

Interim Results - Part 2

August 28, 2008

Part 2 : For preceding part double click [nRn1b1627C]

Investing activities			
Interest received	1,872	1,988	3,885
Acquisition of subsidiaries, net of cash acquired	-	(32,596)	(32,600)
Sale of property, plant and equipment	11	306	336
Purchases of property, plant and equipment	(2,471)	(6,173)	(8,620)
Purchases of intangible assets	(2,922)	(2,934)	(5,619)
Acquisition of minority interests	-	-	(30)
Net cash flow from investing activities	(3,510)	(39,409)	(42,648)
Financing activities			
Interest paid	(3,536)	(2,069)	(5,333)
Dividends paid to equity shareholders of the parent	(8,063)	(7,871)	(11,806)
Proceeds from issue of shares	-	543	661
Purchase of own shares	(9,501)	-	(11,332)
Repayment of capital element of finance leases	(10,281)	(2,061)	(12,195)
Repayment of loans	(7,265)	(6,742)	(11,103)
New borrowings	7,509	6,203	19,832
Increase/(decrease) in factor financing	18,818	(8,381)	(8,743)
Net cash flows from financing activities	(12,319)	(20,378)	(40,019)
Increase/(decrease) in cash and cash equivalents	8,816	(54,346)	(50,195)
Effect of exchange rates on cash and cash equivalents	(1,477)	1	(1,521)
Cash and cash equivalents at beginning of period	7,266	58,982	58,982
Cash and cash equivalents at end of period	14,605	4,637	7,266

Analysis of net funds

Cash and cash equivalents	14,605	4,637	7,266
Factor financing	(44,324)	(21,148)	(23,453)
Net debt prior to customer-specific financing	(29,719)	(16,511)	(16,187)
Finance leases	(50,004)	(30,218)	(47,642)
Other loans	(16,218)	(6,707)	(15,975)
Net debt	(95,941)	(53,436)	(79,804)

Notes to the accounts

1 Accounting policies

Basis of preparation

The unaudited interim financial statements have been prepared on the basis of the accounting policies set out in the Group's statutory accounts for the year ended 31 December 2007, and in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union. The taxation charge is calculated by applying the Directors' best estimate of the annual tax rate to the profit for the period. Other expenses are accrued in accordance with the same principles used in the preparation of the annual accounts.

2 Segment information

The Group's primary reporting format is geographical segments and its secondary format is business segments.

The Group's geographical segments are 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.

Revenues are usually expected to be higher in the second half of the year than in the first six months. This is principally driven by customer buying behaviour in the markets in which we operate. Typically this leads to a more pronounced effect on operating profit. In addition the effect is compounded further by the tendency for the holiday entitlements of our employees to accrue during the first half of the year and to be utilised in the second half.

Segmental performance for the period to 30 June 2008 was as follows:

	Unaudited six months ended 30 June 2008 £'000	Unaudited six months ended 30 June 2007 £'000	Year ended 31 Dec 2007 £'000
Revenue by geographic market			
UK	708,099	671,154	1,357,305
Germany	379,777	340,680	708,581
France	147,211	135,309	285,698
Benelux	15,173	13,190	27,557
Total	1,250,260	1,160,333	2,379,141
Gross profit by geographic market			
UK	98,924	95,324	197,185
Germany	51,959	43,339	94,202
France	16,961	14,178	31,501
Benelux	1,694	1,309	2,920
Total	169,538	154,150	325,808
Operating profit/(loss) by geographic market			
UK	10,112	11,267	33,957
Germany	4,320	3,779	10,942
France	(1,930)	(2,111)	(1,754)
Benelux	(68)	(111)	(44)
Total	12,434	12,824	43,101
Revenue by business segment			
Product	923,193	873,628	1,774,164
Professional services	83,993	71,088	158,488
Support and managed services	243,074	215,617	446,489
Total	1,250,260	1,160,333	2,379,141

3 Finance costs

	Unaudited six months ended 30 June 2008 £'000	Unaudited six months ended 30 June 2007 £'000	Year ended 31 Dec 2007 £'000
Bank loan and overdrafts	1,220	1,537	2,624

Finance charges payable on customer-specific financing	1,726	629	2,025
Other interest	-	-	303
	2,946	2,166	4,952

4 Income tax

The charge based on the profit for the period comprises:

	Unaudited six months ended 30 June 2008	Unaudited six months ended 30 June 2007	Year ended 31 Dec 2007
	£'000	£'000	£'000
UK corporation tax	4,087	5,388	13,420
Foreign tax	101	38	113
Adjustments in respect of prior periods	(651)	-	(385)
Deferred tax	(469)	(107)	13
	3,068	5,319	13,161

5 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.

	Unaudited six months ended 30 June 2008	Unaudited six months ended 30 June 2007	Year ended 31 Dec 2007
	£'000	£'000	£'000
Profit attributable to equity holders of the parent	7,922	7,496	28,888
Amortisation of acquired intangibles attributable to equity holders of the parent	268	240	613
Tax on amortisation of acquired intangibles	(67)	-	(184)
Profit before amortisation of acquired intangibles attributable to equity holders of the parent	8,123	7,736	29,317
	No '000	No '000	No '000
Basic weighted average number of shares (excluding own shares held)	150,850	157,272	156,117
Effect of dilution:			
Share options	2,769	2,616	2,202
Diluted weighted average number of shares	153,619	159,888	158,319

	Unaudited six months ended 30 June 2008	Unaudited six months ended 30 June 2007	Year ended 31 Dec 2007
	pence	pence	pence
Basic earnings per share	5.3	4.8	18.5
Diluted earnings per share	5.2	4.7	18.2
Adjusted basic earnings per share	5.4	4.9	18.8
Adjusted diluted earnings per share	5.3	4.8	18.5

6 Dividends paid and proposed

The proposed final dividend for 2007 of 5.5p per ordinary share was approved at the AGM in May 2008 and was paid on 12 June 2008. An interim dividend in respect of 2008 of 2.7p per ordinary share, amounting to a total dividend of £3,960,000, was declared by the Directors at their meeting on 27 August 2008. This interim report does not reflect this dividend payable.

7 Financial liabilities

Factor financing

On 13 May 2008, the Group entered into a £60m Sterling and Euro Receivables Financing Agreement with a bank. Under the terms of the arrangement certain trade debts are sold to the bank who in turn advances cash payments in relation to these debts. Interest is charged on a daily basis at a rate of ECB base rate +65 basis points. The facility is committed for a minimum period of three years. At the end of the period 25% of the facility was drawn down.

8 Adjusted operating profit

Reconciliation of adjusted operating profit

Management measure the Group's operating performance using adjusted operating profit which is stated prior to amortisation of acquired intangibles and after charging finance costs on customer-specific financing for which the Group receives regular rental income.

	Unaudited six months ended 30 June 2008	Unaudited six months ended 30 June 2007	Year ended 31 Dec 2007
	£'000	£'000	£'000
Operating profit	12,434	12,824	43,101
Add back			
Amortisation of acquired intangibles	268	240	613
After charging			
Finance costs on customer-specific financing	(1,726)	(629)	(2,025)
Adjusted operating profit	10,976	12,435	41,689

Adjusted operating profit/(loss) by geographic market

	Unaudited six months ended 30 June 2008	Unaudited six months ended 30 June 2007	Year ended 31 Dec 2007
	£'000	£'000	£'000
UK	8,874	11,263	33,099
Germany	4,100	3,394	10,388
France	(1,930)	(2,111)	(1,754)
Benelux	(68)	(111)	(44)
Total	10,976	12,435	41,689

9 Adjusted cash flow statement

The adjusted 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) Factor financing is not included within the statutory definition of cash and cash equivalents, but operationally is managed within the total net funds/borrowings of the businesses; and
- 2) 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;
 - b. Assets held under finance leases, which are matched by amounts receivable under customer operating lease rentals, are netted off against each other. This impacts the depreciation of leased assets, the repayment of capital element of finance leases and net working capital; and
 - c. Assets financed by loans, which are matched by amounts receivable under customer operating lease rentals, are netted off against each other. This impacts the movement on loans within financing activities and also net working capital.

Adjusted cash flow statement

For the six months ended 30 June 2008

	Unaudited six months ended 30 June 2008	Unaudited six months ended 30 June 2007	Year ended 31 Dec 2007
	£'000	£'000	£'000
Adjusted operating profit	10,976	12,435	41,689
Adjustments to reconcile Group adjusted operating profit to adjusted operating cashflow			
Depreciation and amortisation	8,976	8,589	16,603
Share-based payment	1,573	1,269	2,659
Working capital movements	(5,456)	(13,759)	(20,089)
Currency and other adjustments	(1,190)	43	(4,196)
Adjusted operating cashflow	14,879	8,577	36,666
Income taxes paid	(5,527)	(6,345)	(13,853)
Net interest received	62	549	577
Capital expenditure and investments	(5,382)	(8,801)	(13,933)
Acquisitions and disposals	-	(32,596)	(32,600)
Equity dividends paid	(8,063)	(7,871)	(11,806)
Cashoutflow before financing	(4,031)	(46,487)	(34,949)
Financing			
Proceeds from issue of shares	-	543	661
Purchase of own shares	(9,501)	-	(11,332)
Decrease in net debt pre CSF in the period	(13,532)	(45,944)	(45,620)
Decrease in net debt pre CSF	(13,532)	(45,944)	(45,620)
Net debt pre CSF at beginning of period	(16,187)	29,433	29,433
Net debt pre CSF at end of period	(29,719)	(16,511)	(16,187)

10 Publication of non-statutory accounts

The financial information contained in the interim statement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The auditors have issued an unqualified opinion on the Group's statutory financial statements under International Accounting Standards for the year ended 31 December 2007. Those accounts have been delivered to the Registrar of Companies.

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