Interim Report 2010/2011

ELECTRONIC DATA PROCESSING PLC

Chairman's Statement

Turnover for the six months to 31 March 2011 was £2.75 million compared with £2.77 million in the corresponding period last year. Trading conditions have remained challenging as the economy generally has not shown significant signs of improvement compared with the previous financial year.

We reported last year that we have refined the structure of our pricing model to encourage new orders, particularly for our Sales Intelligence product. This includes charging lower upfront licence fees offset by increased annual charges which strengthen our recurring revenues in the longer term. Turnover during the period has been maintained despite this gradual move away from upfront revenues.

Adjusted operating profit, before non-cash IFRS charges, was £266,000 (2010: £330,000). The first half result includes five months of temporary property costs totalling £50,000 as we plan the relocation of our head-office to new leased premises in the second half. Taking these costs into account, our underlying operating profit was £316,000 representing an operating margin of 11.5% (2010: 11.9%).

Statutory pre-tax profit for the period was £497,000 (2010: £227,000). This included £335,000 profit on the sale of the Group's freehold head office in Sheffield. Finance income (representing bank interest receivable) was £28,000 compared with £18,000 in the corresponding period reflecting higher cash balances following the property sale. Non-cash IFRS charges were £132,000 (2010: £121,000). The effective tax rate of 9.5% reflects the fact that there is no tax payable on the profit on sale of property due to the effects of indexation.

Whilst our customers generally remain cautious we have continued to sign orders for both Quantum VS and Vecta throughout the period under review as customers see the real business benefits that our products provide.

Our contracted recurring revenues represented 80% of turnover during the period (2010: 81%). These relate to annual software licences and hosting fees and are typically contracted for periods of up to five years.

We have been able to offer our customers the benefits of hosting or cloud computing through our IT Solution Centre in Milton Keynes for more than ten years. Significantly, over a third of our total revenues are now delivered using the hosting model (2010: 27%). As expected, all of our customers who are using the latest version of our sales intelligence product, Vecta 7, have elected to host their software with us. We remain unique amongst our competitors in being able to offer our own in-house hosting facility.

We continue to commit significant resources to the enhancement of our products, particularly Quantum VS and Vecta. Our total R&D expenditure during the period was £453,000 (2010: £465,000).

Chairman's Statement (continued)

As noted above, on 29 October 2010 we completed the sale of Beauchief Hall, our freehold head office building in Sheffield for £2.3 million. Net of costs the disposal generated £2.16 million cash of which £150,000 was received in the previous financial year. In accordance with the sale agreement we subsequently rented back Beauchief Hall on a short-term basis. I am pleased to report that we have now entered into a lease on smaller, modern premises in Sheffield which are more suitable for our operational needs and we expect the move to be completed in the next month. We will cease to pay £10,000 per month of one-off temporary rental costs from the end of July once our short-term lease on Beauchief Hall ends. In addition we expect to make further cost savings of £60,000 a year once the move is completed.

Group net assets were £7.26 million at 31 March 2011 compared with £6.70 million at 30 September 2010. This increase reflects retained profits after dividends of £199,000 and an improvement of £312,000 in the Group's defined benefit pension scheme which now shows a small surplus.

Positive operating cash flows together with the proceeds from the sale of property mean that our cash balances have increased to £4.82 million from £2.81 million at 30 September 2010.

Your Directors have resolved to pay an interim dividend of 0.713p per ordinary share, the same as last year. The interim dividend will be paid on 1 August 2011 to those shareholders on the register on 1 July 2011. The shares will be ex-dividend on 29 June 2011.

We expect our customers to remain cautious in their attitude towards recovery. With our substantial recurring revenues, strong product offering and considerable balance sheet strength we are well placed to take the business forward as the markets we serve and the economy generally show signs of sustained improvement.

Michael Heller

Chairman

25 May 2011

Principal Risks and Uncertainties

The Group operates in a changing economic and technological environment that presents risks, many of which are driven by factors that we cannot control or predict. The key risks and uncertainties facing the Group are as follows:

Wider economic factors
As with most other businesses in the UK, the Group's operations can be adversely affected by a significant downturn in the economy. Restricted availability of finance for businesses and a stagnant or recessionary economy could have an adverse effect on the prospects for EDP, as potential customers, particularly in the builders and timber merchants sectors, may scale back their IT plans in response to funding difficulties and/or reduced prospects for their businesses. We seek to mitigate these risks by ensuring that a significant proportion of the Group's revenues are derived from long-term contracts with our customers, by ensuring that our products appeal to businesses operating in a range of business sectors and by generally seeking payment for our recurring licence fees annually in advance.

Competitive Environment
The Group operates in a competitive environment. New entrants to our marketplace and actions taken by existing competitors could have an impact on our levels of business activity and product pricing in the market generally. We endeavour to provide excellent customer support together with high quality products at a competitive price in order to develop and protect strong customer relationships.

Key personnel
In common with all people based businesses, the success of the Group will, to a significant extent, be dependent on the experience of the Board and senior management, the loss of one or more of whom could have a material adverse effect on the Group. The retention of the services of EDP's key employees cannot be guaranteed. Accordingly we are continually focussed on the need to recruit, retain, reward and motivate staff with the appropriate skills.

Technological advances
The markets in which the Group operates are characterised by evolving technology, market practices and industry standards. Competitors could develop superior products or more cost effective techniques which could render the Group's products uncompetitive or less acceptable to the market. We have an ongoing commitment to Research and Development which allows us to identify and adapt to any technological and market changes that do occur thereby ensuring that our products continue to meet the demands of our customers.

Systems and networks
The Group's business operations rely significantly on the efficient and uninterrupted operation of its information technology systems and networks. Any damage or interruption, however caused, could have a material adverse effect on the delivery of the Group's products and services.

The Group's computer network may be vulnerable to unauthorised access, viruses and other disruptive problems. A party that is able to override security measures could misappropriate proprietary information or cause disruption to the Group's operations. The Group continually reviews and tests security of internal systems and networks and has developed recovery plans in the event of systems disruption. Where reliance is placed upon externally provided systems and networks the Group undertakes regular performance ability reviews and ensures that contracts provide for an appropriate level of service maintenance.

Responsibility Statement of the Directors in respect of the half-yearly Financial Report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.
- the half-yearly management report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

J M Storey

Secretary

25 May 2011

The Directors who all served throughout the period are:

M A Heller	*Chairman (Non-Executive)*
J H Wassell	*Chief Executive*
P A Davey	*Sales Director*
P J Davies	*Application Software Products Director*
A R Heller	*Non-Executive Director*
C R Spicer	*Network Services Director*

J M Storey was appointed Finance Director on 6 October 2010 and served throughout the period from that date.

Condensed Consolidated Income Statement

for the 6 months ended 31 March 2011

	Unaudited 6 months to 31.3.11 £'000	Unaudited 6 months to 31.3.10 £'000	Audited Full year to 30.9.10 £'000
Revenue	**2,747**	2,770	5,580
Gross profit	**2,561**	2,630	5,258
Administrative expenses	**(2,427)**	(2,421)	(4,705)
Operating profit	**134**	209	553
Profit on disposal of property	**335**	–	–
Finance income	**28**	18	31
Profit before tax	**497**	227	584
Income tax expense	**(47)**	(64)	(160)
Profit for the period attributable to equity holders of the parent	**450**	163	424
Earnings per share – basic and diluted	**3.59p**	1.30p	3.38p

Condensed Consolidated Statement of Comprehensive Income

for the 6 months ended 31 March 2011

	Unaudited 6 months to 31.3.11 £'000	Unaudited 6 months to 31.3.10 £'000	Audited Full year to 30.9.10 £'000
Profit for the period	**450**	163	424
Other comprehensive income			
Actuarial gains/(losses) on defined benefit pension scheme	**478**	(91)	(535)
Income tax on other comprehensive income	**(125)**	25	146
Foreign exchange translation difference	**3**	–	–
Other comprehensive income for the period, net of tax	**356**	(66)	(389)
Total comprehensive income for the period attributable to equity holders of the parent	**806**	97	35

Condensed Consolidated Balance Sheet

at 31 March 2011

	Unaudited at 31.3.11 £'000	Unaudited at 31.3.10 £'000	Audited at 30.9.10 £'000
Non-current assets			
Property, plant and equipment	**4,372**	6,203	4,375
Deferred tax asset	**10**	9	108
Employee benefits	**58**	73	–
Intangible assets	**456**	573	529
	4,896	6,858	5,012
Current assets			
Inventories	**89**	87	91
Trade and other receivables	**1,601**	1,486	1,580
Cash and cash equivalents	**4,824**	2,485	2,811
Assets held for sale	**–**	–	1,826
	6,514	4,058	6,308
Total assets	**11,410**	10,916	11,320
Current liabilities			
Deferred income	**(2,097)**	(2,220)	(2,407)
Income tax payable	**(214)**	(135)	(95)
Trade and other payables	**(1,409)**	(1,306)	(1,321)
	(3,720)	(3,661)	(3,823)
Non-current liabilities			
Deferred income	**(141)**	(133)	(154)
Employee benefits	**–**	–	(364)
Deferred tax liability	**(294)**	(275)	(283)
	(435)	(408)	(801)
Total liabilities	**(4,155)**	(4,069)	(4,624)
Net assets	**7,255**	6,847	6,696
Equity			
Share capital	**689**	689	689
Share premium	**119**	119	119
Capital redemption reserve	**625**	625	625
Translation reserve	**–**	(3)	(3)
Treasury shares	**(627)**	(627)	(627)
Retained earnings	**6,449**	6,044	5,893
Total equity attributable to equity holders of the parent	**7,255**	6,847	6,696

Condensed Consolidated Cash Flow Statement

for the 6 months ended 31 March 2011

	Unaudited 6 months to 31.3.11 £'000	Unaudited 6 months to 31.3.10 £'000	Audited Full year to 30.9.10 £'000
Cash flows from operating activities			
Profit for the period	**450**	163	424
Adjustments for:			
Depreciation	**107**	116	226
Amortisation	**73**	71	142
Net profit on disposal of property, plant and equipment	**(335)**	(16)	(13)
Transfer of inventory from property, plant and equipment	**10**	12	26
Pension charge	**56**	55	48
Finance income	**(28)**	(18)	(31)
Income tax expense	**47**	63	160
Change in inventories	**2**	–	(4)
Change in receivables	**(15)**	(291)	(385)
Change in payables	**(13)**	135	252
Change in deferred income	**(323)**	(244)	(36)
Equity settled share-based payment transactions	**4**	–	–
Balance on translation reserve transferred to operating profit	**3**	–	–
Cash received from operations	**38**	46	809
Interest received	**22**	20	33
Income taxes received/(paid)	**56**	(10)	(118)
Net cash from operating activities	**116**	56	724
Cash flows from investing activities			
Purchase of property, plant and equipment	**(114)**	(30)	(166)
Purchase of intangible assets	**–**	(6)	(6)
Development expenditure	**–**	–	(27)
Deposit received on sale of freehold property	**–**	–	150
Net proceeds from sale of property, plant and equipment	**2,011**	32	43
Net cash generated by/(used in) investing activities	**1,897**	(4)	(6)
Cash flows from financing activities			
Dividends paid	**–**	–	(340)
Net cash used in financing activities	**–**	–	(340)
Net increase in cash and cash equivalents	**2,013**	52	378
Cash and cash equivalents at beginning of period	**2,811**	2,433	2,433
Cash and cash equivalents at end of period	**4,824**	2,485	2,811

Condensed Consolidated Statement of Changes in Equity

for the 6 months ended 31 March 2011

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Translation reserve £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
At 1 October 2010 (Audited)	689	119	625	(3)	(627)	5,893	6,696
Profit for the period	–	–	–	–	–	450	450
Other comprehensive income:							
– foreign exchange translation difference	–	–	–	3	–	–	3
– actuarial gain on defined benefit pension scheme net of tax	–	–	–	–	–	353	353
Total comprehensive income	–	–	–	3	–	803	806
Transactions with owners:							
Share-based payment transactions	–	–	–	–	–	4	4
Dividends approved	–	–	–	–	–	(251)	(251)
Total Transactions with owners	–	–	–	–	–	(247)	(247)
At 31 March 2011 (Unaudited)	**689**	**119**	**625**	**–**	**(627)**	**6,449**	**7,255**

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Translation reserve £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
At 1 October 2009 (Audited)	689	119	625	(3)	(627)	6,198	7,001
Profit for the period	–	–	–	–	–	163	163
Other comprehensive income:							
– actuarial loss on defined benefit pension scheme net of tax	–	–	–	–	–	(66)	(66)
Total comprehensive income	–	–	–	–	–	97	97
Transactions with owners:							
Dividends approved	–	–	–	–	–	(251)	(251)
At 31 March 2010 (Unaudited)	689	119	625	(3)	(627)	6,044	6,847

Notes

1 Interim Financial Information

Electronic Data Processing PLC is a limited liability company incorporated and domiciled in the UK.

The Company has its listing on the London Stock Exchange.

The condensed consolidated interim financial information was approved for issue on 25 May 2011.

The condensed financial information is not the Company's statutory accounts. The interim financial information for the 6 month periods ended 31 March 2010 and 31 March 2011 has not been audited. The comparative figures for the financial year ended 30 September 2010 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2 Basis of Preparation

The unaudited condensed consolidated interim financial information for the six months ended 31 March 2011 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, "Interim Financial Reporting" as adopted by the EU. The half-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 30 September 2010, which have been prepared in accordance with IFRSs as adopted by the EU.

3 Accounting Policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 September 2010, as described in those financial statements.

The following new standards, interpretations and amendments to existing standards were effective during the period to 31 March 2011 but had no material impact on this consolidated financial information:

– IFRS 2 (revised), "Share-based Payment"
– IAS 32 (amended), "Financial Instruments: Presentation"
– IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"
– Amendments issued as part of annual improvements to IFRSs (April 2009 & May 2010)

Notes (continued)

3 Accounting Policies (continued)

The following standards, interpretations and amendments to existing standards are not yet effective and have not been early adopted by the Group:

- IFRS 1 (amended), "First-time Adoption of International Financial Reporting Standards"
- IFRS 7 (amended), "Financial Instruments: Disclosures"
- IFRS 9, "Financial Instruments – Classification and Measurement"
- IAS 12 (amended), "Income Taxes"
- IAS 24 (amended), "Related Party Disclosures"
- Amendments issued as part of annual improvements to IFRSs (May 2010)

All the IFRSs, IFRIC interpretations and amendments to existing standards are endorsed by the EU at the date of approval of this consolidated half-yearly financial information with the exception of IFRS 9 and the amendments to IFRS 1, IFRS 7 and IAS 12.

4 Significant Judgements, Assumptions and Risks

In preparing these interim results the significant judgements and estimates made by management in applying the Group's accounting policies are the same as those that applied to the accounts for the year ended 30 September 2010. These estimates and associated assumptions are based on historical experience and other reasonable factors which form the basis of determining the reported values of assets and liabilities.

5 Segment Information

In accordance with IFRS 8 "Operating Segments", the Group has identified its reportable segment based on the financial reports that internally are provided to the Group's Chief Operating Decision Maker ("CODM"). The Group has determined that, in line with its management structure, the Executive Directors collectively make the key operating decisions and review internal monthly management accounts and budgets as part of this process. Accordingly, the Executive Directors collectively are considered to be the CODM.

The information reported regularly to the CODM presents the Group as a single segment supplying software and related services to customers operating in similar markets. The Group's software products share a common sales, development and implementation resource. Consequently the Group has determined that there is one operating segment and therefore one reportable segment, software.

The results of the reportable segment are shown below. Segment performance is measured based on segment profit before tax and IAS 19 defined benefit pension scheme adjustments, as shown in the internal management reports that are reviewed by the CODM.

Notes (continued)

5 Segment Information (continued)

	Unaudited 6 months to 31.3.11 Software £'000	Unaudited 6 months to 31.3.10 Software £'000
Revenue – external sales	**2,747**	2,770
Profit		
Adjusted operating profit	**266**	330
Segment non-cash net IFRS charges	**(76)**	(66)
Profit on disposal of property	**335**	–
Interest revenue	**28**	18
Segment profit before tax	**553**	282
Defined benefit pension scheme charge	**(56)**	(55)
Consolidated profit before tax	**497**	227
Assets		
Segment assets	**11,352**	10,843
Defined benefit pension scheme asset	**58**	73
Consolidated total assets	**11,410**	10,916
Liabilities		
Segment liabilities	**4,140**	3,641
Deferred tax liability on pension scheme asset	**15**	20
Consolidated total liabilities	**4,155**	3,661

6 Adjusted Operating Profit

	Unaudited 6 months to 31.3.11 £'000	Unaudited 6 months to 31.3.10 £'000
Operating profit	**134**	209
Adjustments for non-cash items:		
Amortisation of intangible assets under IFRS	**66**	66
Defined benefit pension scheme charge under IFRS	**56**	55
Other charges under IFRS	**10**	–
Adjusted operating profit	**266**	330

Notes (continued)

7 Profit on Disposal of Property

During the period the Group completed the freehold disposal and subsequent lease back of its head office at Beauchief Hall, Sheffield. The proceeds, including £150,000 received in a prior period, net of selling costs were £2,161,000. The book value at the date of disposal was £1,826,000 and the profit on disposal was £335,000. There is no taxable gain arising on the disposal.

8 Taxation

The taxation charge is derived from the Directors' best estimate of the annual tax rate applied to the result for the period, adjusted for the profit on disposal of property on which there is no tax charge.

9 Earnings per Share

Basic earnings per share is calculated by dividing the profit after tax of £450,000 (2010: £163,000) by 12,530,976 (2010: 12,530,976) being the weighted average number of shares in issue during the period.

Basic earnings per share is 3.59p (2010: 1.30p).

For diluted earnings per share, the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has one class of dilutive potential ordinary share, share options granted to employees under its Enterprise Management Incentive Share Option Plan. These shares have been included in the diluted earnings per share calculation.

Diluted earnings per share is calculated by dividing the profit after tax of £450,000 (2010: £163,000) by 12,546,878 (2010: 12,530,976) being the weighted average number of shares in issue adjusted for the effects of all dilutive potential ordinary shares. Diluted earnings per share is 3.59p (2010: 1.30p).

10 Dividends

The 2010 final dividend of 2.0p per share was approved by shareholders during the period to 31 March 2011 and a liability of £251,000 has been recognised in this half-yearly report.

The Directors announce an interim dividend of 0.713p per share (2010: 0.713p) payable on 1 August 2011 to shareholders who are on the register at 1 July 2011. This interim dividend, amounting to £89,000 (2010: £89,000) has not been recognised as a liability in this half-yearly report.

ELECTRONIC DATA PROCESSING PLC

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