilities will result in the group defining and developing the next generation of asset and resource management tools for the transmission and distribution market.

Financial services grew 15% driven by continued improvement in the UK and Netherlands. The business is becoming more focused on larger contracts as banks and insurers engage with the outsourcing model and pursue greater consistency of platforms throughout their organisations. In consequence, there are good opportunities for growth but also longer and more complex procurement cycles.

Telecommunications revenues were flat, assisted by the improvement in wireless networks. In telecommunications services, tough pricing negotiations with the major operators took their toll, despite a strong performance in Asia Pacific. Following global consolidation, operators have become significantly more sophisticated in their procurement and are seeking to maximise the benefit of a more centralised approach as they battle with unprecedented competitive and technological pressures. Delivery of innovative projects for customers like Vodafone, T-Mobile and the Bridge Mobile Alliance in Asia has significantly enhanced the group's positioning in the sector and shows the benefit of a sales approach that combines our product and systems integration heritages.

United Kingdom operations

The United Kingdom had a strong first half with 10% revenue growth and good order-taking driven largely by outsourcing – both new contracts and significant extensions to existing ones. As previously guided, the margin reduced somewhat from the highs of 2004, partly as a result of materials revenues associated with the start-up phase of some contracts and some rate pressure in the telecommunications sector.

Brussels 08.30

A British Ministry of Defence official logs on to a training package: LogicaCMG provides training and online learning to MoD staff worldwide.

Amsterdam 08.30

A speeding ticket issued outside the Rijksmuseum is recorded by LogicaCMG's software.

In March, LogicaCMG announced that it had been selected (as part of the ATLAS consortium) by the UK Ministry of Defence (MoD) as preferred bidder for its Defence Information Infrastructure (Future) – DII(F) – project. The contract, for Increment 1 of the DII(F) project, has a value in the region of £2.3 billion.

The DII is a key enabler for defence modernisation and will play a pivotal role in delivering Network Enabled Capability. LogicaCMG's market-leading capabilities in information security and applications migration are fundamental to the successful design and delivery of the service.

Business review

The Netherlands operations

Revenue by market sector	H1 05 £'m	% Growth H1 05 on H1 04	% share	% Growth H1 05 on H2 04
Public sector	53.7	17.2	26.9	4.9
Industry, distribution & transport	45.6	(1.7)	22.8	(7.7)
Energy & utilities	25.3	3.7	12.7	5.0
Financial services	63.0	34.3	31.5	14.3
Telecommunications	12.3	(1.6)	6.1	0.8
Total	199.9	13.6	100.0	4.1

	H1 05	H1 04	H2 04	FY 04
Operating margin	6.4%	8.2%	10.6%	9.5%

The public sector continued to benefit from work related to the National Health Service programme, both as part of the central patient database project, where our component is proceeding to plan, and at the University College Hospital Health Trust, where the new main hospital reached the intensive phase of its IT infrastructure build. Success as part of the Atlas consortium in winning the Defence Information Infrastructure contract was another highlight of the period and the initial work began to build up during the second quarter. We were also selected by the Metropolitan Police Authority to provide a fully-integrated, managed payroll and pensions administration service. Momentum in the local government arena was maintained with wins at the London Borough of Barnet and Liverpool County Council. Major contract extensions were secured with, among others, the Crown Prosecution Service, the Health & Safety Executive, Ofsted and the European Space Agency for the Europe-wide Galileo programme.

Within industry, distribution & transport, the transport business moved strongly back into growth with outsourcing contracts at Transport for London, Metronet Rail, Network Rail and Tube Lines. The commercial services business also saw strength in outsourcing deals from George Wimpey and the Law Society.

Revenue growth in energy & utilities benefited additionally from materials pass-through but the underlying rate was strong following good order-taking in the second half of 2004. Highlights included the outsourcing contract signed with Thames Water to support their billing and income services operation with Dwr Cymru Welsh Water out of LogicaCMG's new outsourcing centre in South Wales, and a contract with the Electricity Supply Board National Grid (ESBNG) in Ireland. There was also strong account development at Centrica and RWE, while quarterly support extensions at BP and Shell remained stable.

Financial services continued to benefit from the major outsourcing contract signed with Aon Corporation last year, including the winning of an additional contract at its Combined Insurance subsidiary. Barclays, Man Investments and the Co-operative Bank were also active accounts. Procurement processes in key areas of our expertise, such as payments and regulatory compliance, are proving to be somewhat protracted.

The decline in revenues from telecommunications continued the trend of the second half of 2004 with significant pricing pressure on business extensions as both mobile and fixed operators seek to reduce customer churn. The contract with T-Mobile to build and operate the next generation portal for the t-zones mobile internet service is important both in terms of the group's strategic thrust into content management and delivery and the operators' growing willingness to enter into managed services relationships.

Half of UK utilities who have outsourced applications management have selected LogicaCMG as their partner

Phoenix 09.15
A Southwest Gas worker checks his repair schedule. LogicaCMG is the leading provider of work management systems to utilities in the US.

The Netherlands operations

After a slow start, the Dutch business grew strongly with revenues up 14% over the first half of last year. This was driven by the financial services and public sectors, including further successes in the drive to secure more outsourcing contracts. However, the use of contractors to meet immediate demand has continued as we seek to accelerate recruitment of permanent staff in a relatively tight labour market. Coupled with the materials revenues associated with larger contracts, this has diluted the first half margin somewhat.

The public sector continues to grow and its positioning has been strengthened as important and complex projects continue to be rolled out at the Ministries of Defence and Interior Affairs. We are also gaining ground in the healthcare sector, leveraging our UK experience as the Dutch Government looks to modify its previous market-based approach. Two more provinces are now piloting our innovative mobile traffic services solution.

Recovery in the industry, distribution & transport market continues relatively slowly, but by focusing on our key accounts, revenues have been held stable. Outsourcing wins included DSM and Hagemeyer. The group's centre of expertise for biometrics, located in the Netherlands, is engaged in high profile pilots using iris and face recognition and is generating significant requests for proposals. During the period, working together with colleagues located in the Middle East, the Netherlands secured the group's first major contract for a national ID card scheme. In Rotterdam, a demonstration centre has been opened for RFID (radio frequency identification) technology following a number of successful projects and solutions are being developed for machine-to-machine applications.

In energy & utilities effort has been focused on expanding our position with the top four utilities and the Dutch market operator (ECH), while leveraging our downstream/retail knowledge to secure new clients. This approach was rewarded in the first half by a large Sarbanes Oxley compliance project with one of the oil majors and a significant contract based on our geographical information systems expertise. Several application management contracts were also secured. As previously experienced in the UK, the main wave of liberalisation is being followed by both consolidation and the pursuit of increased operational efficiency which is a key focus of the group's propositions.

Financial services, where the company is the Dutch market leader, continues to grow at double-digit rates. Effort to increase outsourcing revenues in this sector is gaining traction with contracts from both OHRA (part of Delta Lloyd) and ING in the first half. The framework agreement with ABN AMRO on payments was also extended, while at SNS Bank work is underway to develop an innovative payment solution aimed at the Microsoft Network (MSN) community.

Telecommunications revenues remained flat, but the quality of our business is being improved with some 50% of revenues now in projects rather than time and materials. Specific solutions are being sold and, where appropriate, these are being marketed beyond the Netherlands to tap into the trend towards global consolidation. These include device management, pre-paid top-up, ring-back tones and Intelligent Transfer Point. For instance, a mobile virtual network operator hosting platform has been sold to a major Swiss operator. A major CRM implementation, including maintenance and support, was also won from a major Dutch operator.

Germany operations

The revenue decline in the first half after the relative stability of 2004 reflected some downstream impact from last year's rationalisation and the loss of some billable people. More billable staff are being recruited to help drive revenues and the significant increase in order bookings in the latter part of the first half gives us confidence that the strategy is sound even though progress has been slower than originally expected.

Performance in outsourcing and financial services was satisfactory, but the industry, distribution & transport market, which includes sectors such as automotive, remains difficult. Order bookings in energy & utilities were weighted towards the end of the period and revenues therefore dropped back from the second half of last year.

Operating losses were virtually half of last year's, underlining the benefit of the restructuring.



Prague 17.15

Data is transferred between electricity companies. LogicaCMG built and operates the central system of the electricity market in the Czech Republic from its data centre in Prague.

In June, LogicaCMG announced a £22 million, seven-year IT outsourcing contract with Thames Water to support its Billing and Income services operation with Dwr Cymru Welsh Water. LogicaCMG will deliver IT services for Thames Water from its new outsourcing centre in Wales.

This win demonstrates LogicaCMG's ongoing investment in Wales. Thames Water will join other customers who are already being serviced from this base including Welsh Water, Britannia Airways, Ofcom and the British Council.

Business review

Germany operations

Revenue by market sector	H1 05 £'m	% Growth H1 05 on H1 04	% share	% Growth H1 05 on H2 04
Public sector	0.4	300.0	1.0	(42.9)
Industry, distribution & transport	16.9	(31.6)	42.5	17.4
Energy & utilities	6.8	94.3	17.1	(43.3)
Financial services	14.3	(3.4)	35.9	5.1
Telecommunications	1.4	(56.3)	3.5	(71.4)
Total	39.8	(14.0)	100.0	(12.7)

	H1 05	H1 04	H2 04	FY 04
Operating margin	(14.6)%	(24.0)%	(8.1)%	(16.1)%

France operations

Revenues in France were up on the same period last year, but down sequentially, broadly in line with our expectations. This reflected a lower level of materials revenue than in the second half of last year and encouraging sequential growth in higher value areas. Some further rationalisation has been undertaken to reduce the level of non-billable staff and focus sales activities more effectively. The cost of these actions has been taken at the operating level as previously notified, and largely accounts for the margin deterioration. The benefits of these actions will begin to come through in the second half.

Market conditions are improving in France which will provide a better backdrop for efforts to move the business up the value chain. Significant wins during the period included La Gendarmerie Nationale (leading a consortium bid for a SAP-based HR system), Credit Agricole, ABN, MMA Insurance and energy services company Dalkia. A pilot project with SNCF, the French railway operator, to improve safety and reliability by using mobile technology to monitor track conditions was successfully completed in June.

Iberia operations (Edinfor)

Revenues for the period following acquisition (from 20 April 2005) were £20.3 million with an operating margin of 7.9%. Staff numbers at the end of the period were 1,233 (not including contractors). The acquisition of the controlling interest in Edinfor has been well received by the Portuguese business community. In the short time since taking control of the business, progress has been good and in line with expectations.

In March, LogicaCMG was awarded a £4 million contract by Combined Insurance to extend its new infrastructure and management system, Endeavour, from its Australian division to its UK and Ireland operations.

Combined Insurance, a subsidiary of AON Corporation, has retained LogicaCMG to manage the whole of this 15,000 man-day business transformation programme. A large proportion of the systems integration and development activities are being performed by LogicaCMG's international offshore capabilities in Bangalore, India.



Sydney, Australia

France operations

Revenue by market sector	H1 05 £'m	% Growth H1 05 on H1 04	% share	% Growth H1 05 on H2 04
Public sector	3.7	12.1	6.4	12.1
Industry, distribution & transport	31.9	19.0	55.4	(20.4)
Energy & utilities	2.3	91.7	4.0	187.5
Financial services	14.7	(3.3)	25.5	2.8
Telecommunications	5.0	13.6	8.7	11.1
Total	57.6	13.2	100.0	(8.6)

	H1 05	H1 04	H2 04	FY 04
Operating margin	(6.4)%	(3.5)%	(3.3)%	(3.4)%

A transition and transformation programme is underway in order both to deliver the agreed savings on the outsource contract with EDP and to give clients, including EDP, access to the extensive knowledge base and industry solutions of LogicaCMG. Being part of an international IT services group is also enabling Edinfor to bid for more broadly-based assignments in both public and commercial sectors. The telecommunications sector business is showing good renewals and extensions at companies such as Onitecom and SonaeCom, while in financial services we have booked orders for IT projects with Mapfre, the largest insurance group in Spain. Relationships with key partners such as SAP and Novabase, including collaborative client development, have been deepened.

Edinfor provides a range of professional and technology services, but has deep skills in a number of specific areas. LogicaCMG plans to deploy these newly acquired skills on our client work internationally and, to facilitate this, has designated three international competence centres – in SAP IS-U, geographical information systems (GIS) and printing and finishing. Portuguese-based resource has already been used on a contract with Electrabel in Belgium and a joint assignment with our Dutch business has recently been won at leading energy company NUON.

Other mainland Europe operations

This region includes Belgium for the first time, together with businesses in the Nordic region, Central and Eastern Europe and Switzerland. Czech-based operations continued to be profitable while Belgium and the Nordic region posted losses in the first half.

Belgium grew its revenues and order book significantly over the corresponding period last year, but was impacted by additional social security charges. Our Czech and Slovak businesses had a more difficult period following their strong recovery last year as privatisation and consolidation in the telecommunications sector caused short-term disruption. Nonetheless, they continued to leverage group expertise well, signing contracts with Transgas, Eurotel, Slovak Telecom, CEZ (Czech electricity producer), Shell Europe and CSOB (part of the KBC Group) where they won an SAP-based assignment against strong incumbent competition. At the end of the period, they won the contract to run a project office for national ID cards, including biometrics, a major breakthrough in their public sector drive. They also implemented a new payments solution for Czech insurer Ceska pojistovna. The Nordic and Baltics operation remained largely focused on business with existing major accounts, notably Luottokunta Bank and Vodafone. Volumes declined in the latter as a major project passed its peak and insufficient new business was secured to maintain utilisation rates. Action has been taken to reduce headcount where the skills sets did not match identified market demand.

Tokyo 22.15

Banks have shut for the day but, as a SWIFT global partner, LogicaCMG ensures payments continue around the clock.

Santiago 10.15

A deposit is made at the Banco Central de Chile where LogicaCMG's real-time gross settlement system ensures inter-bank payments are secure.



LogicaCMG has worked with 80 per cent of the world's top 50 banks and more than 70 per cent of the world's top financial institutions

Business review

Iberia operations (Edinfor)

Revenue by market sector	H1 05 £'m	% share
Public sector	1.2	5.9
Industry, distribution & transport	-	-
Energy & utilities	16.9	83.3
Financial services	1.3	6.4
Telecommunications	0.9	4.4
Total	20.3	100.0

	H1 05
Operating margin	7.9%

Rest of World operations

Australia continued its strong performance securing significant new contracts in the public sector, energy & utilities and telecommunications. This business has a high proportion of outsourcing contracts and all significant renewals and extensions were secured during the period. Major new contracts were signed with the Queensland State for its electronic document and records management system, NSW Hunter Area Health for phase two of its electronic patients system and Optus for implementation of a content management system.

The group's Asian operations leveraged their close relationship with HP to jointly win contracts at the Bank of Baroda covering real-time gross settlement, anti money-laundering (AML) and payments middleware. A further AML system was won at the end of the period at IndusInd Bank in Mumbai. The integrated marketing of the group's telecoms product and systems integration capabilities was rewarded with selection as strategic solutions partner by the Bridge Mobile Alliance, as its members seek to develop and build a common mobile service platform across the region. We also successfully migrated SmarTone in Hong Kong to a new 3G-enabled billing system based on the Infinys Geneva platform from Convergys.

While overall business in the Middle East remained difficult, the largest-ever order in the region was secured from a national government to provide a biometrics-based smart ID card system. The technology is taken from the Dutch Centre of Excellence, which assisted with the bid process. A contract has also been awarded by one of the leading banks in the region to produce a study for the replacement of their core banking technology.

Amsterdam 10.30

A motorist pulls into a parking spot that he reserved by phone and for which he received a mobile ticket: a text message containing a scannable barcode. Mobile parking is born.

LogicaCMG implemented and services a mobile ticketing solution for NoordNed and Nederlandse Spoorwegen (Dutch Railways)



Waterloo Station, London, UK

Other mainland Europe operations

Revenue by market sector	H1 05 £'m	% Growth H1 05 on H1 04	% share	% Growth H1 05 on H2 04
Public sector	1.2	(33.3)	3.9	(7.7)
Industry, distribution & transport	2.9	(46.3)	9.5	(55.4)
Energy & utilities	8.3	62.7	27.2	(2.4)
Financial services	11.3	3.7	37.1	(10.3)
Telecommunications	6.8	(24.4)	22.3	(21.8)
Total	30.5	(5.3)	100.0	(18.9)

	H1 05	H1 04	H2 04	FY 04
Operating margin	(2.6)%	3.1%	2.9%	3.0%

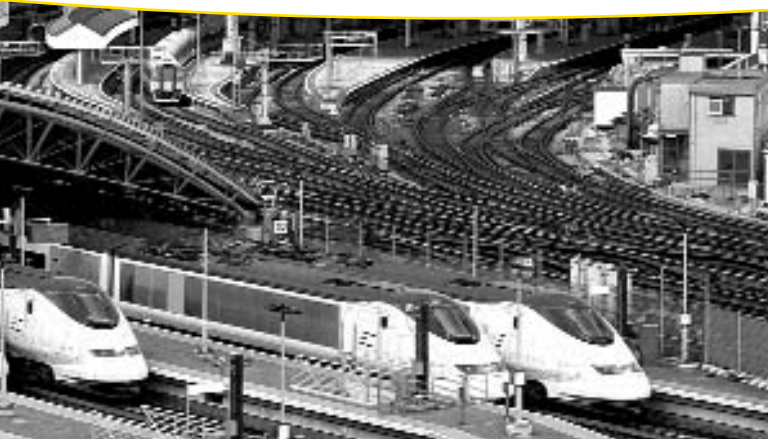
North American operations remained profitable even though their exposure to the automotive sector is subject to strong pricing pressure. A highlight of the period was the consortium agreement established with four major US utilities to define and develop the next generation of asset and resource management tools. By sharing cost and expertise, the group plans to significantly accelerate the development and delivery of the new system. The new set of capabilities has been named Real-Time ARM (asset and resource management). It will deliver a single integrated platform on which to manage all resources and work from the office to the field and will support further cost reduction and efficiency in the current transmission and distribution businesses.

Wireless networks

Wireless networks' revenues were slightly ahead of last year resulting in a small profit for the period.

In its traditional market for text messaging (SMS), wireless networks has benefited both from increased market demand in developing countries such as Russia and some in South America, and from its own product developments. These developments are targeted at protecting customers' current and future investments in the group's SMS platforms by demonstrating a migration path for them into the world of IMS, the emerging standard for high-speed, multimedia communications over broadband networks. Wireless networks therefore continues to sell IP-enablement to its installed base both as a long-term, cost-saving strategy and to position operators for the introduction of 3G and broadband services. In addition, the launch of the Direct Messaging Router for application-to-person communications in the second half of last year has created an opportunity to achieve incremental revenues. Major SMS system and upgrade contracts during the period included Telemig (Brazil), Turkcell (Turkey), Telenor (Norway), Orascom (Algeria), Telcel (Mexico), Centennial (USA), Telefonica (South America), Optus (Australia) and Vodafone New Zealand.

Market shares in the multimedia messaging (MMS) arena have remained largely unchanged as volumes continue to slowly develop. New installations at Mobile TeleSystems (Russia) – part of a broader contract to create their next generation messaging platform – and Saudi Telecom were added during the period and some small capacity upgrades were delivered to existing systems. In line with the developing market, the Wireless Service Broker product has been evolving by enhancing its speed and features. This is enabling wireless networks to generate revenues outside of its role within MMS installations as a high-speed mobile Internet gateway.



In June, LogicaCMG won an £18 million IT outsourcing contract with Metronet Rail to revitalise two-thirds of the London Tube by supporting and transforming the service provider's IT network and desktop applications for its 5,000 employees.

As part of the six-year deal, LogicaCMG will provide Metronet Rail with an enhanced IT service, delivered 24 hours a day, 365 days a year, to support out-of-hours work by engineers and other IT users.

The services are being delivered from a combination of remote and local offices, including LogicaCMG's service centre in South Wales.

Business review

Rest of World operations

Revenue by market sector	H1 05 £'m	% Growth H1 05 on H1 04	% share	% Growth H1 05 on H2 04
Public sector	6.9	68.3	12.9	60.5
Industry, distribution & transport	8.6	(11.3)	16.0	(24.6)
Energy & utilities	24.4	11.9	45.5	25.8
Financial services	7.7	(30.6)	14.4	(19.8)
Telecommunications	6.0	62.2	11.2	93.5
Total	53.6	6.3	100.0	12.1

	H1 05	H1 04	H2 04	FY 04
Operating margin	1.3%	1.8%	3.1%	2.4%

Similarly, wireless networks has been able to refocus its open messaging gateway (OMG) into the emerging market for content management and delivery. At Cingular in the USA, the LogicaCMG system is handling more than 4,000 messages per second to support text voting on the American Idol show, while at SFR in France more than 2,000 content providers are connected to users through the OMG with real-time content charging. This product is also an integral part of the platform being developed for the Bridge Mobile Alliance of eight major operators in Asia.

The interest from operators – fixed line and mobile – in content derives from unprecedented technology convergence around broadband and internet protocol (IP) technologies. This is an opportunity and threat for operators who need both to manage the transition and establish a business model whereby they retain a value-added role in the distribution chain. Using its messaging application server (MAS), wireless networks is able to offer a low-cost migration path that preserves the operators' existing investments while providing an enhanced user experience.

Wireless networks is delivering systems today based on its uOne product portfolio that allow video content streaming, video messaging and videomail to be provided to customers alongside voice and data services. Building on successes at H3G, Mobile One Singapore, Time Warner and SBC, contracts were won during the period with both Maxis and DiGi Telecommunications in Malaysia, Bright House Networks (Florida), Bulldog (UK) and, more recently, a major Tier One operator in Europe. We are now seeing a steady stream of requests for proposals in this area.

Paris 10.30

Payslips hit desks. LogicaCMG processes \$100 billion of salaries globally and produces more than 30 million payslips across Europe every year.

In April, LogicaCMG received clearance from the European competition authorities to complete the transaction to acquire a 60 per cent controlling interest in Edinfor SA, the IT business of Energias de Portugal (EDP).

As part of the transaction, LogicaCMG signed a contract with EDP worth £359 million to provide IT outsourcing services for 10 years. This was one of the largest outsourcing contracts awarded over the last year in mainland Europe.

Bridgend 09.30

An interviewee applies for one of hundreds of higher-skilled jobs at LogicaCMG's Sourcing Hub, providing a major boost to the Welsh economy.



Wireless networks

Product area	EMEA		Asia Pacific		Americas		Total	
	£'m	% change	£'m	% change	£'m	% change	£'m	% change
Messaging (SMS)	37.1	2	16.2	1	21.1	12	74.4	4
Multimedia/Internet	9.6	(32)	3.8	192	2.6	(35)	16.0	(18)
Unified Comms	3.2	39	2.1	91	2.3	64	7.6	58
Payment/Billing	9.9	62	10.0	15	2.1	11	22.0	32
Total	59.8	2	32.1	18	28.1	8	120.0	7

	H1 05	H1 04	H2 04	FY 04
Operating margin	1.0%	(5.8)%	3.9%	(0.7)%


The mobile payments business had two major successes in the period. A multi-million pound contract was secured at Celcom in Malaysia to deliver a new pre-paid voice and data charging system. This system will provide customers with a single monetary balance across all transactions and services used. Field trials of our Intelligent Charger product also began with a Tier One operator which to date are going well. This is a key strategic offering for this part of wireless network's business since all operators need to rationalise their payment architectures to handle concurrent pre-pay, post-pay and service-specific charging. The field trial will continue through to the year-end during which time the sales campaign will be progressively stepped up.

While sufficient revenue traction is not yet being seen from the newer technologies to indicate an inflexion point, the order backlog going into the second half and activity levels in the pipeline do indicate that wireless networks can achieve year-on-year revenue growth for the full year. With growing synergy in the marketplace between our telecom products and services operations, we see opportunities to extract greater value from our wireless networks business going forward.

Cash flow and debt

Cash generated from operations was £12.5 million. The net cash inflow from trading operations was £20.2 million, giving a cash conversion of 50%. Revenue growth in the business resulted in a proportionate increased working capital requirement and there was an increase in seasonal prepayments that will unwind in the full year.

Group net debt at 30 June 2005 was £303.0 million, versus £219.2 million as at 1 January 2005, with the increase being largely attributable to the consideration for the Edinfor acquisition and the increased working capital requirement outlined above.



Edinfor – a LogicaCMG company – boasts a printing and finishing unit, capable of printing 2.5 million pages per day. It produces more than 20 million pages per month of bills, bank statements and other items

Consolidated income statement

(unaudited)

For the six months ended 30 June 2005

	Note	Six months ended 30 June 2005 £'m	Six months ended 30 June 2004 £'m
<i>Continuing operations:</i>			
Revenue	2	891.7	804.1
Net operating costs		(850.9)	(771.0)
Operating profit	2	40.8	33.1
Interest payable		(8.9)	(9.5)
Interest receivable		5.8	2.2
Profit before tax		37.7	25.8
Taxation	4	(13.6)	(9.3)
Profit for the period from continuing operations	2	24.1	16.5
<i>Discontinued operations:</i>			
Loss from discontinued operations		-	(1.6)
Net profit for the period		24.1	14.9
<i>Attributable to:</i>			
Equity holders of the parent		23.1	14.2
Minority interests		1.0	0.7
		24.1	14.9
		p/share	p/share
Earnings per share			
- Basic	5	3.1	1.9
- Diluted	5	2.9	1.9
Earnings per share from continuing operations			
- Basic	5	3.1	2.1
- Diluted	5	2.9	2.1

Consolidated statement of recognised income and expense

(unaudited)

For the six months ended 30 June 2005

	Six months ended 30 June 2005 £'m	Six months ended 30 June 2004 £'m
Exchange differences on translation of foreign operations	3.3	(7.0)
Actuarial (losses)/gains on defined benefit plans	(6.1)	12.6
Tax on items taken directly to equity	1.6	0.2
Net (expense)/income recognised directly in equity	(1.2)	5.8
Profit for the period	24.1	14.9
Total recognised income and expense for the period	22.9	20.7
<i>Attributable to:</i>		
Equity holders of the parent	21.9	20.0
Minority interests	1.0	0.7
	22.9	20.7

Dividends recognised in the period amounted to £25.8 million (six months ended 30 June 2004: £25.0 million), or 3.5p per share (six months ended 30 June 2004: 3.4p per share). The interim dividend proposed but not recognised in these interim financial statements amounted to £17.7 million (six months ended 30 June 2004: £16.9 million), or 2.4p per share (six months ended 30 June 2004: 2.3p per share).

Consolidated balance sheet

(unaudited)

30 June 2005

	30 June 2005 £'m	31 December 2004 £'m	30 June 2004 £'m
Non-current assets			
Goodwill	376.4	357.3	351.1
Other intangible assets	17.6	9.1	7.6
Property, plant & equipment	111.4	76.5	75.5
Investments in joint ventures and associates	0.6	-	0.8
Other investments	8.4	8.5	7.8
Retirement benefit assets	-	6.5	12.3
Deferred tax assets	29.8	25.2	29.8
	544.2	483.1	484.9
Current assets			
Inventories	3.0	1.1	2.3
Trade and other receivables	668.2	567.0	598.8
Current tax assets	19.2	39.4	9.2
Cash and cash equivalents	88.5	104.9	108.4
	778.9	712.4	718.7
Non-current assets classified as held for sale	-	3.2	-
	778.9	715.6	718.7
Current liabilities			
Borrowings	(45.9)	(27.1)	(2.9)
Trade and other payables	(401.0)	(365.2)	(395.4)
Current tax liabilities	(14.3)	(27.9)	(39.1)
Provisions	(8.7)	(13.6)	(6.7)
	(469.9)	(433.8)	(444.1)
Liabilities associated with non-current assets classified as held for sale	-	(3.0)	-
	(469.9)	(436.8)	(444.1)
Net current assets	309.0	278.8	274.6
Total assets less current liabilities	853.2	761.9	759.5
Non-current liabilities			
Convertible debt	(200.8)	(211.2)	(199.1)
Other borrowings	(144.8)	(66.6)	(104.4)
Retirement benefit obligations	(58.9)	(57.6)	(56.0)
Deferred tax liabilities	(46.2)	(45.3)	(10.1)
Provisions	(9.6)	(6.2)	(4.4)
Other non-current liabilities	(1.2)	(1.0)	(0.8)
	(461.5)	(387.9)	(374.8)
Net assets	391.7	374.0	384.7
Equity			
Share capital	75.1	75.1	75.0
Share premium account	707.4	707.3	706.7
Other reserves	(410.4)	(410.7)	(400.0)
Total shareholders' equity	372.1	371.7	381.7
Minority interests	19.6	2.3	3.0
Total equity	391.7	374.0	384.7

Consolidated cash flow statement

(unaudited)

For the six months ended 30 June 2005

	Note	Six months ended 30 June 2005 £'m	Six months ended 30 June 2004 £'m
Cash flows from operating activities			
Net cash inflow from trading operations		20.2	41.3
Cash outflow related to restructuring activities		(7.7)	(8.9)
Cash generated from operations	6	12.5	32.4
Interest paid		(4.2)	(5.3)
Income tax paid		(8.5)	(8.2)
Net cash (outflow)/inflow from operating activities		(0.2)	18.9
Cash flows from investing activities			
Interest received		0.6	0.8
Proceeds on disposal of property, plant and equipment		0.6	1.6
Purchases of property, plant and equipment		(11.4)	(13.0)
Expenditure on intangible assets		(2.6)	(2.5)
Acquisition of subsidiaries (net of cash acquired)		(35.7)	(0.5)
Disposal of business		(1.1)	-
Net cash outflow from investing activities		(49.6)	(13.6)
Cash flows from financing activities			
Proceeds from issue of new shares		0.1	0.8
Proceeds from disposal of own shares		-	0.1
Proceeds from bank borrowings		81.7	-
Repayments of bank borrowings		(9.1)	(0.1)
Repayments of finance lease principal		(1.6)	(1.3)
Repayments of borrowings assumed in acquisitions		(11.3)	-
Repayments of other borrowings		(0.5)	(0.1)
Dividends paid to the company's shareholders		(25.8)	(25.0)
Dividends paid to minority interests		(1.0)	(1.3)
Net cash inflow / (outflow) from financing activities		32.5	(26.9)
Net decrease in cash and cash equivalents		(17.3)	(21.6)
Cash and cash equivalents at the beginning of the period	7	106.6	134.7
Net decrease in cash and cash equivalents	7	(17.3)	(21.6)
Effect of foreign exchange rates	7	(0.8)	(4.7)
Cash and cash equivalents at the end of the period	7	88.5	108.4

Notes to the financial statements

1. Accounting policies

Basis of preparation

The accounting policies applied in these unaudited interim financial statements are those that the group expects to apply in its annual financial statements for the year ended 31 December 2005, which will be prepared in accordance with International Financial Reporting Standards (IFRS) endorsed by the European Union (EU), and those parts of the Companies Act 1985 that remain applicable to companies reporting under IFRS.

The IFRS standards that will be applicable at 31 December 2005 are not known with complete certainty at the time of preparation of these interim financial statements, and as such the policies herein may be subject to amendment.

The accounting policies, set out below, reflect two amendments to existing standards not yet adopted by the EU but which the group expects to be adopted by the EU before the end of 2005. The two amendments are: the amendment to IAS 19 'Employee Benefits', issued on 16 December 2004 by the International Accounting Standards Board (IASB); and the amendment to IAS 39 'Financial Instruments: Recognition and Measurement', issued on 16 June 2005 by the IASB. The effective date of the amendment to IAS 19 is 1 January 2006, however, the group expects to apply the amendment early, as permitted by the standard.

The interim financial statements have been prepared under the historical cost convention with the exception of certain items which are measured at fair value, as disclosed in the accounting policies below.

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 2004, which were prepared under UK generally accepted accounting principles (UK GAAP), 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 of the Companies Act 1985.

Transitional arrangements

The accounting policies have been applied to all periods presented except for those relating to the recognition, measurement, disclosure and presentation of financial instruments, all matters dealt with in IAS 32 and 39. The group has taken an exemption to apply IAS 32 and IAS 39 from 1 January 2005. Prior to this date, financial instruments have been accounted for under UK GAAP. A reconciliation of equity on adoption of IAS 32 and 39 at 1 January 2005 is provided in note 9.3.

In addition, the group has taken the following optional exemptions contained in IFRS 1 'First-time Adoption of International Financial Reporting Standards' in preparing the group's balance sheet on transition to IFRS at 1 January 2004:

- Business combinations – IFRS 3 'Business Combinations' has been applied prospectively from 1 January 2004.
- Cumulative translation differences – the cumulative translation differences for all operations have been set to zero at 1 January 2004 and exchange differences arising prior to this date will not be recycled to the income statement.

The group's policy for share-based payments has been applied to equity instruments that were granted after 7 November 2002 and that had not vested on or before 31 December 2004.

Basis of consolidation

The consolidated financial statements include those of LogicaCMG plc (the company) and all of its subsidiary undertakings (together, the group), and the group's share of the results of joint ventures and associates. Investments in joint ventures and associates are accounted for using the equity method.

Subsidiary undertakings are those entities controlled directly or indirectly by the company. Control arises when the company has the ability to direct the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or sold are included in the consolidated income statement from the date of acquisition or up to the date of disposal respectively, using the same accounting policies as those of the group. All business combinations are accounted for using the purchase method.

On acquisition, the interest of any minority shareholders is stated at the minority's proportion of the fair value of the assets and liabilities recognised. Subsequently, the minority interest in the consolidated balance sheet reflects the minority's proportion of changes in the net assets of the subsidiary. A minority interest is not recognised in a subsidiary with net liabilities except to the extent that the minority has a binding obligation, and is able to make an additional investment, to cover cumulative losses.

All intercompany transactions and balances are eliminated on consolidation.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale in the balance sheet if their carrying amount will be recovered through a sale transaction rather than ongoing use but only if the sale is highly probable and is expected to complete within one year from the date of classification. Non-current assets and disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The results of an operation that represents a separate major line of business and either has been disposed of during the period or is classified as held for sale, are classified as discontinued operations. The post-tax profit or loss of the discontinued operation plus the post-tax gain or loss recognised on the measurement of the assets and liabilities within the disposal group at fair value less costs to sell, is presented as a single amount on the face of the income statement.

Notes to the financial statements

1. Accounting policies (continued)

Intangible assets

All intangible assets, except goodwill, are stated at cost less accumulated amortisation and any accumulated impairment losses. Goodwill is not amortised and is stated at cost less any accumulated impairment losses.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the group's interest in the identifiable assets, liabilities and contingent liabilities acquired in a business combination. Goodwill previously written off directly to reserves under UK GAAP prior to 1 July 1998 has not been reinstated and is not recycled to the income statement on the disposal of the business to which it relates.

Development costs

Expenditure incurred in the development of software products or enhancements, and their related intellectual property rights, is capitalised as an intangible asset only when the future economic benefits expected to arise are deemed probable and the costs can be reliably measured. Development costs not meeting these criteria are expensed in the income statement as incurred. Capitalised development costs are amortised on a straight line basis over their useful economic lives once the related software product or enhancement is available for use.

Other intangible assets

Intangible assets purchased separately, such as software licences that do not form an integral part of related hardware, are capitalised at cost and amortised over their useful economic life. Intangible assets acquired through a business combination are initially measured at fair value and amortised over their useful economic lives.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset into use.

Depreciation is calculated on a straight-line basis to write down the assets to their estimated residual value over their useful economic lives at the following rates:

Furniture	10 - 20%	Computer equipment	25 - 33%
Partitions and office equipment	10 - 20%	Motor vehicles	25%
Freehold property	2%	Leasehold equipment and plant	Life of lease

The residual values and useful economic lives of property, plant and equipment are reviewed annually. Freehold land and properties under construction are not depreciated. Borrowing costs related to the purchase of fixed assets are not capitalised.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as property, plant and equipment at an amount equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments at the inception of the lease, and then depreciated over their useful economic lives. Lease payments are apportioned between repayment of capital and interest. The capital element of future lease payments is included in the balance sheet as a liability. Interest is charged to the income statement so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a reduction in the rental expense over the lease term.

Investments in subsidiaries

Investments in subsidiaries in the company's balance sheet are held at cost less any accumulated impairment losses.

Impairment of assets

Goodwill is allocated to cash-generating units for the purposes of impairment testing. The recoverable amount of the cash-generating unit to which the goodwill relates is tested annually for impairment or when events or changes in circumstances indicate that it might be impaired. The carrying values of property, plant and equipment, investments measured using a cost basis and intangible assets other than goodwill are reviewed for impairment only when events indicate the carrying value may be impaired.

In an impairment test, the recoverable amount of the cash-generating unit or asset is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of fair value less costs to sell and the value in use to the group. An impairment loss is recognised to the extent that the carrying value exceeds the recoverable amount.

In determining a cash-generating unit's or asset's value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the cash-generating unit or asset that have not already been included in the estimate of future cash flows.

1. Accounting policies (continued)

Inventories

Inventories represent computer equipment that, at the balance sheet date, had not yet been allocated to a specific customer contract and materials, including work-in-progress, used in document printing and finishing.

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less costs to be incurred in marketing, distribution and sale.

Amounts recoverable on contracts

Amounts recoverable on contracts represent revenue which has not yet been invoiced to customers on fixed price contracts. Such amounts are separately disclosed within trade and other receivables. The valuation of amounts recoverable on contracts is adjusted to take up profit to date or foreseeable losses in accordance with the accounting policy for profit recognition.

Financial instruments

The following policies for financial instruments have been applied in the preparation of the group's interim financial statements. For those policies that have changed on adoption of IAS 32 and 39 on 1 January 2005, policies both before and after adoption are given.

Cash and cash equivalents

For the purpose of preparation of the cash flow statement, cash and cash equivalents includes cash at bank and in hand, and short-term deposits with an original maturity period of three months or less. Bank overdrafts that are an integral part of a group company's cash management are included in cash and cash equivalents where they have a legal right of set-off against positive cash balances, otherwise bank overdrafts are classified as borrowings.

Trade and other receivables

Trade and other receivables are stated at amounts receivable less any provision for recoverability. A trade or other receivable is derecognised from the balance sheet when the group enters into a financing transaction which transfers to a third party all significant rights or other access to benefits relating to that asset, and all significant exposures to the risks inherent in that asset.

Non-recourse financing (1 January 2004 to 31 December 2004)

For non-recourse financing arrangements that did not meet the criteria for financial asset derecognition, a linked presentation has been adopted where criteria, set out in the UK accounting standard FRS 5 'Reporting the substance of transactions', were met. Under a linked presentation, the financing was shown as a deduction from the gross amount of the financial asset to which it related either on the face of the balance sheet or, if not material to the balance sheet, in the notes to the financial statements.

Non-recourse financing (1 January 2005 onwards)

A linked presentation is not permissible under IFRS. Financing of trade or other receivables shown under a linked presentation prior to 1 January 2005 are treated as borrowings on and after that date.

Borrowings (1 January 2004 to 31 December 2004)

Borrowings, including convertible debt, were recognised initially at fair value, net of transaction costs incurred. The finance costs of debt were allocated to financial periods and charged to the income statement over the term of the borrowings at a constant rate on the carrying amount. Accrued finance costs were included in accruals rather than in the carrying amount of the borrowing to the extent that they were due to be paid in cash within one year.

Conversion of debt was not anticipated and the finance cost of convertible debt was calculated on the basis that the debt would never be converted. The carrying value of convertible debt is stated separately from that of other borrowings on the face of the balance sheet.

Borrowings (1 January 2005 onwards)

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated either at amortised cost or, if designated as such, at fair value through profit or loss.

For borrowings stated at amortised cost, any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

The group's euro-denominated convertible bonds have been designated as a financial liability at fair value through profit or loss. The change in the fair value of the convertible bonds that reflects the movement in the quoted market price of the convertible bonds is recognised in the income statement as either interest income or expense. The change in fair value relating to the movement of the euro to pounds sterling exchange rate is treated as a hedge of net investments in foreign operations (see below). Foreign exchange gains and losses on the convertible bonds are taken directly to equity to the extent that the hedge is effective.

Notes to the financial statements

1. Accounting policies (continued)

Derivative financial instruments and hedging activities (1 January 2004 to 31 December 2004)

The group uses forward foreign exchange contracts to reduce exposure to foreign exchange risk. The group considered these financial instruments to be hedges when the following criteria were met:

- the financial instruments must be related to a specific foreign currency asset or liability that is probable and whose characteristics have been identified;
- it must involve the same currency as the hedged item; and
- it must reduce foreign currency risk on the group's operations.

Gains and losses on hedges of existing assets and liabilities were included in the carrying amount of those assets or liabilities and are recognised in the profit and loss account. Gains and losses on qualifying hedges or firm commitments or anticipated transactions were classified as deferred and recognised in the profit and loss account or as adjustments in the carrying amount of the transaction when it occurred. Gains and losses on financial instruments that did not qualify as hedges were recognised as other income or expense.

Derivative financial instruments and hedging activities (1 January 2005 onwards)

Derivatives are initially recognised at fair value on the date a contract is entered into and are subsequently re-measured at fair value. The gain or loss on re-measurement is taken to the income statement except where the derivative is part of a designated cash flow hedge or a designated hedge of a net investment in a foreign operation.

The effective portion of changes in the fair value of derivatives that are designated and qualify as a cash flow hedge of a firm commitment or forecasted transaction are recognised directly in equity. The gain or loss relating to the ineffective portion of a cash flow hedge is recognised immediately in the income statement.

If the cash flow hedge results in the recognition of an asset or liability, then the associated gains or losses on the derivative that had previously been recognised in equity are included in the measurement of the asset or liability at the time the asset or liability is recognised. For cash flow hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are transferred to the income statement in the same period as the underlying transaction occurs.

Where the group hedges net investments in foreign entities through currency borrowings or derivative financial instruments, the gains or losses on the translation of the borrowings or change in fair value of the derivative are recognised in equity. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

Changes in the fair value of derivative financial instruments that are not designated as a hedging instrument or do not qualify for hedge accounting are recognised in the income statement as they arise.

Taxation

Current tax is recognised based on the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full on temporary differences that arise between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding tax base. Liabilities are recorded on all temporary differences except in respect of investments in subsidiaries and joint ventures where the timing of the reversal of the temporary difference is controlled by the group and it is probable that it will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be offset.

Deferred tax is measured on an undiscounted basis using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Current and deferred tax are recognised in the income statement, except when the tax relates to items charged or credited directly to equity, in which case the tax is also dealt with directly in equity.

Provisions

Provisions are recognised for restructuring costs when the group has a detailed formal plan for the restructuring that has been communicated to affected employees. Provisions are recognised for future committed property lease payments when the group receives no benefit from the property through continuing usage and future receipts from any sub-letting arrangements are not in excess of the group's future committed payments.

Where the time value of money is material, provisions are measured at the present value of expenditures expected to be paid in settlement.

1. Accounting policies (continued)

Foreign currencies

The presentation currency of the group is pounds sterling. The group also presents primary statements in euros, see pages 34 to 36 of these interim financial statements.

Items included in the separate financial statements of group entities are measured in the functional currency of each entity. Transactions denominated in foreign currencies are translated into the functional currency of the entity at the rates prevailing at the dates of the individual transactions. Foreign currency monetary assets and liabilities are translated at the rates prevailing at the balance sheet date. Exchange gains and losses arising are charged or credited to the income statement within net operating costs.

The income statement and balance sheet of foreign entities are translated into pounds sterling on consolidation at the average rates for the period and the rates prevailing at the balance sheet date respectively. Exchange gains and losses arising on the translation of the group's net investment in foreign entities, and of borrowings designated as hedges of such investments, are recognised as a separate component of shareholders' equity. On disposal of a foreign entity, the cumulative translation differences are recycled to the income statement and recognised as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rates prevailing at the balance sheet date.

The most important foreign currency for the group is the euro. The relevant exchange rates to pounds sterling were:

	30 June 2005		30 June 2004	
	Average	Closing	Average	Closing
£1 = €	1.46	1.48	1.48	1.49

Government grants

Grants related to assets are recognised initially as deferred income and subsequently credited to the income statement on the same basis that the related assets are depreciated. Grants related to income are credited to the income statement over the periods necessary to match them with the related costs which they are intended to compensate.

Revenue and profit recognition

Revenue represents the fair value of consideration received or receivable from clients for goods and services provided by the group, net of discounts, VAT and other sales-related taxes. Where the time value of money is material, revenue is recognised as the present value of the cash inflows expected to be received from the customer in settlement.

Revenue from the sale of software products or hardware with no significant service obligation is recognised 100% on delivery. Revenue from the sale of software products or hardware requiring significant modification, integration or customisation is recognised using the percentage of completion method.

The revenue and profit of contracts for the supply of professional services at predetermined rates is recognised as and when the work is performed, irrespective of the duration of the contract.

The revenue and profit of fixed price contracts is recognised on a percentage of completion basis when the outcome of a contract can be estimated reliably. A contract's outcome is usually deemed to be capable of reliable estimation at the earlier of six months from contract commencement and the date at which 50% of the total estimated costs of professional services have been incurred. If a contract outcome cannot be estimated reliably, revenues are recognised equal to costs incurred, to the extent that costs are expected to be recovered. The stage of contract completion is usually determined by reference to the cost of professional services incurred to date as a proportion of the total estimated cost of professional services.

Provision is made for all foreseeable future losses.

Employee benefits

Retirement benefits

The group operates retirement benefit plans of both a defined contribution and defined benefit nature. Retirement benefit plans that are funded by the payment of insurance premiums are treated as defined contribution plans unless the group has an obligation either to pay the benefits directly when they fall due or to pay further amounts if assets accumulated with the insurer do not cover all future employee benefits. In such circumstances, the plan is treated as a defined benefit plan.

The cost of defined contribution plans is charged to the income statement on the basis of contributions payable by the group during the year.

For defined benefit plans, the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The retirement benefit liability in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of plan assets and unrecognised past service cost. A retirement benefit asset is recognised to the extent that the group can benefit from refunds or a future reduction in contributions.

Notes to the financial statements

1. Accounting policies (continued)

Insurance policies are treated as plan assets of a defined benefit plan if the proceeds of the policy:

- can only be used to fund employee benefits;
- are not available to the group's creditors; and
- either cannot be paid to the group unless the proceeds represent surplus assets not needed to meet all the benefit obligations or are a reimbursement for benefit already paid by the group.

Insurance policies that do not meet the above criteria are treated as non-current investments and are held at fair value in the balance sheet.

The current service cost is recognised in the income statement as an employee benefit expense. The interest cost, resulting from the increase in the present value of the defined benefit obligation over time and the expected return on plan assets, is recognised as net interest expense or income.

A past service cost is recognised immediately to the extent that benefits are already vested, or is otherwise amortised on a straight-line basis over the average period until the benefits become vested.

Actuarial gains and losses arising from experience adjustments or changes in actuarial assumptions are charged or credited in the statement of recognised income and expense in the period in which they arise.

Share-based payment

The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, is recognised as an employee benefit expense in the income statement.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value at the grant date of the shares or share options awarded and the number that are expected to vest. The assumptions underlying the number of awards expected to vest are subsequently adjusted to reflect conditions prevailing at the balance sheet date. At the vesting date of an award, the cumulative expense is adjusted to take account of the awards that actually vest.

Short-term compensated absences

A liability for short-term compensated absences, such as holiday, is recognised for the amount the group may be required to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Death-in-service benefits

Insured death-in-service benefits are accounted for as defined contribution arrangements. Death-in-service benefits for which the group does not have insurance cover are accounted for as defined benefit arrangements.

Employee share ownership trusts

Employee share ownership plan (ESOP) trusts, which purchase and hold ordinary shares of the company in connection with certain employee share schemes, are consolidated in the group financial statements. Any consideration paid or received by ESOP trusts for the purchase or sale of the company's own shares is shown as a movement in shareholders' equity.

Dividends

Dividends to the company's shareholders are recognised as a liability and deducted from shareholders' equity in the period in which the shareholders' right to receive payment is established.

2. Segment information - primary basis

At 30 June 2005, LogicaCMG is organised into two business segments: IT services and wireless networks. These two business segments are the group's primary reporting format for segment information. Segment revenue and result under the primary reporting format are disclosed in the table below.

	Revenue		Profit / (loss) after tax	
	Six months ended 30 June 2005 £'m	Six months ended 30 June 2004 £'m	Six months ended 30 June 2005 £'m	Six months ended 30 June 2004 £'m
IT services	771.7	691.9	39.6	39.6
Wireless networks	120.0	112.2	1.2	(6.5)
	891.7	804.1	40.8	33.1
Interest payable	-	-	(8.9)	(9.5)
Interest receivable	-	-	5.8	2.2
Taxation	-	-	(13.6)	(9.3)
	891.7	804.1	24.1	16.5

The group manages the IT services business segment on a geographic basis. Additional voluntary disclosures, not required under IFRS, are provided below for the geographic sub-divisions within the IT services business segment.

	Revenue		Operating profit / (loss)	
	Six months ended 30 June 2005 £'m	Six months ended 30 June 2004 £'m	Six months ended 30 June 2005 £'m	Six months ended 30 June 2004 £'m
United Kingdom	370.0	336.1	34.8	36.1
Netherlands	199.9	176.0	12.8	14.5
Germany	39.8	46.3	(5.8)	(11.1)
France	57.6	50.9	(3.7)	(1.8)
Iberia *	20.3	-	1.6	-
Rest of Europe	30.5	32.2	(0.8)	1.0
Rest of World	53.6	50.4	0.7	0.9
	771.7	691.9	39.6	39.6

* The Iberia category represents the Edinfor business acquired in the current period.

The comparative information in the table above has been amended to include Belgium within the Rest of Europe category. This has resulted in a reclassification of revenue of £13.5 million, and an operating loss of £0.2 million, to the Rest of Europe category from the Netherlands (formerly Benelux) category.

3. Employees

	Six months ended 30 June 2005 Number	Six months ended 30 June 2004 Number
The average number of employees during the period was:		
United Kingdom	6,115	6,028
Netherlands	5,783	5,728
Germany	1,146	1,580
France	1,537	1,484
Iberia *	529	-
Rest of Europe	845	845
Rest of World	2,527	1,983
IT services	18,482	17,648
Wireless networks	1,712	1,944
	20,194	19,592

Notes to the financial statements

3. Employees (continued)

	Six months ended 30 June 2005 Number	Six months ended 30 June 2004 Number
The number of employees at the end of the period was:		
United Kingdom	6,093	5,935
Netherlands	5,787	5,675
Germany	1,025	1,539
France	1,515	1,484
Iberia *	1,233	-
Rest of Europe	843	829
Rest of World	2,625	2,050
IT services	19,121	17,512
Wireless networks	1,611	1,956
	20,732	19,468

* The Iberia category represents the Edinfor business acquired in the current period.

The comparative information in the employee numbers tables above has been amended to include Belgium within the Rest of Europe category. This has resulted in a reclassification of the average number of employees and the number of employees at the balance sheet date of 352 and 342 respectively to the Rest of Europe category from the Netherlands (formerly Benelux) category.

4. Taxation

The tax charge for the six months ended 30 June 2005 has been based on the estimated effective tax rate for the full year of 36.0% (six months ended 30 June 2004: 36.0%). The tax charge includes an overseas tax charge of £7.4 million (six months ended 30 June 2004: tax credit of £2.7 million).

5. Earnings per share

	Six months ended 30 June 2005		
	Earnings £'m	Weighted average number of shares Million	Earnings per share Pence
Earnings per share			
Earnings attributable to ordinary shareholders	23.1	737.0	3.1
Basic EPS	23.1	737.0	3.1
Effect of share options	-	2.9	-
Effect of convertible bonds, net of tax	(0.4)	56.3	(0.2)
Diluted EPS	22.7	796.2	2.9
Adjusted earnings per share			
Earnings attributable to ordinary shareholders	23.1	737.0	3.1
<i>Less:</i>			
Mark-to-market gain on convertible bonds designated at fair value through profit or loss, net of tax	(2.5)	-	(0.3)
Amortisation of intangible assets initially recognised on acquisition, net of tax	-	-	-
Basic adjusted EPS	20.6	737.0	2.8
Effect of share options	-	2.9	-
Diluted adjusted EPS	20.6	739.9	2.8

For the six months ended 30 June 2005, there was no difference between earnings per share from continuing operations and earnings per share from all operations.

5. Earnings per share (continued)

	Six months ended 30 June 2004		
	Earnings £'m	Weighted average number of shares Million	Earnings per share Pence
Earnings per share from all operations			
Earnings attributable to ordinary shareholders	14.2	736.0	1.9
Basic EPS	14.2	736.0	1.9
Effect of share options	-	4.2	-
Diluted EPS	14.2	740.2	1.9
Earnings per share from continuing operations			
Earnings attributable to ordinary shareholders	14.2	736.0	1.9
<i>Add back:</i>			
Pre-tax loss from discontinued operations	1.6	-	0.2
Tax relating to discontinued operations	-	-	-
Basic EPS from continuing operations	15.8	736.0	2.1
Effect of share options	-	4.2	-
Diluted EPS from continuing operations	15.8	740.2	2.1

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.

In the six months ended 30 June 2005, the convertible bonds were anti-dilutive for the purposes of calculating adjusted diluted earnings per share and accordingly were not included.

The impact of the charge for share-based payments was to reduce adjusted basic earnings per share for the six months ended 30 June 2005 by 0.4 pence per share (six months ended 30 June 2004: 0.3 pence per share).

For the six months ended 30 June 2004, there was no difference between earnings per share from continuing operations and adjusted earnings per share. Accordingly, adjusted earnings per share is not separately presented.

Notes to the financial statements

6. Reconciliation of operating profit to cash generated from operations

	Six months ended 30 June 2005 £'m	Six months ended 30 June 2004 £'m
<i>Operating profit:</i>		
Continuing operations	40.8	33.1
Discontinued operations	-	(1.6)
	40.8	31.5
<i>Adjustments for:</i>		
Gain/loss on derivative financial instruments	(0.8)	-
Share-based payments	2.9	2.5
Depreciation of property, plant and equipment	13.4	15.4
Amortisation of intangible assets	2.6	3.7
Net movements in provisions	(3.8)	(8.6)
Non-cash element of expense for defined benefit plans	2.0	2.2
	16.3	15.2
<i>Movements in working capital:</i>		
Inventories	(0.3)	0.9
Trade and other receivables	(46.3)	(37.2)
Trade and other payables	2.0	22.0
	(44.6)	(14.3)
Cash generated from operations	12.5	32.4
Cash outflow related to restructuring activities	7.7	8.9
Net cash inflow from trading operations	20.2	41.3

The cash flows from discontinued operations are not material for the group and accordingly have not been presented separately. The reconciliation of operating profit to cash generated from operations in the table above represents the activities of both continuing and discontinued operations.

7. Reconciliation of movements in net debt

	At 1 January 2005 £'m	Cash flows £'m	Acquisitions and disposals* £'m	Other non-cash movements £'m	Exchange differences £'m	At 30 June 2005 £'m
Cash and cash equivalents	106.6	(17.3)	-	-	(0.8)	88.5
Bank overdrafts	(0.4)	0.4	-	-	-	-
Finance leases	(4.7)	1.6	(3.2)	(0.3)	0.2	(6.4)
Bank loans	(108.5)	(73.0)	(1.6)	(0.2)	(0.6)	(183.9)
Other loans	(0.9)	11.8	(11.3)	-	-	(0.4)
Convertible bonds	(211.3)	-	-	0.5	10.0	(200.8)
Net debt	(219.2)	(76.5)	(16.1)	-	8.8	(303.0)

* Excludes cash and cash equivalents assumed on acquisition or disposed of through sale of businesses, amounting to £5.7 million and £1.4 million respectively.

The cash and cash equivalents balance of £106.6 million at 1 January 2005 included £1.7 million of cash and cash equivalents which are shown in the consolidated balance sheet within non-current assets classified as held for sale.

The group's net debt at 31 December 2004 was £198.3 million. The impact of the adoption of IAS 32 and IAS 39 was to increase group net debt by £20.9 million to £219.2 million. The increase comprised a reclassification of £20.8 million from trade and other receivables to bank loans relating to non-recourse financing arrangements previously shown under a linked presentation, and an increase in the value of convertible bonds of £0.1 million to reflect their fair value.

The increase in the value of convertible bonds of £0.1 million comprised a reclassification of the accrual for coupon interest of £1.7 million from trade and other payables, and a reduction of £1.6 million taken to equity on adoption of IAS 32 and 39 on 1 January 2005.

8. Acquisition of subsidiary

On 20 April 2005, the group acquired 60% of the issued ordinary share capital of Edinfor - Sistemas Informáticos, S.A. (Edinfor) from Energias de Portugal (EDP). The Edinfor group of companies is a leading IT services provider based in Portugal. Edinfor contributed revenues of £20.3 million and net profit of £1.6 million for the period from 20 April 2005 to 30 June 2005.

The minority interest of 40% is subject to an EDP put option and a LogicaCMG call option. The EDP put option is exercisable at any time in the period two years from the acquisition date to four years from the acquisition date. The LogicaCMG call option is exercisable at any time four years after the acquisition date.

The majority interest of 60% held by the group is subject to an EDP call option. This option is only exercisable in limited circumstances which the group does not expect to occur.

	Carrying amount pre- acquisition £'m	Provisional fair value £'m
<i>Net assets acquired:</i>		
Intangible assets	16.2	8.5
Property, plant and equipment	32.8	37.3
Investments in associates	0.6	0.6
Inventories	1.7	1.7
Trade and other receivables	36.1	35.5
Cash and cash equivalents	5.7	5.7
Trade and other payables	(34.7)	(27.6)
Current tax payable	(1.3)	(1.3)
Derivative financial instruments	(0.4)	(0.4)
Borrowings	(16.1)	(16.1)
Provisions	(2.4)	(2.4)
Deferred tax	0.5	2.4
Other non-current liabilities	-	(0.1)
	38.7	43.8
Minority interests		(17.6)
Share of net assets acquired		26.2
Goodwill		19.0
Total consideration		45.2
<i>Total consideration comprised:</i>		
Cash		37.0
Deferred consideration		6.8
Directly attributable costs		1.4
		45.2

The total cash paid to EDP relating to the Edinfor transaction comprised £48.3 million, of which £37.0 million has been attributed to the business combination and £11.3 million has been attributed to repayment of borrowings assumed on acquisition.

Due to the proximity of the date of acquisition to the end of the reporting period, the fair value adjustments contain some provisional amounts which will be finalised in the 2005 annual financial statements. In particular, the values of certain intangible assets, and deferred tax thereon, relating to acquired trade names, which are currently subsumed within goodwill, are pending finalisation. The goodwill recognised of £19.0 million is attributable to anticipated synergies, the value of the work force and those intangible assets pending separate recognition on completion of the acquisition date fair value exercise.

9. Transition to IFRS

On 17 May 2005, the group published an explanation of the impact of the transition to IFRS, restated comparative information for 2004 under IFRS and reconciliations from UK GAAP. This disclosure note reproduces information from the group's previous announcement where it is required to be disclosed in these interim financial statements under IFRS 1. In addition, a reconciliation of equity on the adoption of IAS 32 and 39 on 1 January 2005 is also provided, together with an explanation of each adjustment.

Notes a) to h) below explain the impact that the adoption of IFRS has had on comparative information as at and for the six months ended 30 June 2004. Note i) explains the impact of the adoption of IAS 32 and 39. The narrative notes are intended to support the associated numerical reconciliations contained in sections 9.1 to 9.3 below.

a) Goodwill

Under UK GAAP, goodwill was treated in two ways. Prior to 1 July 1998, goodwill arising under the acquisition accounting method was written off directly to equity and recycled to the profit and loss account as part of the profit or loss on disposal of the acquired entity. Subsequent to that date, goodwill was capitalised and amortised over its useful economic life, up to a maximum period of 20 years.

Notes to the financial statements

9. Transition to IFRS (continued)

The group has taken the exemption in IFRS 1 for business combinations. As a result, the net book value of goodwill under UK GAAP at 31 December 2003 became the deemed cost of goodwill at the date of transition to IFRS. Under IFRS, this balance is no longer amortised but is subject to impairment testing on an annual basis, or more frequently if there is an indication of impairment. Goodwill previously written off directly to equity is not recycled to the income statement following a disposal of a previously acquired entity.

The effect of adopting IFRS was to reverse the goodwill amortisation recognised under UK GAAP and to increase the carrying value of goodwill in the balance sheet at 30 June 2004.

b) Other intangible assets

Development costs

Under UK GAAP, the development costs of internally developed software products and enhancements were expensed as incurred irrespective of the future value expected from the results of the development activity.

IAS 38 'Intangible Assets' requires that development costs are capitalised when the criteria set out in the standard are met. Development costs can only be capitalised when an intangible asset will generate probable future economic benefits and costs can be reliably measured. Once development activity on a software product or enhancement has finished, any capitalised costs are amortised over the useful life of the product, typically over a period of up to three years.

The effect of adopting IFRS was to capitalise development costs previously expensed under UK GAAP and therefore to increase the carrying value of intangible assets. The impact on the income statement was the net effect of the capitalisation of any development costs that meet the IAS 38 criteria during the period and the amortisation of costs capitalised in the balance sheets.

Software licences

Under UK GAAP, purchased software licences were capitalised within tangible fixed assets as part of the computer hardware to which they related and depreciated over their useful economic life.

IAS 38 requires that computer software that is an integral part of the related hardware, such as an operating system, is treated as property, plant and equipment. Software that is not an integral part of the related hardware must be capitalised as an intangible asset and amortised over its useful economic life.

The effect of this change was to reclassify certain software licences from property, plant and equipment to intangible assets in the balance sheets and to reclassify the related depreciation expense to amortisation expense in the income statement.

c) Leases

The UK GAAP accounting standard on leases, SSAP 21 'Accounting for leases and hire purchase contracts', is similar to the IFRS standard, IAS 17 'Leases', in terms of the classification of a lease as either an operating lease or a finance lease.

Whilst both standards define a finance lease as a lease that transfers substantially all the risks and rewards of ownership of the asset to the lessee, SSAP 21 provides a numeric test, which does not exist in IAS 17, that was used as persuasive evidence of whether this transfer had taken place. A consequence of adopting IAS 17 has been that some leases previously classified as operating leases under UK GAAP have been classified as finance leases under IFRS.

The impact on the balance sheet at 30 June 2004 was to capitalise assets under finance leases within property, plant and equipment at their deemed cost less accumulated depreciation. A related liability, classified as a borrowing, for future lease payments was also recognised. The impact on the income statement for the six months ended 30 June 2004 was limited, the main consequence being a reduction in net operating costs and an increase in interest payable.

d) Employee benefits

Retirement benefit schemes

Under UK GAAP, the group accounted for defined benefit and defined contribution retirement benefit schemes under SSAP 24 'Accounting for pension costs'. Additional disclosures were given under FRS 17 'Retirement Benefits'.

Under SSAP 24, a regular pension cost for defined benefit schemes was determined using actuarial methods and charged to the profit and loss account. Variations from the regular cost caused by, for example, retroactive changes in benefits, changes in actuarial assumptions, and experience gains and losses, were spread over the average remaining service lives of employees. The cumulative difference between the profit and loss account expense and employer contributions was held in the balance sheet as either a prepayment or provision.

Under IFRS, the group applies IAS 19 'Employee Benefits'. This standard follows a balance sheet approach which is similar to that of FRS 17 whereby scheme deficits or surpluses are recognised on the balance sheet. The income statement expense comprises the current service cost, the interest cost, the expected return on any plan assets and the appropriate portion of any past service cost. The group has adopted early the amendment to IAS 19 in December 2004 which allows actuarial gains and losses to be recognised in full in the statement of recognised income and expense.

The effect of adopting IFRS on the balance sheet at 30 June 2004 was to remove any pension prepayment or provision recognised under UK GAAP and to recognise the net deficit or surplus, when permitted, on defined benefit schemes less any unrecognised past service cost. The impact on the income statement for the six months ended 30 June 2004 was to increase the pension expense in operating profit and to recognise a net charge to interest payable.

9. Transition to IFRS (continued)

Holiday pay

The group's UK GAAP accounting policy was to accrue for all payments expected to be made to leavers within one year of the balance sheet date for holiday entitlement not used prior to leaving. IAS 19 requires that a liability is recorded for all accrued entitlements for holiday at each balance sheet date.

The impact on the group was to increase the employee benefits liability at 30 June 2004 and increase the expense in the income statement for the six months ended 30 June 2004.

Share-based payments

The group operates a variety of share-based employee incentive arrangements which typically include the grant of rights to shares or share options.

Under UK GAAP, a charge was recorded only when an award had intrinsic value on the date of grant i.e. the market value of the company's shares on the date of grant exceeded the exercise price of the award. A charge was not recorded for share options schemes as the exercise price of share options was set at the prevailing market price on the grant date. A charge was recorded for the employee and executive equity partnership plans under which rights to shares were granted at no cost to employees, subject to meeting performance conditions.

IFRS 2 'Share-based Payment' requires that an expense is recognised in the income statement based on the fair value of an award on the date of grant. The expense is spread over the period for which services are received from employees, which is assumed to be the performance period of the award. The fair value of share options is measured using an option-pricing model. The Black-Scholes model has been used to determine the fair value of options granted under SAYE schemes. A stochastic model has been used for executive share options.

IFRS 2 requires a liability to be recorded for social security costs on gains from the exercise of share options. The liability is measured based on the fair value of share options outstanding at each balance sheet date. Under UK GAAP, a liability for social security was recorded only when share options had intrinsic value.

The impact of adopting IFRS was to increase the share-based payments expense in the income statement. This is principally because an expense is now recognised for share option schemes where none was recognised under UK GAAP. The liability in the balance sheet at 30 June 2004 for social security on share options increased compared to UK GAAP, however, the effect on the income statement for the six months ended 30 June 2004 was not significant.

e) Foreign currencies

IAS 21 'The Effects of Changes in Foreign Exchange Rates' contains more prescriptive guidance than UK GAAP on how to determine an entity's functional currency, the application of which may, in some circumstances, result in a different outcome. As a consequence of evaluating the functional currencies of group entities under IFRS, the functional currencies of some overseas branches have changed.

The effect of the changes has been to reduce the value of amounts recoverable on contracts in the balance sheet at 30 June 2004 and to increase net operating expenses in the income statement for the six months ended 30 June 2004.

f) Taxation

Deferred tax under UK GAAP was provided on all timing differences that had originated but not reversed at the balance sheet date. Timing differences arise when gains and losses are included in tax computations in a later or earlier period from that in which they appear in the group's financial statements.

IAS 12 'Income Taxes' has a balance sheet focused approach. The standard requires that full provision be made for all taxable temporary differences except those arising on goodwill. A temporary difference is the difference between the carrying amount of an asset or liability in the balance sheet and its associated tax base. A temporary difference is a taxable temporary difference if it will give rise to taxable amounts in the future when the asset or liability is settled.

Deferred tax liabilities and assets are classified as non-current irrespective of the expected timing of the reversal of the underlying taxable temporary difference. Current tax assets and liabilities are shown separately on the face of the balance sheet.

The principal impact of adopting IFRS was to recognise deferred tax on retirement benefit scheme deficits and surpluses, adjustments to holiday pay liabilities and share-based payments.

g) Dividends

Under UK GAAP, dividends were recognised as an expense in the profit and loss account. An accrual was made for dividends that were proposed by directors after the balance sheet date but prior to the date of the signing of the financial statements and a corresponding expense was recognised.

Distributions to equity holders are not recognised in the income statement under IFRS, they are disclosed as a component of the movement in shareholders' equity. A liability is recorded for a final dividend when the dividend is approved by the company's shareholders, and for an interim dividend when the dividend is paid.

The impact of IFRS was to remove the accrual for the 2004 interim dividend in the balance sheet at 30 June 2004.

Notes to the financial statements

9. Transition to IFRS (continued)

h) Cash flow statement

Although there was no effect on the underlying cash generation and expenditures of the group, there were some presentational changes on the adoption of IAS 7 'Cash Flow Statements'.

The cash flow statement under IFRS shows the movement in cash and cash equivalents. Cash and cash equivalents include short-term deposits with a maturity of less than three months, which were included in the management of liquid resources category under UK GAAP. The balance sheet under IFRS at 30 June 2004 included £2.4 million of cash equivalents previously classified as a liquid deposit in the UK GAAP cash flow statement.

In addition, further presentational changes were made to reflect the different accounting treatment of certain items under IFRS. The two principal reclassifications were for finance leases previously classified as operating leases under UK GAAP and software product development expenditure.

Under IFRS, the capital repayments of finance leases were treated as a financing cash flow, whereas as an operating lease under UK GAAP, the lease payments were treated as an operating cash flow. Product development expenditure previously expensed and classified as an operating cash flow under UK GAAP has been classified as a cash flow from investing activities under IFRS when the development expenditure was capitalised as an intangible asset.

i) Adoption of IAS 32 and 39

This section describes the impact of the adoption of IAS 32 and 39 with effect from 1 January 2005.

Non-recourse financing

Under UK GAAP, non-recourse financing arrangements that met the conditions set out in FRS 5 'Reporting the substance of transactions' were shown under a linked presentation, with the financing shown as a deduction from the gross amount of the asset to which it related. Such a presentation is not permissible under IFRS and the financing in such arrangements has been classified as borrowings.

The impact of adoption of IAS 32 and 39 was to increase trade and other receivables and borrowings by £20.8 million. There was no impact on equity.

Derivative financial instruments

Under UK GAAP, foreign currency assets and liabilities that were covered by a related forward contract were translated at the rate of exchange specified in that contract.

Under IFRS, such assets and liabilities are translated at the rates prevailing at the balance sheet date and forward contracts, as derivative financial instruments, are recognised in the balance sheet at fair value. Changes in the fair value of derivatives are recognised in the income statement unless covered by a designated hedge which permits gains and losses to be deferred in equity. IFRS also requires that derivatives embedded in host contracts are separated and accounted for as derivative financial instruments, if certain conditions are met.

The impact of adoption of IAS 32 and 39 was to recognise on the balance sheet the fair value of all derivative financial instruments and re-translate foreign currency assets and liabilities at the rates prevailing on the date of adoption. The difference between the amounts recognised under UK GAAP and IFRS, £0.3 million, was taken to equity.

Convertible bonds

Under UK GAAP, the convertible bonds were presented separately on the face of the balance sheet at par value less unamortised issue costs. Conversion of the bonds was not anticipated. The accrual for coupon interest was classified within trade and other payables. Exchange differences arising on retranslation of the convertible bonds were offset in equity against the retranslation of foreign currency net investments, to the extent permitted.

Under IFRS, the group took the option to designate the convertible bonds as a financial liability at fair value through profit or loss. The fluctuation in the value of the convertible bonds caused by changes in the quoted market price is recorded as interest income or expense, as appropriate. The change in fair value associated with the accretion of coupon interest is recognised as interest expense. Exchange differences are taken directly to equity under a designated net investment hedge, to the extent that the hedge is effective.

The impact of adoption of IAS 32 and 39 was a reduction in the value of the convertible bonds of £1.6 million, reflecting the difference between the par value and quoted market price of the convertible bonds and the write off of unamortised issue costs, together with an equal and opposite movement in equity.

9.1 Reconciliation of profit for the six months ended 30 June 2004

	UK GAAP ^{1,3} £'m	Discontinued operations ² £'m	Other IFRS adjustments £'m	IFRS £'m
Revenue	809.2	(5.1)	-	804.1
Net operating costs	(775.0)	6.7	(2.7)	(771.0)
Operating profit	34.2	1.6	(2.7)	33.1
<i>Analysed as:</i>				
Operating profit before goodwill amortisation	46.1	1.6	(14.6)	33.1
Goodwill amortisation	(11.9)	-	11.9	-
	34.2	1.6	(2.7)	33.1
Profit before interest	34.2	1.6	(2.7)	33.1
Interest payable	(9.1)	-	(0.4)	(9.5)
Interest receivable	2.2	-	-	2.2
Profit before tax	27.3	1.6	(3.1)	25.8
Taxation	(12.9)	-	3.6	(9.3)
Profit after tax	14.4	1.6	0.5	16.5
Loss from discontinued operations	n/a	(1.6)	-	(1.6)
Profit from continuing operations	n/a	-	0.5	14.9
Minority interests	(0.7)	-	-	(0.7)
Net profit for the period	13.7	-	0.5	14.2

Analysis of other IFRS adjustments for the six months ended 30 June 2004

	Goodwill amortisation reversal £'m	Development costs £'m	Lease reclass- ification £'m	Share-based payments £'m	Other employee benefits £'m	Foreign currencies £'m	Total £'m
Revenue	-	-	-	-	-	-	-
Net operating costs	11.9	(0.8)	0.1	(2.3)	(11.6)	-	(2.7)
Operating profit	11.9	(0.8)	0.1	(2.3)	(11.6)	-	(2.7)
<i>Analysed as:</i>							
Operating profit before goodwill amortisation	-	(0.8)	0.1	(2.3)	(11.6)	-	(14.6)
Goodwill amortisation	11.9	-	-	-	-	-	11.9
	11.9	(0.8)	0.1	(2.3)	(11.6)	-	(2.7)
Profit before interest	11.9	(0.8)	0.1	(2.3)	(11.6)	-	(2.7)
Interest payable	-	-	(0.1)	-	(0.3)	-	(0.4)
Interest receivable	-	-	-	-	-	-	-
Profit before tax	11.9	(0.8)	-	(2.3)	(11.9)	-	(3.1)
Taxation	-	0.3	-	-	3.3	-	3.6
Profit after tax	11.9	(0.5)	-	(2.3)	(8.6)	-	0.5
Minority interests	-	-	-	-	-	-	-
Net profit for the period	11.9	(0.5)	-	(2.3)	(8.6)	-	0.5

¹ The UK GAAP column represents the results from both continuing and discontinued operations.

² The discontinued operations column shows the impact of reclassifying the loss after tax of discontinued operations to the line entitled 'Loss from discontinued operations'.

³ The boxed area in the table above represents amounts or sub-totals that are not applicable under UK GAAP.

Notes to the financial statements

9.2 Reconciliation of equity at 30 June 2004

	UK GAAP £'m	IFRS adjustments £'m	IFRS £'m
Non-current assets			
Goodwill	339.3	11.8	351.1
Other intangible assets	-	7.6	7.6
Property, plant & equipment	78.1	(2.6)	75.5
Interests in joint ventures	0.8	-	0.8
Other investments	0.5	7.3	7.8
Retirement benefit assets	-	12.3	12.3
Deferred tax assets	14.8	15.0	29.8
	433.5	51.4	484.9
Current assets			
Inventories	2.3	-	2.3
Trade and other receivables	613.3	(14.5)	598.8
Current tax assets	9.2	-	9.2
Cash and cash equivalents	108.4	-	108.4
	733.2	(14.5)	718.7
Current liabilities			
Borrowings	(1.1)	(1.8)	(2.9)
Trade and other payables	(393.3)	(2.1)	(395.4)
Current tax liabilities	(39.1)	-	(39.1)
Provisions	(6.7)	-	(6.7)
	(440.2)	(3.9)	(444.1)
Net current assets	293.0	(18.4)	274.6
Total assets less current liabilities	726.5	33.0	759.5
Non-current liabilities			
Convertible debt	(199.1)	-	(199.1)
Other borrowings	(102.4)	(2.0)	(104.4)
Retirement benefit obligations	-	(56.0)	(56.0)
Deferred tax liabilities	(5.4)	(4.7)	(10.1)
Provisions	(4.8)	0.4	(4.4)
Other non-current liabilities	-	(0.8)	(0.8)
	(311.7)	(63.1)	(374.8)
Net assets	414.8	(30.1)	384.7
Equity			
Share capital	75.0	-	75.0
Share premium account	706.7	-	706.7
Other reserves	(370.0)	(30.0)	(400.0)
Total shareholders' equity	411.7	(30.0)	381.7
Minority interests	3.1	(0.1)	3.0
Total equity	414.8	(30.1)	384.7

9.2 Reconciliation of equity at 30 June 2004 (continued)

Analysis of IFRS adjustments at 30 June 2004

	Goodwill amortisation reversal £'m	Development costs £'m	Lease reclass- ification £'m	Employee benefits £'m	Taxation £'m	Foreign currencies £'m	Other ¹ £'m	Total £'m
Non-current assets								
Goodwill	11.8	-	-	-	-	-	-	11.8
Other intangible assets	-	1.5	-	-	-	-	6.1	7.6
Property, plant & equipment	-	-	3.5	-	-	-	(6.1)	(2.6)
Interests in joint ventures	-	-	-	-	-	-	-	-
Other investments	-	-	-	7.3	-	-	-	7.3
Retirement benefit assets	-	-	-	12.3	-	-	-	12.3
Deferred tax assets	-	-	-	-	15.0	-	-	15.0
	11.8	1.5	3.5	19.6	15.0	-	-	51.4
Current assets								
Inventories	-	-	-	-	-	-	-	-
Trade and other receivables	-	-	-	(14.2)	-	(0.3)	-	(14.5)
Current tax assets	-	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	-	-	-	-	-
	-	-	-	(14.2)	-	(0.3)	-	(14.5)
Current liabilities								
Borrowings	-	-	(1.8)	-	-	-	-	(1.8)
Trade and other payables	-	-	-	(19.0)	-	-	16.9	(2.1)
Current tax liabilities	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-	-
	-	-	(1.8)	(19.0)	-	-	16.9	(3.9)
Net current assets	-	-	(1.8)	(33.2)	-	(0.3)	16.9	(18.4)
Total assets less current liabilities	11.8	1.5	1.7	(13.6)	15.0	(0.3)	16.9	33.0
Non-current liabilities								
Convertible debt	-	-	-	-	-	-	-	-
Other borrowings	-	-	(2.0)	-	-	-	-	(2.0)
Retirement benefit obligations	-	-	-	(56.0)	-	-	-	(56.0)
Deferred tax liabilities	-	-	-	-	(4.7)	-	-	(4.7)
Provisions	-	-	-	0.4	-	-	-	0.4
Other non-current liabilities	-	-	-	(0.8)	-	-	-	(0.8)
	-	-	(2.0)	(56.4)	(4.7)	-	-	(63.1)
Net assets	11.8	1.5	(0.3)	(70.0)	10.3	(0.3)	16.9	30.1
Equity								
Share capital	-	-	-	-	-	-	-	-
Share premium account	-	-	-	-	-	-	-	-
Other reserves	11.8	1.5	(0.2)	(70.0)	10.3	(0.3)	16.9	(30.0)
Total shareholders' equity	11.8	1.5	(0.2)	(70.0)	10.3	(0.3)	16.9	(30.0)
Minority interests	-	-	(0.1)	-	-	-	-	(0.1)
Total equity	11.8	1.5	(0.3)	(70.0)	10.3	(0.3)	16.9	(30.1)

¹ The other adjustments comprise the reclassification of purchased software licences with a net book value of £6.1 million from property, plant and equipment to intangible assets and the reversal of the accrual for the 2004 interim dividend, amounting to £16.9 million, from trade and other payables.

9.3 Reconciliation of equity at 1 January 2005

	£'m
At 31 December 2004	374.0
Convertible bonds restated at fair value	1.6
Forward foreign exchange contracts	(0.4)
Recognition of embedded derivatives	0.1
Deferred tax on the above	(0.5)
At 1 January 2005	374.8

10. Interim report

The interim report was approved by the board of directors on 30 August 2005 and copies are available from LogicaCMG plc, Stephenson House, 75 Hampstead Road, London NW1 2PL and LogicaCMG, Prof. W.H. Keesomlaan 14, 1183 DJ Amstelveen, the Netherlands.

Euro translation of consolidated income statement

For the six months ended 30 June 2005

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 €1.46 to £1 (six months ended 30 June 2004: €1.48 to £1). The balance sheet has been calculated by converting the sterling figures to euros at the closing rate of €1.48 to £1 (31 December 2004: €1.41 to £1, 30 June 2004: €1.49 to £1).

	Six months ended 30 June 2005 €'m	Six months ended 30 June 2004 €'m
<i>Continuing operations:</i>		
Revenue	1,301.9	1,190.1
Net operating costs	(1,242.3)	(1,141.1)
Operating profit	59.6	49.0
Interest payable	(13.0)	(14.1)
Interest receivable	8.5	3.3
Profit before tax	55.1	38.2
Taxation	(19.9)	(13.8)
Profit for the period from continuing operations	35.2	24.4
<i>Discontinued operations:</i>		
Loss from discontinued operations	-	(2.4)
Net profit for the period	35.2	22.0
<i>Attributable to:</i>		
Equity holders of the parent	33.7	21.0
Minority interests	1.5	1.0
	35.2	22.0
Earnings per share		
- Basic	4.6	2.9
- Diluted	4.2	2.9
Earnings per share from continuing operations		
- Basic	4.6	3.2
- Diluted	4.2	3.2

Euro translation of consolidated balance sheet

30 June 2005

See page 34 for basis of translation.

	30 June 2005 €'m	31 December 2004 €'m	30 June 2004 €'m
Non-current assets			
Goodwill	557.1	503.7	523.2
Other intangible assets	26.0	12.8	11.3
Property, plant & equipment	164.9	107.9	112.5
Investments in joint ventures and associates	0.9	-	1.2
Other investments	12.4	12.0	11.6
Retirement benefit assets	-	9.2	18.3
Deferred tax assets	44.1	35.5	44.4
	805.4	681.1	722.5
Current assets			
Inventories	4.4	1.6	3.4
Trade and other receivables	989.0	799.4	892.3
Current tax assets	28.4	55.6	13.7
Cash and cash equivalents	131.0	147.9	161.5
	1,152.8	1,004.5	1,070.9
Non-current assets classified as held for sale	-	4.5	-
	1,152.8	1,009.0	1,070.9
Current liabilities			
Borrowings	(67.9)	(38.2)	(4.3)
Trade and other payables	(593.5)	(515.0)	(589.1)
Current tax liabilities	(21.2)	(39.3)	(58.3)
Provisions	(12.9)	(19.2)	(10.0)
	(695.5)	(611.7)	(661.7)
Liabilities associated with non-current assets classified as held for sale	-	(4.2)	-
	(695.5)	(615.9)	(661.7)
Net current assets	457.3	393.1	409.2
Total assets less current liabilities	1,262.7	1,074.2	1,131.7
Non-current liabilities			
Convertible debt	(297.2)	(297.8)	(296.7)
Other borrowings	(214.3)	(93.9)	(155.6)
Retirement benefit obligations	(87.1)	(81.2)	(83.4)
Deferred tax liabilities	(68.4)	(63.9)	(15.0)
Provisions	(14.2)	(8.7)	(6.6)
Other non-current liabilities	(1.8)	(1.4)	(1.2)
	(683.0)	(546.9)	(558.5)
Net assets	579.7	527.3	573.2
Equity			
Share capital	111.1	105.9	111.7
Share premium account	1,047.0	997.3	1,053.0
Other reserves	(607.4)	(579.1)	(596.0)
Total shareholders' equity	550.7	524.1	568.7
Minority interests	29.0	3.2	4.5
Total equity	579.7	527.3	573.2

Euro translation of consolidated cash flow statement

For the six months ended 30 June 2005

See page 34 for basis of translation.

	Six months ended 30 June 2005 €'m	Six months ended 30 June 2004 €'m
Cash flows from operating activities		
Net cash inflow from trading operations	29.5	61.1
Cash outflow related to restructuring activities	(11.2)	(13.2)
Cash generated from operations	18.3	47.9
Interest paid	(6.2)	(7.8)
Income tax paid	(12.4)	(12.1)
Net cash inflow from operating activities	(0.3)	28.0
Cash flows from investing activities		
Interest received	0.9	1.2
Proceeds on disposal of property, plant and equipment	0.9	2.4
Purchases of property, plant and equipment	(16.7)	(19.3)
Expenditure on intangible assets	(3.8)	(3.7)
Acquisition of subsidiaries (net of cash acquired)	(52.1)	(0.7)
Disposal of business	(1.6)	-
Net cash outflow from investing activities	(72.4)	(20.1)
Cash flows from financing activities		
Proceeds from issue of new shares	0.1	1.2
Proceeds from disposal of own shares	-	0.1
Proceeds from bank borrowings	119.3	-
Repayments of bank borrowings	(13.3)	(0.1)
Repayments of finance lease principal	(2.3)	(2.0)
Repayments of other borrowings	(17.2)	(0.1)
Dividends paid to the company's shareholders	(37.7)	(37.0)
Dividends paid to minority interests	(1.5)	(2.0)
Net cash outflow from financing activities	47.4	(39.9)
Net decrease in cash and cash equivalents	(25.3)	(32.0)
Cash and cash equivalents at the beginning of the period	150.3	191.3
Net decrease in cash and cash equivalents	(25.3)	(32.0)
Effect of foreign exchange rates	6.0	2.2
Cash and cash equivalents at the end of the period	131.0	161.5

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 2005 which comprises the consolidated interim balance sheet as at 30 June 2005 and the related consolidated interim statements of income, cash flows and recognised income and expense 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 directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in note 1, the next annual financial statements of the group will be prepared in accordance with accounting standards adopted for use in the European Union. This interim report has been prepared in accordance with the basis set out in note 1.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. As explained in note 1, there is, however, a possibility that the directors may determine that some changes are necessary when preparing the full annual financial statements for the first time in accordance with accounting standards adopted for use in the European Union. The IFRS standards and IFRIC interpretations that will be applicable and adopted for use in the European Union at 31 December 2005 are not known with certainty at the time of preparing this interim financial information.

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 2005.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
London

30 August 2005

Shareholder information

Financial calendar

2006

1 March	Preliminary results announced
13 April	Annual report and AGM notice posted to shareholders
19 April	Ex dividend date
21 April	Share register closed (record date)
17 May	Annual general meeting London Underwriting Centre 3 Minster Court Mincing Lane London EC3R 7DD
18 May	Final dividend paid to shareholders
19 May	Informative shareholders' meeting The Netherlands
30 August	Interim results announced
20 September	Ex dividend date
22 September	Share register closed (record date)
20 October	Interim dividend paid to shareholders

Shareholder information online

LogicaCMG's registrars are able to notify shareholders by email of the availability of certain shareholder information. Whenever new shareholder information becomes available, such as LogicaCMG's interim and full-year results, Capita Registrars will notify you by email and you will be able to access, read and print documents at your own convenience.

To register for electronic communications and to receive shareholder correspondence electronically, please go to www.capitaregistrars.com, select 'Shareholder Services' and follow the online selections and prompts. You will be asked to enter your unique 'Investor Code', which you will find at the top of your proxy card. This can also be obtained from Capita Registrars at the address below.

Should you change your mind at a later date, you may cancel your request to receive electronic communications by contacting Capita Registrars by post or through their website. If you wish to continue receiving shareholder information in the usual printed form, there is no need to take any action.

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA
United Kingdom

www.capitaregistrars.com

tel: +44 (0) 870 1623131

fax: +44 (0) 1484 600912

Information for investors

Information for investors is provided on the Internet as part of the group's website which can be found at: www.logicacmg.com/investors

Investor enquiries

Enquiries can be directed via our website or by contacting our investor relations departments in London or Amstelveen:

Tony Richards
Head of investor relations
tel: +44 (0) 20 7446 4372
fax: +44 (0) 20 7872 9947
email: tony.richards@logicacmg.com

Frances Gibbons
Investor relations officer (UK)
tel: +44 (0) 20 7446 4341
fax: +44 (0) 20 7872 9947
email: frances.gibbons@logicacmg.com

Heleen Kamerman
Investor relations officer (NL)
tel: +31 (0) 20 503 3000
fax: +31 (0) 20 571 3410
email: heleen.kamerman@logicacmg.com


LogicaCMG plc

Registered office: Stephenson House, 75 Hampstead Road, London NW1 2PL. Registered in England. No. 1631639.

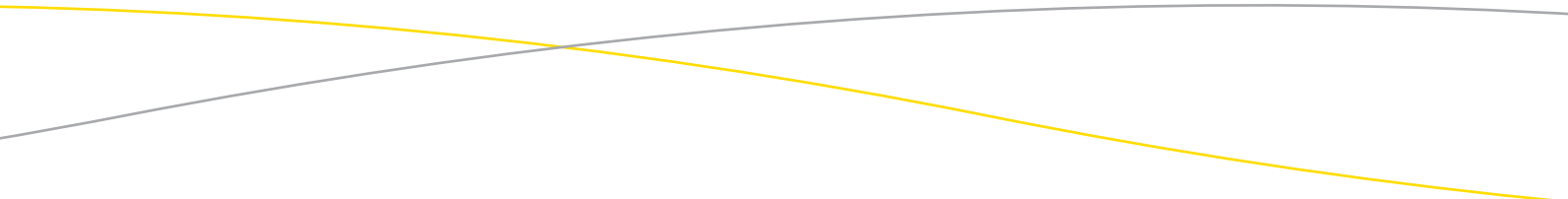
Notes

Notes

Produced by: LogicaCMG corporate communications, London.
Design: Wardour Communications. www.wardour.co.uk
Print: Burlingtons.



LogicaCMG plc
Registered office:
Stephenson House
75 Hampstead Road
London NW1 2PL
UK
Registered in England
No. 1631639



LojicaCMG plc Interim report 2005