Preliminary Results - Part 2

March 11, 2008

RNS Number:7912P
Computacenter
Part 2 : For preceding part double-click [nRNSK7912P]

At 1 January 2007	9,571	2,247	74,542	(2,503)	(2,455)	183,700	265,102	27	265,129
Exchange differences on retranslation of foreign operations	-	-	-	-	3,962	-	3,962	-	3,962
Net income recognised directly in equity	-	-	-	-	3,962	-	3,962	-	3,962
Profit for the year	-	-	-	-	-	28,888	28,888	10	28,898
Total recognised income and expenses for the year	-	-	-	-	3,962	28,888	32,850	10	32,860
Cost of share-based payment	-	-	-	-	-	2,659	2,659	-	2,659
Exercise of options	18	643	-	49	-	-	710	-	710
Purchase of own shares	-	-	-	(11,332)	-	-	(11,332)	-	(11,332)
Cancellation of own shares	(85)	-	85	2,406	-	(2,406)	-	-	-
Equity dividends	-	-	-	-	-	(11,806)	(11,806)	-	(11,806)
Acquisition of minority interests	-	-	-	-	-	-	-	(24)	(24)
	(67)	643	85	(8,877)	3,962	17,335	13,081	(14)	13,067
At 31 December 2007	9,504	2,890	74,627	(11,380)	1,507	201,035	278,183	13	278,196

Consolidated cash flow statement
For the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Operating activities			
Operating profit		43,101	28,541
Adjustments to reconcile Group operating profit to net cash inflows from operating activities			
Depreciation		27,130	14,585
Amortisation		3,547	1,907
Share-based payment		2,659	1,411
Impairment of property, plant and equipment		-	2,492
Loss on disposal of property, plant and equipment		190	353
Impairment of intangible assets		86	114
Loss on disposal of intangible assets		-	9
Dividend received from associate		-	202
(Increase)/decrease in inventories		(8,724)	4,560
Increase in trade and other receivables		(1,470)	(35,498)
(Decrease)/increase in trade and other payables		(19,976)	6,895
Currency and other adjustments		(218)	5
Cash generated from operations		46,325	25,576
Income taxes paid		(13,853)	(11,994)
Net cash flow from operating activities		32,472	13,582
Investing activities			
Interest received		3,885	6,600
Acquisition of subsidiaries, net of cash acquired		(32,600)	-
Sale of property, plant and equipment		336	24
Purchases of property, plant and equipment		(8,620)	(7,504)
Purchases of intangible assets		(5,619)	(2,499)
Acquisition of minority interests		(30)	-
Sale of interest in associate		-	364
Net cash flow from investing activities		(42,648)	(3,015)
Financing activities			
Interest paid		(5,333)	(2,152)
Dividends paid to equity shareholders of the parent		(11,806)	(13,326)
Proceeds from share issues		661	2,383
Purchase of own shares		(11,332)	-
Repayment of capital element of finance leases		(12,195)	(2,629)
Repayment of loans		(11,103)	(5,527)
New borrowings		19,832	12,447
Return of capital		-	(74,442)
Expenses on return of capital		-	(365)
Decrease in factor financing		(8,743)	(1,377)
Net cash flow from financing activities		(40,019)	(84,988)
Decrease in cash and cash equivalents		(50,195)	(74,421)
Effect of exchange rates on cash and cash equivalents		(1,521)	492
Cash and cash equivalents at the beginning of the year	7	58,982	132,911
Cash and cash equivalents at the year end	7	7,266	58,982

Analysis of changes in net funds

	At 1 January 2007 £'000	Cash flows in year £'000	Non-cash flow £'000	Exchange differences £'000	At 31 December 2007 £'000
Cash and cash equivalents	58,982	(50,195)	-	(1,521)	7,266
Factor financing	(29,549)	8,743	-	(2,647)	(23,453)
Net funds/(debt) prior to customer-specific financing	29,433	(41,452)	-	(4,168)	(16,187)
Finance leases	(11,403)	12,195	(47,768)	(666)	(47,642)
Other loans	(7,246)	(8,729)	-	-	(15,975)
Net funds/(debt)	10,784	(37,986)	(47,768)	(4,834)	(79,804)

Notes to the consolidated financial statements
For the year ended 31 December 2007

1 Authorisation of financial statements and statement of compliance with IFRS

The consolidated financial statements of Computacenter plc for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the Directors on 10 March 2008. 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 2007 and applied in accordance with the Companies Act 1985.

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 to translate any 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 that are recognised in assets, 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.

Minority 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 described below:

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these standards did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures:

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. Whilst there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Presentation of Financial Statements

The amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 24.

IFRIC 11 IFRS 2 Group and Treasury Share Transactions

The Group has elected to early adopt IFRIC Interpretation 11 as of January 2007, insofar as it applies to consolidated financial statements. This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme.

3 Segmental analysis

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.

Each geographical business contains the following three business segments: -

- the Product segment supplies computer hardware and software to large and medium corporate and government customers and to other distributors. It includes the resale of third party services for which the group retains no risks or rewards post sale; and

- the Professional Services segment provides technical and project management skills to enable customers in the corporate and government sectors to implement and integrate new technologies into their infrastructures; and

- the Support and Managed Services segment provides an outsourcing service for specific areas of infrastructure management to customers in the corporate and government sectors.

The sale of goods is reported in the Product segment. The rendering of services is reported in the Professional Services and Support and Managed Services segments.

Transfer prices between geographical segments are set on an arm's length basis in a manner similar to transactions with third parties. The impact of inter-segment sales on operating profit by segment is not significant.

Geographical segments

The following tables present revenue, expenditure and certain asset information regarding the Group's geographical segments for the years ended 31 December 2007 and 2006:

	UK	Germany	France	Benelux	Total

	£'000	£'000	£'000	£'000	£'000
Year ended 31 December 2007					
Revenue					
Sales to external customers	1,357,305	708,581	285,698	27,557	2,379,141
Inter-segment sales	13,094	19,529	1,373	4,014	38,010
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Segment revenue	1,370,399	728,110	287,071	31,571	2,417,151
	=======	=======	=======	=======	========
Result					
Gross profit	197,185	94,202	31,501	2,920	325,808
Distribution costs	(10,572)	(3,700)	(3,855)	(217)	(18,344)
Administrative expenses	(152,175)	(79,428)	(29,400)	(2,747)	(263,750)
	-------	-------	-------	-------	--------
Operating result before amortisation of acquired intangibles	34,438	11,074	(1,754)	(44)	43,714
Amortisation of acquired intangibles	(481)	(132)	-	-	(613)
	-------	-------	-------	-------	--------
Segment operating result	33,957	10,942	(1,754)	(44)	43,101
	-------	-------	-------	-------	--------
Net finance income/ (expense)	2,536	(1,842)	(1,613)	(123)	(1,042)
	-------	-------	-------	-------	--------
Profit before tax	36,493	9,100	(3,367)	(167)	42,059
Income tax expense					(13,161)

Profit for the year					28,898
					========
Assets and liabilities					
Total segment assets	578,522	186,480	56,379	3,720	825,101
	=======	=======	=======	=======	========
Total segment liabilities	293,033	152,534	95,763	5,575	546,905
	=======	=======	=======	=======	========
Other segment information					
Capital expenditure:					
Property, plant and equipment	42,914	12,759	648	67	56,388
Intangible fixed assets	3,195	2,239	185	-	5,619
	=======	=======	=======	=======	========
Depreciation	22,319	4,705	-	106	27,130
Amortisation	2,985	451	111	-	3,547
	=======	=======	=======	=======	========
Share-based payment	2,197	326	136	-	2,659
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	UK	Germany	France	Benelux	Total
	£'000	£'000	£'000	£'000	£'000
Year ended 31 December 2006					
Revenue					
Sales to external customers	1,281,498	654,671	307,264	26,470	2,269,903
Inter-segment sales	8,601	11,734	764	3,336	24,435
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Segment revenue	1,290,099	666,405	308,028	29,806	2,294,338
Result					
Gross profit	181,900	83,405	27,711	2,450	295,466
Distribution costs	(11,765)	(3,646)	(3,521)	(143)	(19,075)
Administrative expenses	(132,665)	(76,925)	(30,685)	(2,498)	(242,773)
Operating result before amortisation of acquired intangibles and exceptional items	37,470	2,834	(6,495)	(191)	33,618
Amortisation of acquired intangibles	-	(46)	-	-	(46)
Operating result before exceptional items	37,470	2,788	(6,495)	(191)	33,572
Exceptional items	-	-	(5,031)	-	(5,031)
Segment operating result	37,470	2,788	(11,526)	(191)	28,541
Net finance income/ (expense)	6,834	(882)	(1,475)	(89)	4,388
Profit before tax	44,304	1,906	(13,001)	(280)	32,929
Income tax expense					(13,994)
Profit for the year					18,935
Assets and liabilities					
Total segment assets	506,177	166,611	76,342	2,188	751,318
Total segment liabilities	223,296	145,382	112,679	4,832	486,189
Other segment information					
Capital expenditure:					
Property, plant and equipment	10,387	9,557	852	89	20,885
Intangible fixed assets	1,922	495	82	-	2,499
Depreciation	11,262	2,283	936	104	14,585
Amortisation	1,551	293	63	-	1,907
Share-based payment	1,173	202	28	8	1,411

Business segments

The following tables present revenue information regarding the Group's business segments for the years ended 31 December 2007 and 2006.

	Product	Professional Services	Support and Managed Services	Total
Year ended 31 December 2007	£'000	£'000	£'000	£'000
Revenue				
Sales to external				

customers	1,774,164	158,488	446,489	2,379,141
Inter-segment sales	7,563	9,559	20,888	38,010
Segment revenue	1,781,727	168,047	467,377	2,417,151

	Product	Professional Services	Support and Managed Services	Total
Year ended 31 December 2006	£'000	£'000	£'000	£'000
Revenue				
Sales to external customers	1,735,210	128,895	405,798	2,269,903
Inter-segment sales	3,865	2,723	17,847	24,435
Segment revenue	1,739,075	131,618	423,645	2,294,338

Business segments provide the Group with common business performance reporting across geographic segments that are structured and organised differently. Due to invoice bundling and shared service and business support structures, revenue and gross profit involves allocation judgements. Each geographic segment principally consists of a single entity with shared assets, liabilities and capital expenditure. Investment decisions are made either at the level of or within a geographic segment, but are not made at a business segment level. It is, therefore, not possible to split out assets, liabilities and capital expenditure information by business segments.

4 Income tax

a) Tax on profit on ordinary activities

	2007	2006
	£'000	£'000
Tax charged in the income statement		
Current income tax		
UK corporation tax	13,420	14,421
Foreign tax	113	212
Adjustments in respect of prior periods	(385)	76
Consortium relief	-	59
Total current income tax	13,148	14,768
Deferred tax		
Origination and reversal of temporary differences	(1,372)	(499)
Losses utilised	3,417	-
Effect of changes in tax rate on deferred tax	(49)	-
Effect of changes in tax rate on German deferred tax asset	635	-
Changes in recoverable amounts of deferred tax assets	(2,747)	(275)
Adjustments in respect of prior periods	129	
Total deferred tax	13	(774)
Tax charge in the income statement	13,161	13,994

b) Reconciliation of the total tax charge

	2007	2006

	£'000	£'000
Accounting profit before tax	42,059	32,929
At the UK standard rate of corporation tax of 30% (2006: 30%)	12,618	9,879
Expenses not deductible for tax purposes	643	724
Relief on share option gains	(78)	(218)
Non-deductible element of share-based payment charge	506	423
Adjustments in respect of current income tax of previous periods	(256)	(214)
Higher tax on overseas earnings	859	49
Effect of changes in tax rate on deferred tax	(49)	-
Accounting depreciation in excess of tax depreciation	-	21
Other differences	(149)	(616)
Changes in recoverable amounts of deferred tax assets	(2,747)	
Effect of change in rate of overseas deferred tax asset	635	
Consortium relief	-	59
Profit of overseas undertakings not taxable due to brought forward loss offset	-	(154)
Losses of overseas undertakings not available for relief	1,179	4,041
At effective income tax rate of 31.3% (2006: 42.6%)	13,161	13,994

Corporation tax is calculated at 30% of the estimated assessable profit for the year. Based on future legislation of the Government in the United Kingdom the corporation tax will be calculated at 28% of assessable profit from 1 April 2008. This has resulted in an increase to the closing deferred tax balances in the UK of £49,000.

From 1 January 2008 the Corporate Tax rate in Germany reduced to 30% from 40%. This has resulted in a £635,000 reduction in the deferred tax asset recognised in respect of losses carried forward.

c) Tax losses

Deferred tax assets of £6.5 million (2006: £5.5 million) have been recognised in respect of losses carried forward. In addition, at 31 December 2007, there were unused tax losses across the Group of £169.6 million (2006 : £153.1 million) for which no deferred tax asset has been recognised. Of these losses, £116.5 million (2006 : £107.6 million) arise in Germany, albeit a significant proportion 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.

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 and exceptional items.

	2007 £'000	2006 £'000
Profit attributable to equity holders of the parent	28,888	18,927
Amortisation of acquired intangibles	613	46
Tax on amortisation of acquired intangibles	(184)	(14)
Exceptional items attributable to equity holders of the parent	-	5,031
Before amortisation of acquired intangibles and exceptional items	29,317	23,990

	2007 000's	2006 000's
Basic weighted average number of shares (excluding own shares held)	156,117	172,312
Effect of dilution:		
Share options	2,202	1,232
Diluted weighted average number of shares	158,319	173,544

	2007 pence	2006 pence
Basic earnings per share	18.5	11.0
Diluted earnings per share	18.2	10.9
Adjusted basic earnings per share	18.8	13.9
Adjusted diluted earnings per share	18.5	13.8

Subsequent to the reporting date the Company has repurchased a further 3,537,600 of its own shares for cancellation.

6 Dividends paid and proposed

	2007 £'000	2006 £'000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2006: 5.0p (2005: 5.2p)	7,872	9,405
Interim for 2007: 2.5p (2006: 2.5p)	3,934	3,921
	11,806	13,326
Proposed for approval at AGM (not recognised as a liability as at 31 December)		
Equity dividends on ordinary shares:		
Final dividend for 2007: 5.5p (2006: 5.0p)	7,997	7,856

7 Cash and short-term deposits

	2007 £'000	2006 £'000
Cash at bank and in hand	19,211	17,882
Short-term deposits	10,000	60,000
	29,211	77,882

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £29,211,000 (2006: £77,882,000).

At 31 December 2007, the Group had available £148.1 million (2006:£ 132.9 million) of uncommitted overdraft and factoring facilities.

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31 December:

	2007	2006
	£'000	£'000
Cash at bank and in hand	19,211	17,882
Short-term deposits	10,000	60,000
Bank overdrafts	(21,945)	(18,900)
	7,266	58,982

8 Customer-specific leases and loans

a) Other loans

The other loans are unsecured borrowings to finance equipment sold to customers on specific contracts.

The table below summarises the maturity profile of these loans:

	2007	2006
	£'000	£'000
Not later than one year	11,571	4,443
After one year but not more than five years	4,404	2,803
	15,975	7,246

b) Finance lease commitments

The finance leases are only secured on the assets that they finance. These assets are used to satisfy specific customer contracts.

The present value of the net minimum lease payments are as follows:

	2007	2006
	£'000	£'000
Within one year	17,394	2,844
After one year but not more than five years	30,248	8,559
	47,642	11,403

c) Operating lease commitments where the Group is lessor

During the year the Group entered into commercial leases with customers on certain items of machinery. These leases have remaining terms of between one and five years.

Future amounts receivable by the Group under the non-cancellable operating leases as at 31 December are as follows:

	2007	2006
	£'000	£'000
Not later than one year	26,064	8,541

After one year but not more than five years	27,752	12,723
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	53,816	21,264
	=======	========

The amounts receivable are directly related to the finance lease obligations detailed in note 8b.

9 Post balance sheet event

On 10 January 2008 the Company entered into an agreement with its stockbrokers, Credit Suisse, to purchase during the Close Period, its own Ordinary Shares to a maximum of four million shares with a maximum value of £8,000,000. A further 3,537,600 shares had been repurchased for cancellation between the reporting date and 10 March 2008 for a value of £6,054,000.

10 Publication of non-statutory accounts

The financial information in the preliminary statement of results does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 (the "Act"). The financial information for the year ended 31 December 2007 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the year ended 31 December 2007 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The financial statements, and this preliminary statement, of the Group for the year ended 31 December 2007 were authorised for issue by the Board of Directors on 10 March 2008 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 2006 and the Auditors of the Company made a report thereon under Section 235 of the Act. That report was an unqualified report and did not contain a statement under Section 237(2) or (3) of the Act.