



Final Results 2013

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Computacenter plc

2013 Final Results

Computacenter plc, the independent provider of IT infrastructure services and solutions, today announces its final results for the twelve months ended 31 December 2013.

'Another strong UK performance. Important progress in Germany with revenue and profit growth.'

Financial Highlights:

- Group revenues increased 5.4 per cent to £3.072 billion (2012: £2.914 billion) and up 2.5 per cent in constant currency
- Adjusted* profit before tax increased by 3.0 per cent to £81.7 million (2012 restated: £79.3 million) and was up by 1.4 per cent in constant currency
- Adjusted* diluted earnings per share ('EPS') increased 6.1 per cent to 43.3 pence (2012 restated: 40.8 pence)
- Net funds prior to customer specific financing (CSF) was £90.3 million (2012: £147.3 million), after completing a Return of Value of approximately £75 million to our shareholders in July 2013
- Total dividend for 2013 of 17.5 pence per share up 12.9 per cent (2012: 15.5 pence)

Statutory Highlights:

- After exceptional items, the 2013 Group statutory profit before tax was £50.5 million (2012: £64.8 million)
- Statutory diluted earnings per share of 23.0 pence (2012: 32.4 pence)
- Net funds including CSF of £71.4 million (2012: £128.6 million)

Total exceptional items of £28.8 million (2012 restated: £11.9 million), including:

- Trading losses on three previously announced onerous contracts in Germany of £15.7 million in 2013 (2012 restated: £8.0 million)
- Accordingly, 2012 results are re-stated to reclassify trading losses on the three onerous contracts in Germany within exceptional items

- A non-cash impairment of goodwill and acquired intangibles in France of £12.2 million, due to deterioration in business performance

Operating Highlights:

- 2013 has seen our fourth year of annual revenue growth and total revenue broke through the £3 billion barrier for the first time in Computacenter's history
- Continued growth in Group Services revenue, up 3.7 per cent to £965.9 million in constant currency, and now making up approximately 31.4 per cent of the Group's total revenues
- Another excellent performance in the UK driven by good momentum in Services growth and a strong Supply Chain performance
- A year of financial and operational stability within our German business, which reported a growth in total revenues and profitability
- France continues to be impacted by challenging market and operating conditions although the issues arising from our Group ERP system implementation are now substantially behind us
- Group Operating Model successfully implemented in the UK and Germany, already delivering benefits

** Adjusted profit before tax and diluted EPS are stated prior to exceptional items and amortisation of acquired intangibles. Adjusted operating profit is also stated after charging interest on CSF. Exceptional items for 2012 have been restated to take account of the reclassification of trading losses and provisions in respect of the three onerous German contracts.*

Mike Norris, Chief Executive of Computacenter plc, commented:

The Board expects Computacenter to make further progress in 2014. At such an early stage of the year it is difficult to be very specific about the outcome, but we believe all of our major geographies will move in the right direction.

In 2014, we will continue to build on Computacenter's strong platform by increasing its number of customers, broadening our customer relationships, increasing our service productivity and innovating our offerings. This should enable us to continue our track record of cash generation and earnings per share growth.

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Chairman's Statement

I am pleased to report a positive year for our Company with good progress on many fronts for Computacenter.

Revenue grew 5.4 per cent to a record high of £3.072 billion, our adjusted* profit before tax was a solid £81.7 million and our strong consistent cash generation enabled us to make a special return of approximately £75 million to our shareholders, in addition to regular dividends.

We did not, however, meet our plan in France and were disappointed with our performance there. While business conditions in that country were challenging, most of the problems were of our own making. We took too long to implement the Group ERP system and this resulted in logistics issues that have depressed our profit and temporarily increased our working capital requirements, which have in turn negatively impacted our cash position in the short-term.

We managed to stabilise our problem contracts in Germany and reengineered our processes and organisation there. As a result, our German business has performed well in 2013, and it is now better positioned for the future. In the UK, the business was strong in both product sales and Services revenues and profit, and we were pleased with our progress across all fronts.

All of this added up to healthy revenue growth and solid profit for the Group as a whole.

The implementation of our Group Operating Model in the UK and Germany is substantially complete and we expect solid progress from our businesses in each of these countries during 2014. The changes in management and organisation we are making in France will not deliver much profit improvement in the coming year, but we are determined to focus on the long-term.

We have no borrowings, strong cash flow and healthy customer relationships in all aspects of our business and we face the future with confidence in our strategy and in our operational capability. Where we have stumbled we have reacted vigorously to improve our performance and our long term prospects.

I take this opportunity to thank our customers for their confidence in us and the business they have given us, and our employees for their skills, development and performance.

I trust you will find the above summary and the details which follow to be fair, balanced and understandable.

Greg Lock

Chairman

10 March 2014

Chief Executive's Review

Group

Turnover and Adjusted Profitability

2013 was a year of good progress for the Group, notwithstanding our disappointing business performance in France. The results outlined in this section include only one very small acquisition by our Belgian business at the end of 2012, and thus comparatives excluding acquisitions are not shown.

Total revenue increased by 5.4 per cent on a reported basis, to £3.072 billion, and by 2.5 per cent in constant currency. This was our fourth successive year of turnover growth and represented the first time that the Group has broken through the £3 billion revenue barrier.

The Group continued to consolidate on its significant Services growth seen in 2012. Group Services revenue increased by 6.3 per cent to £965.9 million on an as reported basis, and by 3.7 per cent in constant currency. This reflects our strategic focus on growing our Services business, which now represents 31.4% of the Group's total revenue.

Our Supply Chain businesses in the UK and Germany also performed well, especially during the second half of the year. We believe this is a testament to the strength of our customer relationships within these markets, which themselves appear to be showing the signs of a sustained economic recovery. These performances fuelled Supply Chain revenue growth across the Group of 5.0 per cent on an as reported basis, and by 2.0 per cent in constant currency.

Group profitability was mixed within our main operating units, with adjusted* profit growth in the UK and Germany being substantially offset by our issues in France which became apparent during the course of the year. As a result, the Group's adjusted* profit before tax increased by 3.0 per cent to £81.7 million.

As a result of the overall increase in profitability and the Return of Value to shareholders, the Group's adjusted* diluted earnings per share has increased by 6.1 per cent to 43.3 pence in 2013.

Statutory Performance and Exceptional Items

The Group incurred £28.8 million of exceptional items in the period. On a statutory basis, taking account of exceptional items and amortisation of acquired intangibles, the Group made a profit before tax of £50.5 million.

As announced by the Group on 16 July 2013, a number of Managed Services contracts entered into by our German business in 2011 have failed to achieve the margins anticipated. Following a thorough review of these contracts in the first half of the year, it was established that three of these were forecast to be loss-making over the course of their lifetime, and we continue to forecast that this will be the case. The operational and financial performance of these contracts has been stabilised over the second half of the year, and they have continued to perform as forecast and in line with the provision within our 2013 Interim Accounts. As we move into 2014, Management remain committed to both maintaining our relationship with these very important customers for the Group, whilst attempting to minimise the actual level of losses incurred regardless of the relevant provision made.

A number of cost-saving activities have been driven across the Group during the course of 2013. As a result of implementing our Group Operating Model in Germany, and simplifying the management structure across the Group, we have incurred restructuring charges of approximately £4.3 million during the course of 2013, in addition to the £1.5 million taken in 2012. Whilst the underlying trend of overall adjusted operating expenses ('SG&A') in France increased by 1.2 per cent in constant currency in 2013 as a result of the cost of implementing our Group ERP system, we have no doubt that there will be a need to take action in 2014 to increase the competitiveness of our French business. As a result of the activity undertaken in 2013, we have already seen an SG&A reduction of 3.0 per cent in Germany during that year.

As reflected previously in our 2013 Interim Results, the disappointing financial performance of our French business in 2013 has resulted in the requirement for a non-cash impairment to non-current assets in its cash-generating unit, relating to goodwill and acquired intangibles, of £12.2 million.

As part of our normal audit processes at the end of the financial year, we have carried out a detailed evaluation of our other long-term Services contracts across the Group. This has resulted in a one-off gain of £4.0 million which, due to its nature and size, has been classified by the Group as exceptional.

The table below summarises the adjusted* profitability and exceptional items for the Group as a whole:

<i>From adjusted to statutory (2012 restated¹)</i>	Restated FY 2012 £m	FY 2013 £m
Adjusted* operating profit	78.0	81.4
Adjusted net interest	1.3	0.3
Adjusted* profit before tax	79.3	81.7
Onerous German Contracts		
- trading losses	(5.9)	(8.2)
- provisions remaining for future losses	(2.1)	(7.5)
	(8.0)	(15.7)
Non-cash impairment - France	-	(12.2)
Redundancy and other restructuring costs	(1.5)	(4.4)
Impairment of investment in associate	-	(0.5)
Services contracts re-evaluation	-	4.0
Costs in relation to relocation of premises	(2.4)	-
Total exceptional items	(11.9)	(28.8)
Amortisation of acquired intangibles	(2.6)	(2.4)
Statutory profit before tax	64.8	50.5
 <i>Diluted earnings per share measures</i>		
Adjusted* diluted EPS - as restated in 2013	40.8 p	43.3p
Adjusted* diluted EPS - as reported in 2012	36.1 p	n/a
Statutory diluted EPS	32.4 p	23.0p

Note 1- FY 2012 has been restated for the impact of the onerous German contracts

Summary of Operational Performance

Our UK business has performed well during the year, further building on the significant levels of Services growth that it achieved in 2012. The continuing ability of the UK Services business to deliver operational excellence to large customers has resulted in it being awarded the number one ranking within UK customer satisfaction surveys carried out in 2013 by each of KPMG and the Whitelane Research Group. In addition, this has helped the UK Professional Services business to have a significant forward order book, which is now at a record high level.

Computacenter in Germany saw a year of stable performance, which was pleasing given the significant operational change which took place in 2013 due to the implementation of our Group Operating Model. This change was implemented due to the need to leverage the Group's systems and processes consistently across its operating geographies and has helped to resolve operational problems on the three onerous contracts, as well as ensure robust contract governance on new bids. It has been encouraging to see this action now begin to take effect, with a gradual increase in Services margins throughout the year from our existing Services business, excluding our three onerous contracts.

We have been extremely disappointed by the Group's performance in France. Whilst this has no doubt been impacted by the ongoing and prolonged poor market conditions, it was also impacted by a number of operational issues arising in part from the implementation of our Group ERP system. Whilst these operational issues are now substantially behind us, we are taking robust action in order to improve the performance of the business in the medium term. This includes the extension of our Group Operating Model into France, alongside a strategic shift towards a more Services-based business model, similar to those currently seen in the UK and Germany. There

remains significant work ahead over the next eighteen months to ensure that these changes are implemented successfully.

Cash and Return of Value

Cash flow generation remained strong during the period and, at the end of 2013, net cash prior to customer specific financing ('CSF') was £90.3 million (2012: £72.3 million). Including CSF, net funds were £71.4 million (2012: £53.6 million). It should again be noted that this position continues to benefit by approximately £41 million (2012: £34 million) from the extended credit facility provided by one of our major suppliers. These extended terms have been in place for over four years, and while they can be withdrawn at any time, they have now been in place for such a significant period that, moving forwards, it is our intention to only report on these within our Annual Report and Accounts document, and no longer within each external announcement released by the Company.

The 2012 cash positions noted above exclude the £75 million of value returned to shareholders during the year, in order to show a like-for-like comparison against the cash position as at the end of 2013. Our year-end cash position clearly demonstrates once again Computacenter's ability to turn operating profit into free cash, notwithstanding the impact of our 2013 challenges in France, which have temporarily tied up cash in working capital.

An additional Return of Value to shareholders totalling £75 million, or 48.7p for every existing ordinary share held at the close of trading on 11 June 2013, was successfully completed at the beginning of July 2013. As part of the Return of Value, an associated share capital reorganisation took place on 12 June 2013, whereby every 10 ordinary shares of 6p each in the Company were effectively consolidated into 9 Ordinary Shares of 6 2/3p each. The Return of Value has reduced our interest income by approximately £0.8 million annually, with adjusted* diluted EPS augmented, as a result of the share consolidation, by approximately 9 per cent over the course of a full year. As the share capital reorganisation associated with the Return of Value took place in June 2013, the Company's adjusted* diluted EPS was augmented by approximately 4.5 per cent during the second half of 2013.

The Board will continue to evaluate the requirement to maintain an efficient balance sheet, and will endeavour to use our ability to generate free cash in order to continue to deliver incremental value for our shareholders.

Dividend

The Board has decided to propose a final dividend of 12.3 pence, bringing the total ordinary dividend paid for 2013 to 17.5 pence, representing a 12.9 per cent increase on the 2012 dividend paid of 15.5 pence. This regular dividend is consistent with our stated policy of maintaining dividend cover within our target range of 2 to 2.5 times our annual adjusted* diluted EPS. Subject to the approval of shareholders at our Annual General Meeting on 15 May 2014, the proposed dividend will be paid on Friday 20 June 2014. The dividend record date is set on Friday 23 May 2014, and the shares will be marked ex-dividend on Wednesday 21 May 2014.

Strategy and Investment

During the course of the year, we have undertaken a rigorous strategy review process, which has resulted in some refinement to the Group's strategic objectives, which are now as follows:

1. To lead with and grow our Services business;
2. To improve our Services productivity and enhance our competitiveness;
3. To retain and maximise the relationship with our customers over the long-term; and
4. To innovate our Services offerings to build future growth opportunities.

To enhance and implement the result of the strategy review process, the Group has appointed a Head of Strategy recruited from within our German business, and additionally a Service Innovation Director who joined with a significant track-record for Services innovation development.

We have continued to invest appropriately to ensure that we have the technical and operational capability to meet our customers' needs. To support the ongoing demand for our Service desk offerings, we have invested in new supporting tool sets to ensure high level resilience and enable the ongoing development of our Service desk capability. In 2014, we will complete the upgrade of our entire global Service desk estate to this platform.

In accordance with our strategic objectives, we will continue to keep abreast of industry developments, particularly around the use of knowledge management to help drive self-service, first contact resolution and workplace efficiencies. This is facilitated by a substantial investment in the upgrade of our BMC Remedy platform involving the migration of all customers, where we manage incident and request activities.

In addition to capability, we have also developed our capacity to satisfy customer demand for low-cost European language service desk operations. In February 2014, the first of our customers, having recently renewed with us for a third term, transferred its service to our new facility in Budapest, Hungary. We have additionally increased the capacity of our Barcelona facilities and now have additional capacity to increase our offshore remote management facility in Cape Town.

Outlook

The Board expects Computacenter to make further progress in 2014. At such an early stage of the year it is difficult to be very specific about the outcome, but we believe all of our major geographies will move in the right direction.

In the UK, recent business wins and improving margins in our Services business combined with positive momentum in the Supply Chain business gives us scope for further improvement.

In Germany, we do not expect a significant improvement in Services revenues until the second half of the year at the earliest but nevertheless there is some progress to be gained through Services margin improvement. The onerous contracts in Germany should continue to perform in line with the provisions.

After a highly disappointing 2013 for our French business, we expect the French loss to reduce but for the French business to remain loss making as we take steps to position the business for its longer term success.

In 2014, we will continue to build on Computacenter's strong platform by increasing its number of customers, broadening our customer relationships, increasing our service productivity and innovating our offerings. This should enable us to continue our track record of cash generation and earnings per share growth.

Chief Executive's Review

Computacenter in the UK

Our UK business has performed well in 2013, and we are encouraged by what has now been a sustained period of growth in both revenue and profitability.

Overall, total revenue for the year increased by 7.6 per cent to £1,286.1 million (2012: £1,195.6 million). This was fuelled by a Supply Chain revenue growth increase of 8.4 per cent, which was primarily due to an increase in the size of our customer base, following significant Contractual Services growth in the prior year, and continued demand for our Windows 7 roll-outs.

Services revenue grew during the reporting period by 6.2 per cent, consolidating and building on its 15.3 per cent growth in 2012. This incorporated a growth of 5.4 per cent within our Contractual Services business and 8.4 per cent within our Professional Services operations.

As expected, the significant level of profitability achieved in 2012 as a result of business take-on transition and transformation work, which has not been repeated in 2013, has made profitability growth more challenging than revenue growth to achieve during the reporting period. Notwithstanding this, adjusted* operating profit in the UK grew by 7.5 per cent.

Overall Supply Chain margin in the UK grew broadly in line with its growth in revenue, but the trend of customers purchasing a higher volume, but lower margin mix of product, has continued to be seen throughout the course of 2013. We were pleased with our Supply Chain performance, especially during the second half of the year, which we see as a reflection of the strength of our customer and vendor relationships in the UK, and gradually improving market conditions. However, as we have previously explained, our Supply Chain business is impacted significantly by the short and medium term buying patterns of our customers, and is therefore difficult to forecast in the medium term and is reliant on macro-economic factors.

As a result, our primary focus will remain on the growth of our Services business which, for a second successive year, has underpinned our profitability growth in the UK. We have continued to develop our Contractual Services governance and bidding processes alongside the execution of Service delivery to our customers, whilst operating efficiently through the high utilisation of our Services staff.

The consistent achievement of Services operational excellence has resulted in our retention of the number one ranking for customer satisfaction and reference-ability within a survey carried out by KPMG, for the second year running. We have additionally been awarded the top-ranking position within a study by the Whitelane Research Group, measuring the performance of 24 outsourcing providers in the UK, and 700 UK IT outsourcing contracts worth £15 billion in total.

Our UK Services business is benefiting from its increasingly strong Services delivery reputation. 2013 saw a breakthrough deal for the Company with the UK Central Government. We have signed a Desktop Infrastructure Services Agreement with a UK Central Government department, which includes the management and support of their workplace, data centre and networking environments, allowing the department to improve its end-user experience and safeguard service continuity.

Additionally, a multi-million pound Managed Services contract with Computacenter will help RWEIT improve the user experience and reduce operational costs for parent company, RWE Group. The five-year contract includes end user support for 13,000 UK employees, major incident management for workplace IT and a Windows 7 transformation project.

We anticipate that the demand for our Professional Services offerings will remain strong, given that our forward order book finished the year at a record level. We additionally believe that this will be sustained in the short and medium term as customers need to upgrade their operating systems, due to user support coming to an end for soon-to-be obsolete versions. As such, they will continue to modernise their end-user workplace environments, for example through Windows 7 and Microsoft Office 2010 upgrades. Our approach to Professional Services business development will not be solely reliant upon these upgrades, and in terms of a longer term outlook, we believe that demand will continue and be based around Windows Server, mobility, data centre and networking upgrades.

We remain aware of the critical role that our governance processes and procedures have played in the maintenance of our Services margins in 2013. Given their importance to our business, we will continue to invest in and refine these on an ongoing basis. The increasing focus on our target market throughout the bidding process, which is well supported and monitored by our established Group Operating Model governance procedures, has indeed resulted in us withdrawing from one significant bid during the year where we deemed the level of risk to be

unacceptable. However, we believe that this approach reflects our prioritisation of long-term delivery of value to our customers, and ultimately shareholders, over short term financial targets of the business.

In its second year at its new premises, 2013 was a year of consolidation for our IT redeployment and recycling subsidiary RDC, as the business absorbed the main impact of its ERP system implementation. In 2013, adjusted* operating profit for the year grew by 0.7 per cent, during a period in which all sales, service delivery and operational staff migrated fully to its new Microsoft AX software.

The RDC business enters 2014 with a stable IT system, and without the significant burden of running two systems in parallel, as was the case in 2013, and having trained its staff fully on the new system now in place. In 2014, we anticipate that RDC will begin to reap the benefits, through the improvement of operational productivity, and the roll-out of more automation within its sales and reporting processes.

Overall SG&A in the UK have increased by 9.3 per cent during the year. This reflects our increased bid costs, increased bonus and commission payments to our staff and further investment in our governance processes. Despite our recent success in the UK, we are mindful of the need to invest in a controlled and careful manner and, as such, we will be monitoring our level of SG&A closely during the course of 2014.

Chief Executive's Review

Computacenter in Germany

The reporting period saw our German business continue to stabilise. Both revenue and adjusted* profitability grew during the year, against a backdrop of significant change within the business, including the implementation of our Group Operating Model and the restructuring of its sales force.

Total revenue grew in 2013 by 6.5 per cent on an as reported basis to €1,497.8 million, and 1.7 per cent in constant currency. This growth came from our Supply Chain business, which enjoyed a particularly strong second half of the year. Supply Chain revenues grew by 7.2 per cent during 2013 on a reported basis, and by 2.4 per cent in constant currency.

Whilst this Supply Chain performance is pleasing and appears to reflect a growing recovery within the German IT market which has now been sustained for the best part of a year, it is clearly not as predictable as our Services business. It is for this reason that, in line with our updated strategic objectives, our primary focus during 2014 will be in relation to the growth of our Services business.

During 2013, Services revenue was broadly flat at €485.4 million. This was impacted by the significant reduction in size of one customer contract, which affected the fourth quarter of the year. However, it also illustrates the anticipated slow-down in our Services business, as a result of our decision to only bid for selective Managed Services opportunities during the year. This enabled us to dedicate more resource to successfully resolving the issues which had arisen from the substantial growth of our Services business in the fourth quarter of 2011, and importantly addressing the underlying causes of those issues.

These issues related primarily to the adequacy of contractual governance procedures, and therefore during the year we have taken decisive action to improve these through the implementation of our Group Operating Model. This has already started to take effect, and has enabled us to stabilise and improve the operational and financial performance of a number of our difficult Managed Services contracts. As a result, excluding our three onerous contracts, we have seen a gradual improvement in our Services margins through the year.

Our Professional Services business generated significant momentum during the year, with its total revenue growing by 12.6 per cent. This performance was largely driven by our Workplace Solutions business delivering significant volumes of Windows 7 and 8 roll-outs, and our network security offering.

In addition to our strong Supply Chain performance, and other improvements in the business, adjusted* operating profit for the German segment has increased by 48.8 per cent to €36.1 million. Notwithstanding that this performance was against the backdrop of a weak comparator in 2012, we are encouraged that the governance changes we have implemented appear to be having their intended impact.

This has been further evidenced by the new material transition and transformation projects that have been executed in accordance with new Group processes, albeit that these have been relatively few in number during 2013. These have been completed in accordance with agreed contractual Services levels and projected financial outcomes. We are now in a better position to ensure that new Services wins in 2014 will be contracted appropriately and implemented successfully as a result of the new operating model, and therefore have built a strong platform on which we can look to pursue medium term Services growth.

Turning specifically to our three loss-making, or onerous, contracts, we are pleased to report that the operational and financial performance of these has been stable during the second half of the year. We have resolved our operational issues and are now delivering to contractually agreed levels of performance. As explained within the Group overview, the contracts have performed in line with the forecast set out in our 2013 Interim Results during the second half of the year.

In addition to the governance changes outlined above, we have also carried out a full review, restructuring and realignment of our sales force. We are confident that, as a result of this, we are now better prepared to take advantage of significant Services growth opportunities within the German IT market. This review process has included significant knowledge transfer between our UK and German businesses, particularly within Managed Services, which we anticipate will accelerate the learning progression of our sales force in Germany to sell and interact with our customers in accordance with Group strategy and business principles. Primarily as a result of the action detailed above, which has additionally resulted in a general de-layering of German management across the business, SG&A has reduced by 3.0 per cent in 2013. Due to the nature of these actions, redundancy and restructuring costs totalling €3.7 million have been included within the Group financials as exceptional costs.

Although 2013 Services revenue has broadly been flat, our Services business has achieved a number of notable wins. Going forward, Computacenter will be providing Dataport with operational assistance for its IT workstations, Datacenter and Networking. Dataport is the service provider for information and communications technology of the public administration for the German Federal States of Hamburg, Schleswig-Holstein and Bremen, as well as for the tax administrations in Mecklenburg-Western Pomerania and Lower Saxony. Additionally, a Computacenter overflow help desk in Berlin will ensure that Dataport's user-help desk is provided with additional capacity where required during peak times. The duration of the contract is for three years.

Whilst we would clearly want to have avoided the Managed Service contract issues that we have faced over the last two years, they have forced us to re-evaluate ourselves internally, and we are confident that our business prospects in the medium term have emerged stronger as a result.

Chief Executive's Review

Computacenter in France

Clearly, 2013 was a disappointing year for our French business. Total revenue for the reporting period reduced by 7.1 per cent in constant currency. Overall the result reduced from an Adjusted* operating profit of €5.3 million in 2012 to an Adjusted* operating loss of € 8.6 million in 2013.

The majority of this decline was attributable to a significant reduction in our Supply Chain revenues, which decreased by 8.3 per cent in constant currency. This reduction was in itself due to two primary factors. Firstly, our Supply Chain business was impacted by the prolonged and continuing difficult market conditions in France, which has caused customers to reduce their IT investment spend.

We do not expect market conditions in France to improve materially in 2014, which has brought into sharp focus a requirement for our business model in France to be aligned more closely with our UK and German businesses. In the UK and Germany we are less reliant on commodity Supply Chain business, and are thus more likely to be able to withstand the impact of negative external market conditions.

Secondly, the implementation of our Group ERP system in France was expected to be a more significant challenge than was the case in either the UK or Germany, as the extent of system and process change was greater. However, the difficulties experienced were more pronounced than expected and, as a result, a number of operational issues arose within the business affecting its ability to manage the delivery of product and parts through its logistics operation and therefore to ship on time.

While it is clear that these issues impacted the performance of our Supply Chain business materially during the second half of the year, they have now been resolved and the relevant order backlogs have been cleared. This is evident in the strong recovery of Supply Chain sales during Q4 2013 with orders being delivered in accordance with agreed service levels. Whilst we are aware that we have lost Supply Chain orders as a result of these issues, we do not believe that we have lost any of our material Supply Chain customers.

Overall gross margin contribution within our Supply Chain business has declined as a direct result of the reduction in revenue outlined above, an increased proportion of low margin software business and temporary increased warehouse operating costs due to our Group ERP system implementation.

Services revenue in 2013 reduced by 0.8 per cent to €90.5 million, mainly due to a 16.9 per cent decline in Professional Services revenue compared to 2012. This was as a result of weak demand for our offerings throughout the year, which itself was primarily due to weak market conditions. In addition, the impact of the Group ERP system implementation on our maintenance and logistics functions temporarily impacted our Services levels. Whilst this has now improved significantly, it has led to a reduction in our Services contract base.

Overall Services gross margin generation has reduced materially due to the decline in revenue and lower Professional Services utilisation, resulting in spare capacity in the workforce with associated margin dilution. Given our disappointing Services performance in 2013, our strategic shift to become more Services-focused in the medium term will be no easy task, and considerable work remains to be done in 2014 and beyond to achieve this goal.

However, we are encouraged by the fact that our French and International teams have worked very well together in collaboration during the year to secure the Group's largest ever Managed Services contract, for which the relevant bid had been made in accordance with Group processes.

In line with our Group Operating Model strategy and following its successful implementation in Germany, we started the process of implementing our Group Operating Model into our French business in early 2014. The Group ERP implementation was essential in order to enable this to happen and will allow us to drive efficiencies within the business, for example within the utilisation of our resources and the implementation of the Group's best practices.

Given the issues experienced in France in 2013 and as a result of the implementation of the Group Operating Model, there have been some senior management changes in France. Moving forward, we will strengthen the management team in key areas to help facilitate the implementation of the Group Operating Model. Whilst the underlying trend of SG&A increased by 1.2 per cent in constant currency during the course of 2013 as a result of the cost of implementing our ERP system, we have no doubt that there will be a need to take actions in 2014 to increase the competitiveness of our French business.

As outlined in the Group overview and as previously highlighted within our 2013 Interim Results, as a result of the continuing disappointing performance in France during the year, and our continued medium-term expectations for the business, we have incurred a non-cash impairment in the French cash-generating unit of £12.2 million, relating to goodwill and acquired intangibles.

Chief Executive's Review

Computacenter in Belgium

Overall, our Belgian business has performed well in 2013. In 2011 and 2012 we enjoyed large, one-off, Supply Chain revenues with a particular customer which, as we expected and as noted in our 2012 Annual Report, would impact comparators in 2013. Unless specifically stated, the results below include the contribution from the acquisition of Informatic Services ('IS') in December 2012.

Total revenue grew by 6.0 per cent on an as reported basis, and by 1.2 per cent in constant currency. Adjusted* operating profit reduced by 6.8 per cent to €2.2 million which, given the expected decline in Product revenue noted above, was still encouraging, albeit materially assisted by the acquisition of IS. Belgian SG&A has increased by 34.4 per cent, however on a like-for-like basis excluding the acquisition, in constant currency SG&A increased by 0.5 per cent.

Clearly, Supply Chain revenue growth was materially impacted by one-off deals noted above. As a result, during the year Supply Chain revenue in constant currency reduced by 19.2 per cent. However, in the fourth quarter Supply Chain revenue was only down by 3.2 per cent in constant currency, reflecting the one-off deals in the first half of 2012 outlined above, and a strengthening Supply Chain demand environment towards the end of 2013.

Our total Services revenue grew by 65.2 per cent to €22.4 million. Excluding the effect of the acquisition, Services revenue has still grown organically by over 18.4 per cent during the period, which has been assisted by our ability to extend a number of our Managed Services contracts during the year.

We have been pleased with the performance of IS in 2013, which has exceeded our initial expectations and, although much remains to be done, we have made significant progress towards integrating IS into our business. We have also managed to retain a significant majority of all major Managed Services contracts through the integration process.

We were also able to renew our Managed Services contract with Mercedes Benz Belgium and Luxembourg for another three years. Activities include an SLA-driven local service desk and onsite support activities.

In 2012, Services represented 24.1 per cent of our overall revenues and assisted by the acquisition of IS, which is 100 per cent Services focused, Services now represent 39.4 per cent of our revenues. This will provide us with increased revenue visibility as we move forward in 2014.

Mike Norris

Chief Executive

10 March 2014

* *Adjusted profit before tax and diluted EPS are stated prior to exceptional items and amortisation of acquired intangibles. Adjusted operating profit is also stated after charging interest on CSF. Exceptional items for 2012 have been restated to take account of the reclassification of trading losses and provisions in respect of the three onerous German contracts.*

Finance Director's review 2013

Turnover and profitability

In 2013, Computacenter Group delivered its fourth successive year of turnover growth and achieved adjusted* profitability growth in the face of significant headwinds in our French business.

At a headline level, turnover grew by 5.4 per cent and broke through the £3 billion barrier for the first time to reach £3,072.1 million. On a constant currency basis turnover growth was 2.5 per cent. Adjusted* profit before tax increased by 3.0 per cent from £79.3 million to £81.7 million, with the impact of exchange rates accounting for half of this increase.

After taking account of exceptional items primarily relating to the German onerous contracts and the non cash impairment in France, statutory profit before tax decreased by 22.0 per cent from £64.8 million to £50.5 million.

The Group profitability performance was mixed across our main geographies. The German business has stabilised and returned a 48.8 per cent increase in adjusted* operating profit in constant currency, whilst the UK segment generated a 7.5 per cent increase. These improvements were largely offset by problems in France noted below which has fallen from a reported £4.3 million adjusted* operating profit in 2012 to a loss of £7.3 million in 2013.

Adjusted operating profit

Management measure the Group's operating performance using adjusted operating profit, which is stated prior to amortisation of acquired intangibles, exceptional items, and after charging finance costs on customer specific financing ('CSF') for which the Group receives regular rental income. Gross profit is also adjusted to take account of CSF finance costs. The reconciliation of statutory to adjusted results is further explained in the segmental reporting note (Note 4) to the financial statements. For the purposes of this statement, all subsequent references are to adjusted measures.

United Kingdom

UK revenues grew in 2013 by 7.6 per cent, increasing to £1,286.1 million. Supply Chain revenues increased by 8.4 per cent, driven by a larger customer base following the Contractual Services wins and further demand for workplace and Windows 7 roll-outs. Services revenues overall grew a further 6.2 per cent following a strong 15.3 per cent growth in 2012. Within this, Contractual Services revenue grew 5.4 per cent despite the one-off impact of large transition billing in 2012. Professional Services in turn generated 8.4 per cent growth in revenues mainly due to migrations to Windows 7.

Margin in the Supply Chain business was broadly flat, following the decline in 2012, due to increasing work place product sales and continually evolving vendor partner terms of trade. However, Services margin increased due to improved execution, maturity of contracts and high utilisation of staff. This resulted in a UK total adjusted gross profit increase from 15.4 per cent to 15.6 per cent of sales. SG&A rose by 9.3 per cent, reflecting increased bid costs, increased commission and bonus for staff due to the UK performance and increased investment in improved governance required by the Group Operating Model, net of recharges to other Group Segments.

Overall this has resulted in a 7.5 per cent increase in adjusted* operating profit from £52.2 million to £56.2 million.

Germany **

***Unless specifically stated, comments on growth rates in overseas segments are stated in local/constant currency.*

German revenue growth recovered in 2013 as the business continued to stabilise after a disappointing 2012. Revenue, as reported, grew in 2013 by 6.5 per cent to £1,271.4 million (2012: £1,193.8 million), albeit in local

currency revenue increased by 1.7 per cent.

Supply Chain revenues grew by 2.4 per cent in 2013, increasing the rate of growth over 2012 (2.0 per cent). Services revenues were flat with 0.3 per cent growth in 2013. We expected low Service revenue growth as the focus was on ensuring that business is conducted in accordance with increased governance in line with the Group Operating Model and the effort on resolving the onerous contracts. As the business grows more confident operating within the enhanced Group governance procedures we expect Services revenue growth to return.

Gross margin return of the German business has increased from the restated 12.1 per cent in 2012 to 12.4 per cent in 2013. Supply Chain gross margin increased mainly due to a favourable product mix and, excluding the three onerous contracts highlighted in exceptional costs, Service margins increased due to improvement in other difficult contracts.

SG&A has continued to reduce following the reduction in the latter part of 2012 with a real focus on cost base reduction driven by the new German leadership team. One-off charges related to the restructuring of the German business have been incurred and disclosed as an exceptional item.

Overall, the German segment adjusted* operating profit increased by 55.9 per cent from £19.7 million to £30.6 million as reported, an increase of 48.8 per cent in constant currency.

France **

The revenue in the French segment decreased by 7.1 per cent in the year. Supply Chain revenue fell by 8.3 per cent due to continuing weakness in French macroeconomic conditions and the impact of the unsatisfactory implementation of our Group ERP system on 1 June 2013 which affected our ability to ship orders on time resulting in an order backlog and a drop in customer service levels.

Services revenues contracted by 0.8 per cent when compared to 2012 which featured a number of new contract wins. The impact of the Group ERP implementation on the logistics function and specifically the maintenance parts business has adversely affected service levels leading to a decline in contract value.

Gross profit in 2013 has been impacted throughout the year by the weak demand for our Professional Services business which declined by 16.9 per cent, resulting in spare capacity which has had a significant impact on gross margins achieved. In addition, Services gross margins have been reduced by increased costs arising from the difficult Group ERP implementation from 1 June 2013.

In addition, gross margins in the Supply Chain business reduced mainly due to mix factors, in particular an increased proportion of low margin software business which has had a positive effect on revenue but generated little incremental contribution.

The result of these two issues is that overall gross margin reduced from 9.9 per cent to 8.2 per cent.

SG&A expenses have increased by 1.2 per cent, largely reflecting the increased cost of the implementation of the Group ERP system in France and the increased time from Group resources cross-charged into the business as part of the efforts to realign local procedures with the Group Operating Model.

Overall, adjusted* operating profit as reported in France has therefore fallen from a profit of £4.3 million in 2012 to a loss of £7.3 million in 2013.

Belgium**

Reported revenue increased by 6.0 per cent to £48.2 million (2012: £45.5 million) equating to an increase of 1.2 per cent in local currency. Excluding the results of IS which was acquired in December 2012, revenue decreased by 10.4 per cent. Supply Chain revenue fell by 19.2 per cent (19.6 per cent excluding IS) mainly due to a very significant one-off Supply Chain order from one customer in the first half of 2012. However in the second half of 2013 Supply Chain revenues were 2.6 per cent higher than in the second half of 2012.

Services revenue, including the results of IS, grew 65.2 per cent. Excluding the results of the acquisition, organic

Services revenue growth was 18.4 per cent.

As the service mix of the business has increased, gross profit return on sales for Belgium overall has also lifted from 11.0 per cent in 2012 to 12.5 per cent in 2013. Excluding the results of the acquisition, which has a services focus, gross profit margin has fallen to 10.5 per cent.

SG&A, excluding the acquisition has increased 0.5 per cent and has increased by 28.3 per cent including the acquisition. Overall there has been a 2.4 per cent decrease in reported adjusted* operating profit from £1.9 million in 2012 to £1.8 million in 2013. This is a 6.8 per cent decrease in local currency and without the acquisition would have been a 39.0 per cent decrease.

Exceptional items

As described in our Group Interim Results in August 2013, the rapid growth of our Services business in Germany during the fourth quarter of 2011, coupled with insufficient contractual governance procedures in place within our German business at that time, has resulted in a number of Managed Services contracts failing to achieve the margins anticipated at the time that they were agreed. Three of these contracts were deemed to be likely to be loss making over the course of their lifetime. Detailed analysis and customer re-negotiation was conducted and an exceptional one-off provision of £10.7 million representing our best estimate of the losses expected to be incurred until the end of the contracts was made as outlined in our 2013 Group Interim Results.

The three onerous contracts in Germany have continued to perform in line with our forecasts. Contractual performance has remained stable with improving service levels. We continue to forecast that these three contracts will be loss making over the course of their lifetime and are comfortable with the level of further provisioning, £10.7 million, made in the results disclosed in the Group Interim Report. Whilst any further movement away from our forecasts would also be deemed to be an exceptional item, local management will continue to be measured on the absolute performance of these contracts before the provision. It should be noted that, notwithstanding these specific contractual losses, the total business accruing from these three customers still makes an important contribution to the Group's overall profitability.

As part of our normal processes, we have carried out a detailed evaluation of other long-term Services contracts across the Group. As a result of this on-going evaluation, management have calculated that a positive change in certain estimates has resulted in a one-off gain of £4.0 million. Due to the nature of the change in the estimates, and the size of the gain, it has been decided to highlight this as an exceptional item. This is consistent with the treatment of the previously identified onerous contacts and will provide a fairer and more balanced understanding of our underlying growth in profitability.

As a result of the continued management restructure in Germany following the stabilisation of the contracts above, we have recognised related redundancy expenses of £3.1 million in the year. Due to the transformational nature of the restructuring and the events which preceded it, we have continued to classify these as exceptional costs.

Similarly, Computacenter in France has begun a programme to also reduce its SG&A and restructure its business and senior management in line with the Group Operating Model. Redundancy related expenses of £1.2 million have been included in the 2013 result.

Our French business transferred onto the Group ERP system on 1 June 2013 and has gone live in our Group Operating Model effective of 1 January 2014. These milestones, along with the changes in business focus and governance that underpin them will be the drivers of change to transform our French business in the coming years.

The combination of the decline in the French economy leading to a reduction in demand for our Services, operational problems arising from the Group ERP implementation and the resulting financial impact has led to the requirement for a £12.2 million impairment of non-current assets as detailed in our Interim Results in August 2013. There arose a further requirement to fully write-off a £2.2 million deferred tax asset as at 31 December 2013.

Due to the continued adverse performance of our equity accounted associate ICS Solutions Limited we have decided to fully impair the £0.5 million recorded value of our investment.

Restatement

As reported in the 2013 Interim Report, the 2012 accounts have been restated, where necessary, to reclassify trading losses and provisions relating to the three onerous German contracts to provide a clearer picture of the performance of the business. The impact of the reclassification is summarised in the table below:

Germany Segment: Restatement of adjusted* operating profit	
	Restated FY 2012
	£ m
As restated in 2013 accounts	19.7
Onerous Contracts - trading losses	(5.9)
Onerous Contracts - provisions for future losses	(2.1)
As reported in 2012 accounts	11.6

Finance income and costs

Net finance costs of £0.5 million were incurred on a statutory basis in 2013 (2012: net finance income of £0.2 million). This takes account of finance costs on CSF of £0.8 million (2012: £1.1 million). On an adjusted basis, prior to the interest on CSF, net finance income decreased from £1.3 million in 2012 to £0.3 million in 2013. The decrease is primarily due to the reduced cash holdings impacting interest received as a result of our Return of Value to our shareholders and lower deposit rates.

Taxation

The effective adjusted tax rate for 2013 was 23.7 per cent (2012 restated: 22.0 per cent). The deterioration was due to a lower mix of overseas earnings in 2013 compared to 2012. However, the Group's tax rate continues to benefit from losses utilised on earnings in Germany and further benefits from the reducing corporation tax rate in the UK.

Deferred tax assets of £13.5 million (2012: £15.7 million) have been recognised in respect of losses carried forward. During the year, an asset of £2.2 million relating to losses carried forward in France has been written off. At 31 December 2013, there were unused tax losses across the Group of £125.4 million (2012: £115.5 million) for which no deferred tax asset has been recognised. Of these losses, £54.5 million (2012: £61.6 million) arise in Germany and £67.6 million (2012: £50.6 million) arise in France. A significant proportion of the losses arising in Germany have been generated in statutory entities that no longer have significant levels of trade. The remaining unrecognised tax losses relate to other loss-making overseas subsidiaries.

The Group considers all movement in the recoverable amount of deferred tax assets relating to the recognition, de-recognition, or utilisation of previously recognised losses, to be outside our adjusted results. Management's view is that, due to their material nature and irregular timing, the inclusion of these movements within our adjusted tax charge distorts the underlying cash tax base and annual performance of the Group as a whole.

This has no impact on the adjusted or statutory results for this year. However, we expect net movements to be charged to exceptional tax in future periods as the utilisation of the previously recognised deferred tax assets in Germany exceeds the recognition of further tax losses.

Earnings per share and dividend

The adjusted* diluted earnings per share has increased in line with profit performance by 6.1 per cent from 40.8 pence in 2012 to 43.3 pence in 2013. Due to the impact of exceptional charges in 2013, the statutory diluted earnings per share has reduced from 32.4 pence in 2012 to 23.0 pence in 2013.

The Board is recommending a final dividend of 12.3 pence per share, bringing the total dividend for the year to 17.5 pence (2012: 15.5 pence). Subject to the approval of shareholders at the Annual General Meeting ('AGM') on 15 May 2014, the proposed dividend will be paid on 20 June 2014. The dividend record date is set as 23 May 2014, and the shares will be marked ex-dividend on 21 May 2014.

Acquisitions

On 28 December 2012 the Group acquired 100 per cent of the voting shares of NEWIS SA and its subsidiary, Informatic Services IS SA.

The book and provisional fair values of the net assets acquired that were disclosed in note 16 of the 31 December 2012 Annual Report and Accounts, are now final and are unchanged.

Return of Value

While the Group intends to continue to maintain a robust and prudent balance sheet, we decided that it was appropriate to undertake a Return of Value to shareholders, in addition to the normal dividend. We announced on 24 May 2013 a one-off Return of Value to shareholders totalling £75 million, or 48.7 pence for every existing ordinary share held at the close of trading on 11 June 2013. Computacenter will continue to monitor its balance sheet to ensure that it is efficient. Computacenter also returned £74.4 million to shareholders by way of a one-off capital return via a B Share structure in 2006 equating to 39 pence per share.

Cash flow

The Group's trading net funds position takes account of factor financing and current asset investments but excludes customer specific financing. There is an adjusted cash flow statement provided in note 30 that restates the statutory cash flow to take account of this definition.

Net funds excluding CSF decreased from £147.3 million to £90.3 million by the end of the year. However, this reduced figure is after the circa £75.0 million Return of Value to shareholders which masked an underlying net funds improvement of £18.0 million on a like-for-like basis compared to the position at 31 December 2012. The Group continued to deliver strong cash generation from its operations in 2013, with adjusted operating cash flow of £70.5 million (2012: £85.2 million).

In the year we spent over £25 million on capital expenditure primarily investments in IT equipment in our business and software tools to enable us to deliver improved service to our customers.

Challenges within working capital have built up in our French business due to backlogs within our ERP system preventing the timely processing of transactions impacting cash collection and payment of invoices. We estimate that this has impacted our cash flow by circa £10 million. We are confident of improving this position in 2014 and as this occurs, working capital should be released into cash.

Whilst the cash position remains robust, the Group continued to benefit from the extension of an improvement in credit terms with a significant vendor, equivalent to £41 million at 31 December 2013, an increase of £7 million from December 2012. This improvement in credit terms has been in operation since 2009 and whilst the continuation of these terms is not guaranteed and can be withdrawn at any time, the terms are generally available to all material partners of that significant vendor. We no longer feel it is necessary to continue to highlight these terms in the operating review. However we will continue to reference this item in our Finance Director's report, but we will not routinely report the number in Interim Management Statements and similar external updates or within the accounts themselves.

Customer Specific Financing ('CSF') increased in the year from £18.7 million to £18.9 million. CSF remains low against our historical standards due to a decision to restrict this form of financing in light of the current credit environment and reduced customer demand.

Taking CSF into account, net funds at the end of the year were £71.4 million, compared to £128.6 million at the start of the year but after the circa £75.0 million Return of Value to shareholders.

Customer specific financing

In certain circumstances, the Group enters into customer contracts that are financed by leases or loans. The leases are secured only on the assets that they finance. Whilst the outstanding balance of CSF is included within the net funds for statutory reporting purposes, the Group excludes CSF when managing the net funds of the business, as this CSF is matched by contracted future receipts from customers.

Whilst CSF is repaid through future customer receipts, Computacenter retains the credit risk on these customers and ensures that credit risk is only taken on customers with a strong credit rating.

The committed CSF financing facilities, are thus outside of the normal working capital requirements of the Group's product resale and service activities.

The Group does not expect a material increase in the level of CSF financing facilities, partly as the Group applies a higher cost of finance to these transactions than customer's marginal cost of finance. In addition, some of these requirements have been satisfied through utilising a sale of receivables process.

Capital Management

Details of the Group's capital management policies are included within Note 27 to the financial statements.

Financial instruments

The Group's financial instruments comprise borrowings, cash and liquid resources, and various items that arise directly from its operations. The Group enters into hedging transactions, principally forward exchange contracts or currency swaps. The purpose of these transactions is to manage currency risks arising from the Group's operations and its sources of finance. As the Group continues to expand its global reach and benefit from lower cost operations in certain geographies, such as South Africa, it has entered into Forward Exchange contracts to protect any further currency risk. The Group's policy remains that no speculative trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate, liquidity and foreign currency risks. The overall financial instruments strategy is to manage these risks in order to minimise their impact on the financial results of the Group. The policies for managing each of these risks are set out below. Further disclosures in line with the requirements of IFRS 7 are included in the financial statements.

Interest rate risk

The Group finances its operations through a mixture of retained profits, bank borrowings and finance leases and loans for certain customer contracts. The Group's bank borrowings, other facilities and deposits are at floating rates. No interest rate derivative contracts have been entered into.

Liquidity risk

The Group's policy is to ensure that it has sufficient funding and facilities in place to meet any foreseeable peak in borrowing requirements. The Group's positive net funds position was maintained throughout 2013, and at the year-end was £90.3 million excluding CSF, and £71.4 million including CSF.

Due to strong cash generation over the past three years, the Group is currently in a position where it can finance its requirements from its cash balance, and the Group operates a cash pooling arrangement for the majority of Group entities.

During the year the Group entered into a specific committed facility of £40.0 million for a three year term which

expires in May 2016.

The Group has a Board monitored policy in place to manage its counterparty risk that places cash on deposit across a range of reputable banking institutions.

Customer specific financing facilities are committed.

Foreign currency risk

The Group operates primarily in the UK, Germany, France, and with smaller operations in Belgium, Hungary, India, Malaysia, Luxembourg, Spain, South Africa, Switzerland and the United States of America. The Group uses a cash pooling facility to ensure that its operations outside of the UK are adequately funded, where principal receipts and payments are denominated in Euros. For those countries within the Euro zone, the level of non-Euro denominated sales is very small and, if material, the Group's policy is to seek to eliminate currency exposure through forward currency contracts. For the UK, the majority of sales and purchases are denominated in Sterling and any material trading exposures are eliminated through forward currency contracts.

The Group has been increasingly successful in winning international Services contracts where services are provided in multiple countries. The Group aims to minimise this exposure by invoicing the customer in the same currency in which the costs are incurred. For certain contracts, the Group's committed contract costs are not denominated in the same currency as its sales. In such circumstances, for example where contract costs are denominated in South African Rand, the Group seeks to eliminate currency exposure for a foreseeable future period on these future cash flows through forward currency contracts. In 2013, the Group recognised a loss of £1.4 million (2012: gain of £0.5 million) through other comprehensive income in relation to the changes in fair value of related forward currency contracts, where the cash flow hedges relating to firm commitments were assessed to be highly effective.

Credit risk

The Group principally manages credit risk through management of customer credit limits. The credit limits are set for each customer based on the creditworthiness of the customer and the anticipated levels of business activity. These limits are initially determined when the customer account is first set up and are regularly monitored thereafter.

There are no significant concentrations of credit risk within the Group. The Group's major customer, disclosed in Note 4 to the financial statements consists of entities under the control of the UK Government. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date.

Going concern

As disclosed in the Directors' Report, the directors have a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the consolidated financial statements.

Fair balanced and understandable

The UK Corporate Governance Code has a new requirement for the Board to state whether the Company's Annual Report and Accounts are 'fair, balanced and understandable' and 'provides the information necessary for shareholders to assess the Company's performance, business model and strategy'.

We have continued to formalise the process through which we can provide comfort to the Board to make the relevant assertions within the Annual Report and Accounts.

Tony Conophy
Finance Director
10 March 2014

* *Adjusted profit before tax and diluted EPS are stated prior to exceptional items and amortisation of acquired intangibles. Adjusted operating profit is also stated after charging interest on CSF. Exceptional items for 2012 have been restated to take account of the reclassification of trading losses and provisions in respect of the three onerous German contracts.*

Directors' responsibility statement

The financial statements, prepared in accordance with International Financial Reporting Standards, as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit for the Company and undertakings included in the consolidation taken as a whole; and Pursuant to the Disclosure and Transparency Rules the Company's annual report and accounts include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Mike Norris	Tony Conophy
Chief Executive	Finance Director
10 March 2014	

Consolidated income statement For the year ended 31 December 2013

	Note	2013 £'000	Restated* 2012 £'000
Revenue	4	3,072,075	2,914,214
Cost of sales		(2,668,814)	(2,531,926)
Gross profit		403,261	382,288
Administrative expenses		(321,096)	(303,172)
Operating profit:			
Before amortisation of acquired intangibles and exceptional items		82,165	79,116
Amortisation of acquired intangibles		(2,375)	(2,608)
Onerous contracts		(15,739)	(8,029)
Non-cash impairment		(12,195)	-
Other exceptional items		(830)	(3,874)
Exceptional items	5	(28,764)	(11,903)
Operating profit		51,026	64,605
Finance revenue		1,351	1,971
Finance costs		(1,852)	(1,778)
Profit before tax:			

Before amortisation of acquired intangibles and exceptional items		81,664	79,309
Amortisation of acquired intangibles		(2,375)	(2,608)
Onerous contracts		(15,739)	(8,029)
Non-cash impairment		(12,195)	-
Other exceptional items		(830)	(3,874)
Exceptional items	5	(28,764)	(11,903)
Profit before tax		50,525	64,798

Income tax expense:			
Before amortisation of acquired intangibles and exceptional items		(19,325)	(17,461)
Tax on amortisation of intangibles		244	538
Tax on onerous contracts		1,889	883
Tax on non-cash impairment		1,014	-
Tax on other exceptional items		(700)	362
Total tax on exceptional items	5	2,203	1,245
Exceptional tax items		(489)	-
Income tax expense	6	(17,367)	(15,678)
Profit for the year		33,158	49,120

Attributable to:			
Equity holders of the parent		33,160	49,121
Non-controlling interests		(2)	(1)
Profit for the year		33,158	49,120

Earnings per share			
- basic for profit for the period	7	23.2p	32.9p
- diluted for profit for the period	7	23.0p	32.4p

* Certain amounts here do not correspond to the annual consolidated financial statements as at 31 December 2012, and reflect reclassifications which restate prior financial information in respect of three onerous contracts as detailed further in notes 3 and 5.

Consolidated statement of comprehensive income

For the year ended 31 December 2013

	2013	2012
	£'000	£'000
Profit for the year:	33,158	49,120
<i>Items that may be reclassified to profit or loss:</i>		
(Loss)/gain arising on cash flow hedge	(1,403)	494
Income tax effect	326	(120)
	(1,077)	374
Exchange differences on translation of foreign operations	4,326	(5,311)
Other comprehensive income for the year, net of tax	3,249	(4,937)
Total comprehensive income for the period	36,407	44,183

Attributable to:

Equity holders of the parent		36,407	44,182
Non-controlling interests		-	1
		36,407	44,183

Consolidated balance sheet

As at 31 December 2013

	Note	2013 £'000	2012 £'000
Non-current assets			
Property, plant and equipment		89,044	100,696
Intangible assets		98,870	104,612
Investment in associate		45	575
Deferred income tax asset	6	15,172	14,385
		203,131	220,268
Current assets			
Inventories		58,618	67,782
Trade and other receivables		667,722	573,661
Prepayments		61,579	46,250
Accrued income		53,140	58,029
Forward currency contracts		-	30
Current asset investment		-	10,000
Cash and short-term deposits		91,098	138,149
		932,157	893,901
Total assets		1,135,288	1,114,169
Current liabilities			
Trade and other payables		604,945	527,539
Deferred income		115,986	128,540
Financial liabilities		8,147	9,117
Forward currency contracts		2,360	584
Income tax payable		10,239	3,778
Provisions		6,005	4,373
		747,682	673,931
Non-current liabilities			
Financial liabilities		11,540	10,406
Provisions		10,449	6,455
Other non-current liabilities		-	-
Deferred income tax liabilities	6	947	1,034
		22,936	17,895
Total liabilities		770,618	691,826
Net assets		364,670	422,343
Capital and reserves			
Issued capital		9,271	9,234
Share premium		4,362	3,769
Capital redemption reserve		74,963	74,957
Own shares held		(11,976)	(13,848)
Foreign currency translation reserve		6,649	2,325
Retained earnings		281,388	345,893
Shareholders' equity		364,657	422,330
Non-controlling interests		13	13

Approved by the Board on 10 March 2014

MJ Norris
Chief ExecutiveFA Conophy
Finance DirectorConsolidated statement of changes in equity
For the year ended 31 December 2013

	Attributable to equity holders of the parent						Total £'000	Non- controlling interests £'000	Total equity £'000
	Issued capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held £'000	Foreign currency translation reserve £'000	Retained earnings £'000			
At 1 January 2013	9,234	3,769	74,957	(13,848)	2,325	345,893	422,330	13	422,343
Profit for the year	-	-	-	-	-	33,160	33,160	(2)	33,158
Other comprehensive income	-	-	-	-	4,324	(1,077)	3,247	2	3,249
Total comprehensive income	-	-	-	-	4,324	32,083	36,407	-	36,407
Cost of share-based payments	-	-	-	-	-	1,070	1,070	-	1,070
Tax on share-based payment transactions	-	-	-	-	-	126	126	-	126
Exercise of options	28	1,194	-	1,872	-	(1,872)	1,222	-	1,222
Bonus issue	15	(15)	-	-	-	-	-	-	-
Expenses on bonus issue	-	(586)	-	-	-	-	(586)	-	(586)
Redemption of shares	(6)	-	6	-	-	-	-	-	-
Return of Value	-	-	-	-	-	(73,115)	(73,115)	-	(73,115)
Equity dividends	-	-	-	-	-	(22,797)	(22,797)	-	(22,797)
At 31 December 2013	9,271	4,362	74,963	(11,976)	6,649	281,388	364,657	13	364,670
At 1 January 2012	9,233	3,717	74,957	(10,962)	7,638	319,152	403,735	12	403,747
Profit for the year	-	-	-	-	-	49,121	49,121	(1)	49,120
Other comprehensive income	-	-	-	-	(5,313)	374	(4,939)	2	(4,937)
Total comprehensive income	-	-	-	-	(5,313)	49,495	44,182	1	44,183
Cost of share-based payments	-	-	-	-	-	2,176	2,176	-	2,176
Tax on share-based payment transactions	-	-	-	-	-	216	216	-	216
Exercise of options	1	52	-	1,933	-	(1,933)	53	-	53
Purchase of own shares	-	-	-	(4,819)	-	-	(4,819)	-	(4,819)
Equity dividends	-	-	-	-	-	(23,213)	(23,213)	-	(23,213)
At 31 December 2012	9,234	3,769	74,957	(13,848)	2,325	345,893	422,330	13	422,343

Consolidated cash flow statement
For the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Operating activities			
Profit before taxation		50,525	64,798
Net finance income		501	(193)
Depreciation		22,735	24,337

Amortisation		9,676	9,573
Impairment of intangible assets		12,195	-
Share-based payments		1,070	2,176
(Profit)/loss on disposal of property, plant and equipment		(215)	363
Loss on disposal of intangibles		642	184
Decrease in inventories		10,596	27,477
Increase in trade and other receivables		(94,982)	(49,061)
Increase in trade and other payables		52,997	14,647
Increase in customer contract provisions		7,443	2,108
<u>Other adjustments</u>		<u>(456)</u>	<u>74</u>
Cash generated from operations		72,727	96,483
Income taxes paid		(9,624)	(13,111)
Net cash flow from operating activities		63,103	83,372
Investing activities			
Interest received		1,741	1,926
Decrease in current asset investment		10,000	-
Acquisition of subsidiaries, net of cash acquired		-	(1,754)
Increase investment in associate		-	(100)
Proceeds from sale of property, plant and equipment		921	1,074
Purchases of property, plant and equipment		(9,609)	(22,906)
Purchases of intangible assets		(15,544)	(8,981)
Net cash flow from investing activities		(12,491)	(30,741)
Financing activities			
Interest paid		(2,663)	(1,929)
Dividends paid to equity shareholders of the parent	8	(22,797)	(23,213)
Return of Value		(73,115)	-
Expenses on Return of Value		(586)	-
Proceeds from share issues		1,222	53
Purchase of own shares		-	(4,819)
Repayment of capital element of finance leases		(8,066)	(9,201)
Repayment of loans		(2,766)	(2,353)
<u>New borrowings</u>		<u>9,267</u>	<u>1,577</u>
Net cash flow from financing activities		(99,504)	(39,885)
(Decrease)/increase in cash and cash equivalents		(48,892)	12,746
Effect of exchange rates on cash and cash equivalents		1,755	(2,059)
<u>Cash and cash equivalents at the beginning of the year</u>		<u>137,471</u>	<u>126,784</u>
Cash and cash equivalents at the year-end		90,334	137,471

Notes to the consolidated financial statements

For the year ended 31 December 2013

1 Authorisation of financial statements and statement of compliance with IFRS

The consolidated financial statements of Computacenter plc for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Directors on 10 March 2014. The balance sheet was signed on behalf of the Board by MJ Norris and FA Conophy. Computacenter plc is a limited company incorporated and domiciled in England whose shares are publicly traded.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2013 and applied in accordance with the Companies Act 2006.

2 Summary of significant accounting policies

Basis of preparation

The consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Computacenter plc and its subsidiaries as at 31 December each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using existing GAAP in each country of operation. Adjustments are made on consolidation for differences that may exist between the respective local GAAPs and IFRS.

All intra-group balances, transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which the Group no longer retains control.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented separately within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Except as noted below, adoption of these standards did not have any effect on the financial performance or position of the Group. They may however give rise to additional disclosures. The other pronouncements which came into force during the year were not relevant to the Group:

IFRS 12: Disclosure of interests in other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. This amendment has had no effect on the Group's financial position, performance or its disclosures.

IFRS 13: Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on cash flow hedges) have to be presented separately from items that will not be reclassified (e.g. revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

Turnover	15,427	-	15,427	1,178,369	1,193,796	-	1,193,796
Cost of Sales	(21,348)	(2,108)	(23,456)	(1,033,348)	(1,056,804)	8,029	(1,048,775)
Adjusted Gross Profit	(5,921)	(2,108)	(8,029)	145,021	136,992	8,029	145,021
Administrative expenses	-	-	-	(125,356)	(125,356)	-	(125,356)
Adjusted Operating Profit	(5,921)	(2,108)	(8,029)	19,665	11,636	8,029	19,665
Adjusted net interest	-	-	-	228	228	-	228
Adjusted Profit before tax	(5,921)	(2,108)	(8,029)	19,893	11,864	8,029	19,893
Exceptional Items	-	-	-	(1,484)	(1,484)	(8,029)	(9,513)
Intangibles amortisation	-	-	-	(1,194)	(1,194)	-	(1,194)
Statutory Profit before tax	(5,921)	(2,108)	(8,029)	17,215	9,186	-	9,186

4 Segment information

For management purposes, the Group is organised into geographical segments, with each segment determined by the location of the Group's assets and operations. The Group's business in each geography is managed separately and held in separate statutory entities.

No operating segments have been aggregated to form the below reportable operating segments.

Management monitors the operating results of its geographical segments separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on adjusted operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements. Adjusted operating profit or loss takes account of the interest paid on customer-specific financing ('CSF') which management consider to be a cost of sale. Excluded from adjusted operating profit is the amortisation of acquired intangibles and exceptional items as management do not consider these items when reviewing the underlying performance of a segment.

Restatement of prior year comparative information

Included within exceptional items in the German segment results in 2012 are losses and provisions incurred in relation to three onerous contracts that were previously classified within operating profit. Further details of the restatement have been provided within note 3.

Segmental performance for the years ended 31 December 2013 and 2012 was as follows:

Year ended 31 December 2013

	UK £'000	Germany £'000	France £'000	Belgium £'000	Total £'000
Revenue					
Supply Chain revenue	828,097	859,404	389,517	29,195	2,106,213
Services revenue					
Professional Services	113,102	104,446	20,794	3,716	242,058
Contractual Services	344,930	307,592	56,008	15,274	723,804
Total Services revenue	458,032	412,038	76,802	18,990	965,862
Total revenue	1,286,129	1,271,442	466,319	48,185	3,072,075
Results					
Adjusted gross profit	200,097	158,051	38,320	6,006	402,474
Administrative expenses	(143,926)	(127,403)	(45,603)	(4,164)	(321,096)
Adjusted operating profit/(loss)	56,171	30,648	(7,283)	1,842	81,378
Adjusted net interest	791	173	(561)	(117)	286
Adjusted profit/(loss) before tax	56,962	30,821	(7,844)	1,725	81,664
Exceptional items:					
- onerous contracts	-	(15,739)	-	-	(15,739)
- impairment of intangibles	-	-	(12,195)	-	(12,195)
- exceptional items	3,466	(3,105)	(1,191)	-	(830)
Amortisation of acquired intangibles	3,466	(18,844)	(13,386)	-	(28,764)
	(792)	(1,225)	(242)	(116)	(2,375)

Statutory profit/(loss) before tax	59,636	10,752	(21,472)	1,609	50,525
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Other segment information

Capital expenditure:

Property, plant and equipment	5,556	3,927	1,275	85	10,843
Software	14,883	597	64	-	15,544

Depreciation	11,658	8,850	2,111	116	22,735
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Amortisation of software	6,516	816	131	1	7,464
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Share- based payments	838	(2)	234	-	1,070
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Year ended 31 December 2012 (restated)	UK	Germany	France	Belgium	Total
	£'000	£'000	£'000	£'000	£'000

Revenue					
Supply Chain revenue	764,215	801,447	405,432	34,490	2,005,584
Services revenue					
Professional Services	104,308	89,602	23,897	2,447	220,254
Contractual Services	327,124	302,747	49,977	8,528	688,376
Total Services revenue	431,432	392,349	73,874	10,975	908,630
Total revenue	1,195,647	1,193,796	479,306	45,465	2,914,214

Results

Adjusted gross profit	183,915	145,020	47,297	4,984	381,216
Administrative expenses	(131,686)	(125,356)	(43,033)	(3,097)	(303,172)
Adjusted operating profit	52,229	19,664	4,264	1,887	78,044
Adjusted net interest	1,439	228	(327)	(75)	1,265
Adjusted profit before tax	53,668	19,892	3,937	1,812	79,309
Exceptional items:					
- onerous contracts	-	(8,029)	-	-	(8,029)
- exceptional costs	(364)	(1,484)	(2,026)	-	(3,874)
	(364)	(9,513)	(2,026)	-	(11,903)
Amortisation of acquired intangibles	(481)	(1,194)	(933)	-	(2,608)
Statutory profit before tax	52,823	9,185	978	1,812	64,798

Other segment information

Capital expenditure:	11,311	6,992	10,622	12	28,937
Property, plant and equipment	-	-	-	1,930	1,930
Software	7,803	1,022	156	-	8,981

Depreciation	14,258	8,601	1,418	60	24,337
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Amortisation of software	5,838	1,024	103	-	6,965
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Share- based payments	1,613	522	41	-	2,176
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Information about major customers

Included in revenues arising from the UK segment are revenues of approximately £280 million (2012: £279 million) which arose from sales to the Group's largest customer. For the purposes of this disclosure a single customer is considered to be a group of entities known to be under common control. This customer consists of entities under control of the UK Government, and includes the Group's revenues with central government, local government and certain government controlled banking institutions.

5 Exceptional items

2013	2012
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	£'000	£'000
Operating profit		
Onerous contracts	(15,739)	(8,029)
Impairment of acquired intangible assets	(12,195)	-
Redundancy and other restructuring costs	(4,291)	(1,484)
Impairment of investment in associate	(539)	-
Services contracts re-valuation	4,000	-
Costs in relation to relocation of premises	-	(2,390)
	<u>(28,764)</u>	<u>(11,903)</u>
Income tax		
Tax on onerous contracts included in operating profit	1,889	883
Tax on impairment of acquired intangible assets	1,014	-
<u>Tax on exceptional items included in operating profit</u>	<u>(700)</u>	<u>362</u>
Total tax on exceptional items	2,203	1,245
Exceptional tax items		
-Deferred tax asset in respect of France	(2,184)	-
-Tax credit in relation to prior year R&D claim	1,695	-
	<u>1,714</u>	<u>1,245</u>
<u>Exceptional items after taxation</u>	<u>(27,050)</u>	<u>(10,658)</u>

Included within the current year are the following exceptional items:

In Germany three managed service contracts have been identified as onerous. A £2.1 million provision was made in December 2012 for these contracts. A further provision for estimated future losses of £7.5 million was held as at December 2013. This further provision has been classified as an exceptional item due to its size and nature and the 2012 result has been restated to be consistent.

Included within the German segment results in 2012 and 2013 are losses incurred in relation to these onerous contracts. In order to provide a clearer understanding of the performance of the remainder of the business, losses previously recognised within the German operating result for these contracts have now been reclassified within exceptional items. In 2012 trading losses of £5.9 million were incurred on revenues of £15.4 million. In 2013 trading losses of £8.2 million have been incurred on turnover of £23.0 million.

The deterioration in the performance of Computacenter France has led to an assessment of their non-current assets. It has been concluded that the forecasted cash flows for the French cash generating unit do not fully support the value of non-current assets in the business. This has resulted in an impairment of £12.2 million of intangible assets in the French cash generating unit.

During 2013 Computacenter Germany continued its programme, from late 2012, to reduce its net operating expenses. As a result, redundancy costs of £3.1 million were incurred during the year, which due to their size and nature have been included within exceptional items.

Similarly, Computacenter France has begun a programme to also reduce its SG&A and restructure its business and senior management in line with the Group Operating Model. Redundancy related expenses of £1.2 million have been included in the 2013 result.

Due to the continued adverse performance of our equity accounted associate, ICS Solutions Limited, we have decided to fully impair the £0.5 million recorded value of our investment.

As part of our normal processes, we have carried out a detailed evaluation of other long-term Services contracts across the Group. As a result of this on-going evaluation, management have calculated that a positive change in certain estimates has resulted in a one-off gain of £4.0 million. Due to the nature of the change in the estimates, and the size of the gain, it has been decided to highlight this as an exceptional

item. This is consistent with the treatment of the previously identified onerous contracts and will provide a fairer and more balanced understanding of our underlying growth in profitability.

During the year a deferred tax asset relating to losses carried forward in France has been written off for £2.2 million.

Tax relief from prior period Research and Development project spend on the Group ERP platforms has resulted in prior year adjustment credited in the statutory tax charge for year. Due to the timing, materiality and one-off nature of this relief, it has been decided to classify it an exceptional tax item.

Included within the prior year are the following exceptional items:

During the year, Computacenter France consolidated its operations in a new office and began the move to a new warehouse. In January 2013, RDC relocated to new premises in Braintree. The one-off costs in relation to the relocation of these premises of £2.4 million that have been disclosed as an exceptional item relate principally to:

- operating lease rental expense charged on new properties during the fit-out period and prior to occupation;
- redundancy costs paid as a result of the relocation; and
- rental expense related to legacy properties once they had been vacated.

In the second half of 2012, Computacenter Germany undertook a programme to reduce its net operating expenses by approximately £1.2 million annually. The related redundancy expenses of £1.5 million, due to their size and nature, have been included within exceptional items.

The income statement impact of both items has been shown as an exceptional tax item.

6 Income tax

a) Tax on profit on ordinary activities

	2013 £'000	2012 £'000
Tax charged in the income statement		
Current income tax		
UK corporation tax		
- operating result	14,395	14,914
- exceptional items	(891)	(94)
Total UK corporation tax	13,504	14,820
Foreign tax		
- operating result	5,031	3,988
- exceptional items	(1,994)	(651)
Total foreign tax	3,037	3,337
Adjustments in respect of prior periods	(509)	(2,952)
Total current income tax	16,032	15,205
Deferred tax		
Operating result		
- origination and reversal of temporary differences	139	(1,466)
- adjustments in respect of prior periods	25	2,171
Exceptional items	1,171	(232)
Total deferred tax	1,335	473
Tax charge in the income statement	17,367	15,678

b) Reconciliation of the total tax charge

	2013 £'000	2012 £'000
Accounting profit before income tax	50,525	64,798

At the UK standard rate of corporation tax of 23.25 per cent (2012: 24.5 per cent)	11,747	15,876
Expenses not deductible for tax purposes	802	1,885
Non-deductible element of share-based payment charge	54	211
Adjustments in respect of current income tax of previous periods	(485)	(1,274)
Higher tax on overseas earnings	1,511	276
Other differences	766	(549)
Effect of changes in tax rate on deferred tax	(262)	(140)
Utilisation of previously unrecognised deferred tax assets	(3,169)	(2,098)
Exceptional changes in recoverable amounts of deferred tax assets	2,185	-
Tax on impairment of acquired intangible assets	(1,014)	-
Overseas tax not based on earnings	1,554	1,491
Tax credit in relation to prior year R&D claim	(1,695)	-
Deferred tax not recognised on current year losses	5,373	-
At effective income tax rate of 34.4 per cent (2012: 24.2 per cent)	17,367	15,678

c) Tax losses

Deferred tax assets of £13.5 million (2012: £15.7 million) have been recognised in respect of losses carried forward.

In addition, at 31 December 2013, there were unused tax losses across the Group of £125.4 million (2012: £115.5 million) for which no deferred tax asset has been recognised. Of these losses, £54.5 million (2012: £61.6 million) arise in Germany and £67.6 million (2012: £50.6 million) arise in France. A significant proportion of the losses arising in Germany have been generated in statutory entities that no longer have significant levels of trade. The remaining unrecognised tax losses relate to other loss-making overseas subsidiaries.

d) Deferred tax

Deferred income tax at 31 December relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Deferred income tax liabilities				
Accelerated capital allowances	1,970	2,486	258	(680)
Effect of changes in tax rate on opening liability	-	-	267	(219)
Amortisation of intangibles	1,354	2,334	1,277	(440)
Arising on acquisition	--	255	-	-
Gross deferred income tax liabilities	3,324	5,075		
Deferred income tax assets				
Relief on share option gains	1,142	1,100	(55)	(42)
Other temporary differences	2,501	1,605	1,562	1,911
Effect of changes in tax rate on opening asset	-	-	(109)	-
Revaluations of foreign exchange contracts to fair value	326	6	320	59
Losses available for offset against future taxable income	13,580	15,715	(2,185)	(116)
Gross deferred income tax assets	17,549	18,426		
Deferred income tax charge			1,335	473
Net deferred income tax asset	14,225	13,351		
Disclosed on the balance sheet				
Deferred income tax asset	15,172	14,385		
Deferred income tax liability	(947)	(1,034)		
Net deferred income tax asset	14,225	13,351		

At 31 December 2013, there was no recognised or unrecognised deferred income tax liability (2012: £nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group expects that future remittances of earnings from its overseas subsidiaries will be covered by the UK dividend exemption.

e) Impact of rate change

The main rate of UK Corporation will be reduced to 21 per cent from 1 April 2014 and to 20 per cent from 1 April 2015, as enacted in the Finance Act 2013. Deferred tax has been restated accordingly in these financial statements.

7 Earnings per ordinary share

Earnings per share ('EPS') amounts are calculated by dividing profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year (excluding own shares held).

Diluted earnings per share amounts are calculated by dividing profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year (excluding own shares held) adjusted for the effect of dilutive options.

Adjusted basic and adjusted diluted EPS are presented to provide more comparable and representative information. Accordingly the adjusted basic and adjusted diluted EPS figures exclude amortisation of acquired intangibles and exceptional items.

	2013	Restated 2012
	£'000	£'000
Profit attributable to equity holders of the parent	33,160	49,121
Amortisation of acquired intangibles	2,375	2,608
Tax on amortisation of acquired intangibles	(244)	(538)
Exceptional items within operating profit	28,764	11,903
Tax on exceptional items included in operating profit	(2,203)	(1,245)
Exceptional tax items	489	-
Profit before amortisation of acquired intangibles and exceptional items	62,341	61,849

	2013	2012
	000's	000's
Basic weighted average number of shares (excluding own shares held)	142,665	149,387
Effect of dilution:		
Share options	1,428	2,179
Diluted weighted average number of shares	144,093	151,566

	2013	Restated 2012
	pence	pence
Basic earnings per share	23.2	32.9
Diluted earnings per share	23.0	32.4
Adjusted basic earnings per share	43.7	41.4
Adjusted diluted earnings per share	43.3	40.8

8 Dividends paid and proposed

	2013	2012
	£'000	£'000
Declared and paid during the year:		
Equity dividends on Ordinary Shares:		
Final dividend for 2012: 10.5 pence (2011: 10.5 pence)	15,759	15,725
Interim dividend for 2013: 5.2 pence (2012: 5.0 pence)	7,038	7,488
	22,797	23,213

Proposed (not recognised as a liability as at 31 December)

Equity dividends on Ordinary Shares:		
Final dividend for 2013: 12.3 pence (2012: 10.5 pence)	16,706	15,589

9 Analysis of changes in net funds

	At 31 January 2013 £'000	Cash flows in year £'000	Non-cash flow £'000	Exchange differences £'000	At 31 December 2013
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					£'000
	138,149	(48,865)		1,814	91,098
Cash and short-term deposits			-		
	(678)	(27)		(59)	(764)
Bank overdraft			-		
	137,471	(48,892)		1,755	90,334
Cash and cash equivalents			-		
	10,000	(10,000)			
Current asset investment			-	-	-
	(144)	84		(3)	(63)
Bank loans			-		
	147,327	(58,808)		1,752	90,271
Net funds excluding customer specific financing			-		
Customer specific finance leases	(17,999)	8,065	(1,235)	(408)	(11,577)
	(702)	(6,578)			(7,280)
Customer specific other loans			-	-	
	(18,701)	1,487	(1,235)	(408)	(18,857)
Total customer specific financing					
Net funds	128,626	(57,321)	(1,235)	1,344	71,414

	At 1 January 2012 £'000	Cash flows in year £'000	Non-cash flow £'000	Exchange differences £'000	At 31 December 2012 £'000
Cash and short-term deposits	128,437	11,806	-	(2,094)	138,149
Bank overdraft	(1,653)	940	-	35	(678)
Cash and cash equivalents	126,784	12,746	-	(2,059)	137,471
Current asset investment	10,000	-	-	-	10,000
Factor financing	-	(144)	-	-	(144)
Net funds excluding customer specific financing	136,784	12,602	-	(2,059)	147,327
Customer specific finance leases	(21,624)	9,201	(6,031)	455	(17,999)
Customer specific other loans	(1,524)	776	-	46	(702)
Total customer specific financing	(23,148)	9,977	(6,031)	501	(18,701)
Net funds	113,636	22,579	(6,031)	(1,558)	128,626

10 Adjusted management cash flow statement

The adjusted management cash flow has been provided to explain how management view the cash performance of the business. There are two primary differences to this presentation compared to the statutory cash flow statement, as follows:

- 1) Items relating to customer specific financing are adjusted for as follows:
 - a. Interest paid on customer specific financing is reclassified from interest paid to adjusted operating profit; and
 - b. Where customer specific assets are financed by finance leases and the liabilities are matched by future amounts receivable under customer operating lease rentals, the depreciation of leased assets and the repayment of the capital element of finance leases are offset within net working capital; and
 - c. Where assets are financed by loans and the liabilities are matched by amounts receivable under customer operating lease rentals, the movement on loans within financing activities is offset within working capital.
- 2) Net funds excluding CSF is stated inclusive of current asset investments. Current asset investments consists of a deposit held for a term of greater than three months from the date of deposit which is available to the Group with 30 days notice. The fair value of the current asset investment as at 31 December 2013 is not materially different to the carrying value.

	2013 £'000	2012 £'000
Adjusted profit before taxation	81,664	79,309
Adjusted net interest	(286)	(1,265)
Depreciation and amortisation	25,764	24,384
Share-based payments	1,070	2,176

Trading losses on onerous contracts	(8,201)	(5,921)
Working capital movements	(29,508)	(13,819)
Other adjustments	(47)	377
Adjusted operating cash inflow	70,456	85,241
Net interest received	(135)	1,118
Income taxes paid	(9,624)	(13,111)
Capital expenditure and investments	(24,231)	(30,813)
Acquisitions	-	(1,854)
Equity dividends paid	(22,797)	(23,213)
Cash inflow before financing	13,669	17,368
Financing		
Proceeds from issue of shares	1,222	53
Return of value	(73,701)	-
Purchase of own shares	-	(4,819)
Increase in net funds excluding CSF in the period	(58,810)	12,602
Increase in net funds excluding CSF	(58,810)	12,602
Effect of exchange rates on net funds excluding CSF	1,754	(2,059)
Net funds excluding CSF at beginning of period	147,327	136,784
Net funds excluding CSF at end of period	90,271	147,327

11 Related party transactions

During the year the Group entered into transactions, in the ordinary course of business, with related parties. Transactions entered into are as described below:

Biomni provides the Computacenter e-procurement system used by many of Computacenter's major customers. An annual fee has been agreed on a commercial basis for use of the software for each installation. Both PJ Ogden and PW Hulme are Directors of and have a material interest in Biomni Limited.

The table below provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

	Sales to related parties £'000	Purchases from related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Biomni Limited	38	777	1	1

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. The Group has not recognised any provision for doubtful debts relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

12 Publication of non-statutory accounts

The financial information in the preliminary statement of results does not constitute the Group's statutory accounts for the year ended 31 December 2013 but is derived from those accounts and the accompanying Directors' report. Statutory accounts for the year ended 31 December 2013 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditors have reported on those accounts; their report was unqualified and did not contain statements under Section 498 (2) or Section 498 (3) of the Companies Act 2006.

The financial statements, and this preliminary statement, of the Group for the year ended 31 December 2013 were authorised for issue by the Board of Directors on 10 March 2014 and the balance sheet was signed on behalf of the Board by MJ Norris and FA Conophy.

The statutory accounts have been delivered to the Registrar of Companies in respect of the year ended 31 December 2012. The report of the auditors was unqualified and did not contain statements under Section

498 (2) or Section 498 (3) of the Companies Act 2006.

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