Final Results

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Computacenter plc

Preliminary results announcement

Computacenter plc, the European IT infrastructure services provider, today announces preliminary results for the twelve months ended 31 December 2008.

FINANCIAL HIGHLIGHTS

Financial performance

- Group revenues increased 7.6% to £2.56 billion (2007: £2.38 billion)
- Adjusted* profit before tax increased 1.0% to £43.1 million (2007: £42.7 million)
- Adjusted* diluted earnings per share increased 13.5% to 21.0p (2007: 18.5p)
- Final dividend of 5.5p per share, total dividend 8.2p (2007: 8.0p)
- Net cash before customer-specific financing ('CSF') of £4.6 million (2007: net debt of £16.2 million)

Statutory Performance

- Profit before tax decreased 6.0% to £39.5 million (2007 : £42.1 million)
- Diluted EPS increased 33.0% to 24.2p (2007: 18.2p)
- Net debt after CSF of £84.6 million (2007: net debt of £79.8 million)

OPERATING HIGHLIGHTS

- Group annual services contract base grew over 10% to £498 million, based on constant currency
- Major UK change programme launched in Q4 2008 to accelerate transition to higher margin services and solutions business and improve capital return
- UK contract base grows 7.5% to £217 million, with new wins and extensions expected to add a further £23 million by end Q1 2009
- Substantial improvement in German profitability driven by improved services margin and an increased focus on networking and datacentre solutions
- Continued steady improvement in French performance and improved services mix

Mike Norris, Chief Executive of Computacenter plc, commented:

"Computacenter delivered a strong performance for 2008 and laid the foundations for an encouraging future. As we state every year in our Preliminary announcement, it is impossible to draw any meaningful conclusion about the current year until we have completed the first quarter.

"The current economic conditions are undoubtedly affecting the markets in which we operate. However we can, and do, help businesses reduce costs and become more competitive, which makes our managed services offerings more compelling, as our recent contract base growth illustrates. We expect this growth to continue at a similar pace throughout the year, though our product revenues are under pressure.

"We enter 2009 with a strong balance sheet, which means we are well placed to capture further opportunities and market share."

* Adjusted for exceptional items and amortisation of acquired intangibles.

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High resolution images are available for the media to view and download free of charge from www.vismedia.co.uk

OPERATING REVIEW

Group Summary

Computacenter delivered a strong performance for 2008 and laid the foundations for an encouraging future. The Group delivered a 1.0% increase in adjusted* profit before tax to £43.1 million (2007: £42.7 million), largely due to improved profit performance in Germany, aided by exchange rates, Group adjusted* operating profit increased 1.1% to £42.1 million. As a result of higher profitability, a reduced number of shares in issue and a lower tax rate, adjusted* diluted earnings per share (adjusted* EPS) grew 13.5% to 21.0p (2007: 18.5p).

On a statutory basis, taking into account amortisation of acquired intangibles and exceptional impairments of intangible assets, Group profit before tax declined 6.0% to £39.5 million (2007: £42.1 million). Exceptional impairment charges consist of Group ERP charges that can be directly attributed to France, and the non-cash impairment of the acquired Digica trademark, following the cessation of its use. With the benefit of an exceptional income tax credit, Group profit after tax increased by 29.2% to £37.3 million (2007: £28.9 million) and diluted earnings per share grew 33.0% to 24.2p (2007: 18.2p).

Group revenues grew a further 7.6% in 2008 to £2,560.1 million (2007: £2,379.1 million), aided by the effects of a stronger Euro and continuing services revenue growth. By year-end our Group annual services contract base stood at £498 million, representing a growth in excess of 10% over 31 December 2007, based on constant currency.

Our balance sheet remains strong. At year-end, net cash prior to customer-specific financing (CSF) was £4.6 million (2007: net debt £16.2 million). Including CSF, net debt was £84.6 million (2007: £79.8 million). The Board is pleased to recommend a final dividend of 5.5p per share, bringing the total dividend for the year to 8.2p (2007: 8.0p). The increased dividend is consistent with our stated policy of maintaining the level of dividend cover within the target range of 2 - 2.5x. Subject to shareholder approval, the dividend will be paid on 11 June 2009 to shareholders on the register as at 15 May 2009.

The main contributors to profit growth were again our European operations particularly our German business, with a lack lustre performance in the UK. Following an in-depth review of our business, the fourth quarter of 2008 saw the launch of a UK change programme designed to ensure an improved capital return and further sharpen our focus as a services and solutions company. These changes will deliver an estimated £15 million annualised reduction in UK Sales General and Administration costs, with a positive impact in 2009. Similar, albeit much smaller, change programmes are being implemented in other countries. The major components of the change programme are as follows:

1) Exit from businesses that use working capital inefficiently

In November 2008 we ended the sale of PCs, laptops and printers through CCD, our trade distribution arm. Volume distribution of these products is highly price-competitive and gives us insufficient return. CCD will instead sharpen its focus on the higher-margin server, storage and networking business. We expect this to result in a reduction in 2009 revenues in the order of £70 million without any reduction in profit, while freeing approximately £15 million of working capital.

In addition, following a disappointing return on investment from product sales to our smaller customer base, we took the decision to refocus our UK sales efforts more sharply on our higher margin services and solutions business, where we see the greatest growth opportunity.

2) Restructure to reduce costs and encourage higher-margin sales growth

At the beginning of 2009 we implemented a new UK structure, aimed at increasing our customer focus and growing our more profitable services and solutions business. The restructure reduces organisational duplication and complexity, with fewer management layers and wider accountability.

3) Leverage scale via Group-wide IT capital investment

In 2008 we embarked on a £25 million capital investment in IT systems that will, over the next three years, enable us to standardise financial reporting and management tools across the Group. Adopting a common, Group Enterprise Resource Planning (ERP) system will enable more effective financial planning and skills and resource management, helping us reduce our costs and leverage our scale for competitive advantage. Approximately £8 million of this capital investment was paid by the end of 2008.

UK

UK revenues grew by 2.5% to £1.39 billion (2007: £1.36 billion) for the year as a whole, largely as a result of strong sales growth in datacentre services, consulting/integration activities and in sales to the medium-sized business sector. Adjusted operating profit declined 15.6% to £27.9 million (2007: £33.1 million). This was mainly due to the poor start to the year, continued significant investment in our services capability and the resourcing of our sales operation targeting product sales to organisations of fewer than 500 seats. Operating profit was also impacted by £1.8 million costs of internal effort related to the ERP upgrade programme that has been charged to the UK, principally from the German business.

As previously reported, the merging of our Managed Services and Digica operations, together with a number of smaller cost-cutting initiatives, also resulted in a restructuring cost to the UK business, adversely affecting operating profit in the first half of the year by some £1.0 million.

Services revenues overall grew by 4.3% over 2007, as the economic downturn drove customers to seek to improve the cost-effectiveness of their infrastructures. This helped grow the UK contract base a further 7.5% to £217 million. However this does not include a number of significant long-term services contracts, secured in the second half of the year, which did not make any contribution to revenue in 2008 but are expected to have a positive impact on our 2009 performance. These successes include new five-year managed services contracts with Nationwide, for the end-to-end management of its desktop and related IT infrastructure services and with Hays, for the provision of all datacentre and desktop services in the UK. We anticipate that these and other contracts will result in a UK contract base of approximately £240 million by the end of Q1 2009.

Other important wins during 2008 include a major five-year contract with Unipart, worth more than £18 million, through which we will provide end-user, datacentre and network managed services. Marks & Spencer (M&S) also expanded its IT managed services agreement, with Computacenter, which now has end-to-end accountability for the delivery of IT services to M&S's six office sites, servicing approximately 4,000 end-users.

The completed merger of Digica into our core operations made an important contribution to our win and renewal success, our improved datacentre capability enhancing our historical strengths in the desktop and networking areas.

Our ability to assist organisations to reduce operational expenditure and compete in a difficult market helped us win new business in the construction sector. Our new three-year contract with Rok Plc is for the outsourcing of the company's entire IT infrastructure, covering its 'Wintel' and UNIX server estate, storage management and the delivery of a hosted datacentre service. The scope of our datacentre hosted services contract with Crest Nicholson was also extended to cover desktop services for 650 users and management of 100 sites across the UK, leveraging Computacenter's capabilities in both South Africa and the UK.

Our consulting and integration activities again recorded revenue growth in 2008, with an increasing number of project wins utilising our full capability.

The trend for integration or transformation projects to include hardware and software sales also continued, reflecting our customers' increased dependence on highly resilient and flexible datacentre, storage and network infrastructures. Profit margins on this infrastructure remain materially higher than our transactional business due to the additional value that customers place on end-to-end solutions.

Overall UK product sales grew by 2.0%. However, outside of trade distribution, sales grew a more satisfactory 5.4%, driven by strong sales of storage, virtualisation and audio-visual technology in particular. This was offset by a 14.2% reduction in revenues from CCD, our trade distribution arm. The rise in product revenues was also in part attributable to the weakness of sterling, which led to some small price rises in certain product areas.

Our remarketing and recycling arm, RDC, continued to perform well, recording nearly 17.5% revenue growth overall. RDC is seen increasingly as a safe pair of hands for customers concerned over environmental disposal, recycling and data security for their end-of-life equipment.

Germany

Computacenter Germany again made good progress in 2008. After achieving 8.2% full year sales growth in 2007, revenue growth levelled off in 2008 as the German economy was hit by the severe economic downturn. However, while revenues increased just 1.0% in local currency and 17.2% in sterling to £830.7 million (2007: £708.6 million), adjusted* operating profit grew 47.2% to £15.3 million (2007: £10.4 million), driven mainly by further improvements in service margins and the recovery of costs of £1.4 million recharged to the UK in relation to the ERP upgrade programme.

Services revenues grew by 4.3% in local currency. This continuing growth came largely from our networking and datacentre solutions business, which is benefiting from our strategic focus on higher-margin services and our ongoing investment in IT solutions and outsourcing. Sales performance was particularly strong in networking, where double-digit growth rates have helped double networking volumes since 2005. We also saw strong sales growth from our energy efficiency related consulting services and from our security solutions.

The improved services profitability is the result of management initiatives launched in 2007 that yielded, in 2008, a three percentage point margin improvement over the previous year, most of which came from our networking and datacentre business. We are confident that this services margin improvement can be sustained and built upon.

Growing market recognition of our capabilities helped grow our annual contract base for managed services a further 11.7% in 2008. While this growth is somewhat less than in previous years, this was attributable largely to our strategic focus on improving the profitability of a number of large outsourced datacentre contracts, which had a significant positive impact on our overall performance but required substantial management attention.

Important managed services wins include a 58-month international desktop services and service desk contract with BMW Group, covering 70,000 users in Germany, Austria and the UK, and a 10-year contract with NRW.Bank, the development bank of North Rhine-Westphalia, for the management of its office and datacentre infrastructure.

An increasingly competitive market, especially in the Intel server area, adversely affected the product business, where sales declined 0.8% in local currency. This was largely driven by a fall in 'Wintel' server sales in two of our largest customers. However, sales of large enterprise servers and storage products remained strong.

Initiatives aimed at increasing networking product sales, launched in 2007, yielded strong growth in 2008, notably in the areas of security and unified communications. As a result of US dollar to Euro exchange rate fluctuations, networking product margins decreased slightly, driving down product margin percentage levels overall. Customer demand for next generation client/server architecture also helped grow sales of software 10.6%

Our overall business mix is largely unchanged, with services accounting for 36% of total revenue. More than 60% of our business is now from the sale of networking and datacentre solutions, demonstrating that our effort to focus our business mix on the less-commoditised end of the market is yielding results.

We are pleased to welcome Oliver Tuszik, who has held a number of management positions within the company, to the German Board as CEO of Computacenter Germany. We offer him our best wishes in his new role.

France

We continued to see a steady improvement in the performance of our French business in terms of operating performance, financial structure and commercial wins.

After a difficult first quarter, operating performance gradually improved over the course of the year, resulting in an adjusted operating loss reduction of 44.9% to £1.0 million (2007: loss of £1.8 million).

A product market that remains highly challenging contributed to an overall revenue decline of 7.1% in local currency. However, due to beneficial currency movements, reported revenue increased to £308.2 million (2007: £285.7 million). The decline in product revenues hides a strong increase in services revenues of 12.2% (2007: 8.0%) in local currency helped by the consolidation of our short term professional services contract base into managed services business, where revenues grew 24.5%.

This strong services growth, which was well ahead of the market, demonstrates further progress in our efforts to increase the services mix of the business. Services account now for 15.4% of total revenue (2007: 12.8%).

As with 2007, we saw margin improvement across both products and services. In products, this was due to our more commercially selective approach to the provisioning of hardware and an increased focus on regional business, together with more effective sales incentives. Services margins also improved thanks to volume increase, better management of resources, and tight management of costs.

Computacenter France also delivered an improved financial situation, thanks to improved debt collection, a better control of inventories and a tighter management of cash. Despite average interest rates increasing in 2008, finance costs reduced by 12.3% over 2007 in local currency.

We saw some pleasing contract successes in 2008. The second half saw us renew and extend our major services contracts with EDF and Air Liquide, and renew our software licensing contract with the French public purchasing agency, UGAP. We won a new global solutions three-year contract with Eiffage, including e-procurement, supply chain services, installations, moves and changes, maintenance and product recycling. We also won a significant deal with Société Générale covering supply chain solutions, a roll-out project with Conseil Régional d'Ile de France (Paris region), and a four-year managed services contract with Chambre de Commerce et d'Industrie des Bouches du Rhône.

2009 looks very challenging for our French business, with performance contingent to some extent on our success in securing the renewal of our contract with the French Army, our largest French customer, which expires at the end of Q1 2009. Amongst early successes in 2009, we won the right to bid with Ministère de l'Economie et des Finances for all ultraportable and portable desktops, laptops and screens, and a significant roll-out for 5,000 users for a customer in the retail sector.

We are aware that much remains to be done to deliver a long term, acceptable level of profit. To that end, changes to the French management team, and additional sales investment, were made in early 2009 to help accelerate the trend in performance improvement. Our strategic focus is on improving sales efficiency, developing our services offerings, increasing the use of standardised tools and best practice, increasing quality as a market differentiator, and tighter management of overall resources, efficiency and costs.

Henri Viard, formerly our French operation's Finance Director, has recently been appointed CEO of Computacenter France. We offer him our best wishes in his new role.

Benelux

Our Belgium and Netherlands business showed an operational profit of £137,000 (2007: £125,000), with a profit in Belgium offset by a small loss in Luxembourg. Revenues increased by 8.9% to £30.0 million (2007: £27.6 million), which equates to a reduction of 6.2% in local currency, with services growth of 16.6% offset by a 14.9% reduction in product sales.

Key Benelux wins include a five-year renewal of the SWIFT desktop managed services outsourcing contract, European procurement contracts at UCB and Artenius PetPackaging, an Exchange migration and encryption project at Millicom, and a Cisco Unified Communications project at McDonalds Belgium.

Outlook

As we state every year in our Preliminary announcement, it is impossible to draw any meaningful conclusion about the current year until we have completed the first quarter.

The current economic conditions are undoubtedly affecting the markets in which we operate. Our customers' desire to reduce their operating costs makes our managed services offerings more compelling, as our recent contract base growth illustrates. We expect this growth to continue at a similar pace throughout the year, though our product revenues are under pressure. We enter 2009 with a strong balance sheet, which means we are well placed to capture further opportunities and market share.

Our appreciation and thanks go to the employees of Computacenter for their outstanding commitment, energy and hard work.

* Adjusted profit before tax, income tax expense and EPS are stated prior to amortisation of acquired intangibles and exceptional impairment charges. Adjusted operating profit is also stated after charging finance costs on CSF.

Finance Director's review

Turnover and profitability

Following on from the growth in 2007, Group revenues increased by 7.6% to £2.60 billion. Whilst the increase was substantially attributable to currency movements, Group revenues at constant currency increased by 0.6%. Growth in the UK business was offset by a 14.2% reduction in trade distribution sales. Growth in services was achieved in all countries, with lower margin product revenues reducing in Germany and France. The growth in service revenues across the Group has contributed to a position where over 45% of the gross profit of the Group is now earned from services, which improves the forward visibility of gross margin generation and earnings resilience.

Adjusted profit before tax improved by 1.0% from £41.7 million to £42.1 million. After taking account of exceptional impairments and amortisation of acquired intangibles, statutory profit before tax reduced by 6.0% from £42.1 million to £39.5 million.

Adjusted operating profit

Statutory operating profit reduced from £43.1 million to £42.6 million. However, management measure the Group's operating performance using adjusted operating profit, which is stated prior to amortisation of acquired intangibles and 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.

Table 1, below, shows the reconciliation between statutory and adjusted gross profit and operating profit by geographical segment for 2008 and 2007.

TABLE 1 - reconciliation of adjusted gross profit and operating profit to statutory measures

	UK	Germany	France	Benelux	Total
2008	£'000	£'000	£'000	£'000	£'000
Adjusted Gross Profit	194,933	113,703	38,821	3,373	350,830

Add back interest on CSF	3,292	737	-	-	4,029
Gross profit	198,225	114,440	38,821	3,373	354,859

Adjusted Operating Profit	27,938	15,268	(967)	(95)	42,144
Add back interest on CSF	3,292	737	-	-	4,029
Intangibles amortisation	(481)	(44)	-	-	(525)
Exceptional items	(1,922)	-	(1,124)	-	(3,046)
Operating Profit	28,827	15,961	(2,091)	(95)	42,602

2007					
Adjusted Gross Profit	195,846	93,516	31,501	2,920	323,783
Add back interest on CSF	1,339	686	-	-	2,025
Gross profit	197,185	94,202	31,501	2,920	325,808

Adjusted Operating Profit	33,099	10,388	(1,754)	(44)	41,689
Add back interest on CSF	1,339	686	-	-	2,025
Intangibles amortisation	(481)	(132)	-	-	(613)
Operating Profit	33,957	10,942	(1,754)	(44)	43,101

UK

The UK business again delivered revenue growth in 2008, despite a 14.2% reduction in trade distribution sales. Excluding this reduction, UK product sales increased by 5.4%, which taken together with an improvement in services revenues of 4.3% resulted in overall growth of 5.1% in end user sales. The services revenue performance does not include the impact of a number of long term contract wins during the second half of 2008 which commence billing in 2009.

Adjusted gross profit reduced from 14.4% to 14%. This drop was driven by a reduction in product margins due to reduced profitability in trade distribution, a business which was partially exited in late 2008, along with growth in lower margin product sales to smaller customer base.

Adjusted operating expenses increased by 2.6%, reflecting the growth in 2008 of investment in sales to our smaller customer base, and redundancy costs c£1.0m higher than in previous years. However, due to a disappointing return on investment, our UK sales efforts will in future be re-focused towards our higher margin solutions and services business. This action forms part of the UK change programme, for which no significant costs were incurred in 2008.

Also included in the expense base in 2008 was £1.8m of internal effort related to the ERP upgrade programme that has been charged to the UK, principally from the German business.

Germany

Overall revenue in constant currency increased by 1.0%, with services revenues growing by 4.3%, offset by a contraction in product revenues of 0.8%. Product revenues reductions were principally in supply of lower margin product. When translated into sterling, German revenues increased in 2008 by 17.2% to £830.7 million.

The key element of profitability improvement in Germany was the improvement in margins, principally within services. Much of this improvement was due to a number of management initiatives launched during 2007, which led to a three percentage point increase in services margins, which in turn led to an increase in the gross profit percentage for Germany as a whole from 13.2% to 13.7% of sales.

Net operating expenses continue to be well controlled increasing by 2.0% in local currency. The outcome was an improvement in adjusted operating profit from £10.4 million to £15.3 million in 2008. This result benefits from the operating costs that have been recharged to the UK related to the ERP upgrade programme.

France

The French business continued to reduce its loss in 2008, with a combination of a more selective approach in a challenging product market and additional services revenue growth. In local currency, product revenues reduced by 9.9%, whereas services revenue grew by 12.2%. When translated into sterling this led to an growth in revenues of 7.9% in 2008 to £308.2 million.

Gross profit return increased from 11.0% of sales to 12.6% of revenues due to the change in services mix, and improved margins in products together with higher margins in services largely as a result of improved utilisation.

Other operating expenses increased by 3.0% in local currency, remaining under control despite the increased commission costs resulting from the improved margin performance. This translates into a 19.6% increase when reported in Sterling.

As a result of these improvements the operating loss, prior to an exceptional impairment, reduced to £1.0 million (2007 : £1.8 million).

Benelux

Revenues in the Benelux region reduced in local currency in 2008, with a 16.6% increase in services revenues offset by a 14.9% fall in product revenues. Whilst this change in mix resulted in an improved gross profit return, the operating loss of the business increased to £96,000 (2007: £44,000). The increased loss was generated in Luxembourg, with the business in Belgium generating a small operating profit.

Exceptional impairment charge

An exceptional impairment of £1.1 million has been recognised in relation to additions to intangible assets due to the Group ERP programme that can be specifically allocated to the French cash-generating unit.

After the year-end a decision was reached to cease using the Digica brand following the integration of the Digica operations into those of Computacenter (UK) Limited. An exceptional non-cash impairment charge of £1.9 million for the trademark generated at the time of the Digica acquisition has been recognised accordingly.

Finance income and costs

Net finance costs on a statutory basis increased from £1.0 million in 2007 to £3.0 million in 2008. This increase is attributable to an increase in finance costs on customer specific financing from £2.0 million to £4.0 million. On an adjusted basis, prior to the interest on customer specific finance ('CSF'), net finance income was static at £1.0 million.

Taxation

The effective tax rate for the Group reduced to 5.5% in 2008 from 31.3% in 2007. 2008 includes two exceptional items that are not expected to be repeated. Firstly, the UK tax charge was lower by £3.6 million in relation to settlement of certain prior year items. Secondly, there was a reassessment of the recoverable amount of the deferred tax asset recognised in relation to tax losses of Computacenter Germany, following the material improvement in profitability over the course of 2007 and 2008. This reassessment, in excess of the losses utilised in the year, resulted in a beneficial

reduction of £4.7 million to the tax charge.

Excluding the exceptional items, the adjusted effective tax rate was 24.9% (2007 : 31.3%). The improvement in 2008 is attributable to the reduction of unrelieved operating losses in France, and losses utilised on earnings in Germany.

Deferred tax assets of £13.5 million (2007: £6.9 million) have been recognised in respect of losses carried forward. In addition, at 31 December 2008, there were unused tax losses across the Group of £212.0 million (2007 : £169.6 million) for which no deferred tax asset has been recognised. Of these losses, £138.8 million (2007 : £116.5 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.

Earnings per share and dividend

Whilst statutory diluted earnings per share has grown by 33.0% to 24.2p (2007 : 18.2p), adjusted* diluted earnings per share provides a more appropriate reflection of performance, increasing by 13.5% from 18.5p in 2007 to 21.0p in 2008 as shown in Table 2, below :-

TABLE 2 - reconciliation of adjusted profit before tax, income tax expense and earnings per share to statutory measures

	2008	2007
Reconcilation of profit before tax (£'000)		
Profit before tax	39,536	42,059
Amortisation of acquired intangibles	525	613
Exceptional costs	3,046	-
Adjusted profit before tax	43,107	42,672
Reconcilation of income tax expense (£'000)		
Income tax expense	2,194	13,161
Tax on amortisation of acquired intangibles	150	184
Exceptional items		
Exceptional adjustments in relation to prior periods	3,611	-
Exceptional revaluation of the deferred tax asset in Germany	4,766	-
Adjusted income tax expense	10,721	13,345
Statutory		
Effective tax rate	5.5%	31.3%
Profit attributable to shareholders (£'000)	37,337	28,888

Basic earnings per share (p)	24.7	18.5
Diluted earnings per share (p)	24.2	18.2
Adjusted *		
Effective tax rate	24.9%	31.3%
Profit attributable to shareholders (£'000)	32,386	29,327
Basic earnings per share (p)	21.4	18.8
Diluted earnings per share (p)	21.0	18.5

Earnings per share increases exceeds the profit growth due to the repurchases of capital through 2007 and 2008, reduced corporation tax rate in the UK and improvement in overseas earnings that are not subject to tax.

The Board is recommending the total dividend for the year to be 8.2p per share (2008 : 8.0p). The final dividend of 5.5p will be payable on 11 June 2009 to registered shareholders as at 15 May 2009.

Cash flow

The Group manages its trading net funds position taking into account factor financing, but excluding CSF. There is an adjusted cash flow statement provided in note 28 that restates the statutory cash flow to take account of this definition.

Net funds excluding CSF increased by £20.8 million from debt of £16.2 million to a positive position of £4.6 million. The increase was generated despite outflows in the year of £9.7m on repurchasing shares and approximately £8 million invested in intangible assets related to the ERP programme.

The main determinants for the cash inflow were earnings in the year, a low tax payment in the UK, substantially untaxed earnings in Germany and France, and tight management of working capital across the Group, resulting in a £15.3 million inflow.

During the year, we entered into a number of new CSF contracts principally in relation to new datacentre offerings in the UK and Germany. Taking CSF into account, total net debt at the end of the year was £84.6 million, compared to £79.8 million at the start of the year.

Customer specific financing

In certain circumstances, the Group enters into customer contracts that are financed by leases or loans, which 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 the future customer receipts, Computacenter retains the credit risk on these customers. However, in excess of 90% of the £89.2 million CSF balance at 31 December 2008 is due from customers with strong credit ratings (D&B - 5A1), and the future expected rental income that is estimated to be received in future periods is approximately £95 million.

The CSF financing facilities, which are committed, are thus outside of the normal working capital requirements of the Group's product resale and service activities. It is anticipated that the level of CSF in 2009 will be broadly similar to 2008.

Capital Management

Details of the Group's capital management policies are included within note 24 of 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 occasionally 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. The Group's policy remains that no 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 note 23 of the accounts.

Interest rate risk

The Group finances its operations through a mixture of retained profits, bank borrowings, invoice factoring in France and the UK 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. When long-term borrowings are utilised, the Group's policy is to maintain these borrowings at fixed rates to limit the Group's exposure to interest rate fluctuations.

Liquidity risk

The Group's policy is to ensure that it has sufficient funding and committed bank facilities in place to meet any foreseeable peak in borrowing requirements. The Group's net funds position improved substantially during 2008, and at the year-end was £4.6 million excluding customer-specific financing and net debt of £84.6 million on a statutory basis.

At 31 December 2008, the Group had available £163.4 million (2007:£ 148.1 million) of uncommitted overdraft and factoring facilities. However, £81.2 million of these facilities will expire during March 2009 and will not be renewed as they are no longer required given the £60.0 million committed facility established in May 2008, of which £45.0 million is not utilised at the balance sheet date. Customer-specific financing facilities are committed.

The Group manages its counterparty risk by placing cash on deposit across a panel of reputable banking institutions, with no more than £30 million deposited with a single counterparty at any one time.

Foreign currency risk

The Group operates primarily in the UK, Germany, France, and the 'Benelux' countries, using local borrowings to fund its operations outside of the UK, where principal receipts and payments are denominated in Euros. In each country a small proportion of the sales are made to customers outside those countries. 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 eliminate currency exposure through forward currency contracts. For the UK, the vast majority of sales and purchases are denominated in Sterling and any material trading exposures are eliminated through forward currency contracts.

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 continually monitored thereafter. In France, credit risk is mitigated through a credit insurance policy which applies to non-Government customers and provides insurance for approximately 50% of the relevant credit risk exposure.

As a result of the more difficult credit environment in the past 12 months, we have been extremely vigilant, however a loss of £0.85m was incurred due to the bankruptcy of a major financial services client.

There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date.

Going concern

After making due enquiries the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence

for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the consolidated financial statements.

Tony Conophy, Finance Director

9 March 2009

Risks

The Group undertakes a formal annual process of identifying, analysing and managing the risks to the business. Throughout the year, new risks or changed circumstances are captured and then reflected in the Risk Log. All identified risks are quantified, prioritised and appropriate mitigations are developed. Risks are also considered in the development and execution of the programme of work carried out by the Group's Internal Audit Department. Highlighted below are some of the principal risks to the implementation of the Group's strategy or achievement of desired performance levels. These risks are categorised into strategic risks, operational risks and hazards. Financial risk exposures are described in the Finance Director's Review.

Strategic risks arise principally from external events over which the Group has limited influence and in response to which, our focus tends to be on measures to limit or control losses.

Operational risks arise from failures in internal processes, people and systems where proactive intervention can reduce the likelihood or severity of such risks.

Hazards constitute perils such as fire, flood and viral attack of pandemic proportions. Hazards are managed through prevention, mitigation, continuity planning and risk transfer through the purchase of insurance.

	Risks	Mitigation
Strategic Risks	The economic slowdown could expose the Group to materially reduced discretionary spend on IT, particularly within the Financial Services sector and further expose the Group to an increased potential of customer insolvency. Should a customer specific financing arrangement also be in place if an insolvency occurs, the potential severity of the risk may be materially increased.	Re-focus resource on the more buoyant business sectors and promote business offerings that reduce cost for customers. The Group has also implemented a cost reduction programme to save £15 million per annum. Close and frequent monitoring of customer credit ratings and financial stability indicators. Ensuring that a level of contractual protection is assured through the negotiation of retention of title clauses. Maintaining the level of customer specific finance exposure to within the defined risk tolerance with relatively low risk customers.
	The economic slowdown has resulted in an increase in payment term extension requests from customers and increased invoice queries, resulting in payment delays which may impact liquidity.	Requests for extended terms to be considered at Board level and only to be granted with restrictions. Internal processes enhanced to minimise invoice queries.
	The credit crisis has materially reduced the availability and the cost of arranging finance.	In addition to existing facilities across the Group, a committed facility was secured in 2008. The Group's available cash and working capital requirements are constantly reviewed together with the suitability of the facility levels.

	A small number of key vendors with considerable scale and market strength supply products which generate a significant proportion of the Group's revenues.	Maintaining a vendor independent product portfolio and delivering incremental value to customers across the range of services.
	The Group's profits continue to be exposed to erosion of IT equipment unit prices.	Focus on internal cost control and directing the selling activity to higher margin earning contracts.
Operational Risks	Profit erosion resulting from a failure to understand or effectively implement the full commercial consequences and terms of new and complex end-to-end service contracts, which arise through the competitive and dynamic nature of the industry.	Multi level bid review and an escalation process for non-standard proposals with detailed contract negotiation by experienced staff. Focus on service implementation processes during contract take-on.
	Failure of the business in France to return to profitability.	Aggressive implementation of the strategy to build services offerings and to grow the business' presence within this environment, whilst remaining focussed on internal cost control.
	The ERP upgrade SAP project suffers delays due to unforeseen scope changes, resulting in material costs outside of the budget, or the SAP application fails to deliver the anticipated business benefits, due to initial design omissions.	Senior Executive and Board level progress monitoring reviews, against pre-determined performance indicators, are scheduled at high frequency. Senior management resource has been dedicated to the project design phase and competent staff have been assigned to maintain focus on current business activities.
	The Group cost reduction plan does not achieve the targeted level of cost removal.	Cost reduction monitoring against plan is frequently undertaken, with prompt responses to variances implemented.
Hazards	The loss of an entire significant facility of the Group, or the failure of business critical IT systems or telephony.	Enhanced loss control measures and physical protection implemented over previous years, combined with ongoing contingency planning and testing.

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, pages 1 to 22 of the Company's annual report and accounts includes 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.

The contents of this announcement, including the responsibility statement above has been extracted from the annual report and accounts for the year ended 31 December 2008, which will be published on Computacenter.com and dispatched to shareholders in early April. Accordingly the responsibility statement makes reference to the financial statements of the Group and to the relevant narratives appearing in that annual report and accounts rather than the contents of this announcement.

On behalf of the Board

MJ Norris FA Conophy

Chief Executive Finance Director

9 March 2009

Consolidated income statement

For the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Revenue	3	2,560,135	2,379,141
Cost of sales		(2,205,276)	(2,053,333)
Gross profit		354,859	325,808
Distribution costs		(20,268)	(18,344)
Administrative expenses		(288,418)	(263,750)
Operating profit:			
Before amortisation of acquired intangibles and exceptional items		46,173	43,714
Amortisation of acquired intangibles		(525)	(613)
Exceptional items	4	(3,046)	-
Operating profit		42,602	43,101
Finance revenue		3,095	3,910
Finance costs		(6,161)	(4,952)
Profit before tax:			
Before amortisation of acquired intangibles and exceptional items		43,107	42,672
Amortisation of acquired intangibles		(525)	(613)
Exceptional items		(3,046)	-
Profit before tax		39,536	42,059

Income tax expense:			
Before exceptional items		(10,571)	(13,161)
Exceptional tax items	4	8,377	-
Income tax expense	5	(2,194)	(13,161)
Profit for the year		37,342	28,898
Attributable to:			
Equity holders of the parent	6	37,337	28,888
Minority interests		5	10
		37,342	28,898
Earnings per share	6		
- basic		24.7p	18.5p
- diluted		24.2p	18.2p

Consolidated balance sheet

As at 31 December 2008

	Notes	2008 £'000	2007 £'000
Non-current assets			
Property, plant and equipment		123,315	116,444
Intangible assets		51,551	45,185
Deferred income tax asset		16,672	8,190
		191,538	169,819
Current assets			
Inventories		105,831	110,535
Trade and other receivables		529,501	454,155

Prepayments		53,766	27,936
Accrued income		43,942	33,445
Cash and short-term deposits	8	53,372	29,211
		786,412	655,282
Total assets		977,950	825,101
Current liabilities			
Trade and other payables		378,721	336,971
Deferred income		115,274	74,686
Financial liabilities		96,154	74,363
Forward currency contracts		644	369
Income tax payable		10,275	7,899
Provisions		2,100	2,180
		603,168	496,468
Non-current liabilities			
Financial liabilities		41,809	34,652
Provisions		9,565	12,225
Other non-current liabilities		615	1,685
Deferred income tax liabilities		1,582	1,875
		53,571	50,437
Total liabilities		656,739	546,905
Net assets		321,211	278,196
Capital and reserves			
Issued capital		9,181	9,504
Share premium		2,890	2,890
Capital redemption reserve		74,950	74,627
Own shares held		(11,169)	(11,380)

Foreign currency translation reserve	26,368	1,507
Retained earnings	218,970	201,035
Shareholders' equity	321,190	278,183
Minority interest	21	13
Total equity	321,211	278,196

Approved by the Board on 9 March 2009

MJ Norris FA Conophy

Chief Executive Finance Director

Consolidated statement of changes in equity

For the year ended 31 December 2008

	Attributable to equity holders of the parent								
	Issued capital	Share premium	Capital redemption reserve	Own shares held	Foreign currency translation reserve	Retained earnings	Total	Minority interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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
At 1 January 2008	9,504	2,890	74,627	(11,380)	1,507	201,035	278,183	13	278,196
Exchange differences on retranslation of foreign operations	-	-	-	-	24,861	-	24,861	3	24,864
Net income recognised directly in equity	-	-	-	-	24,861	-	24,861	3	24,864
Profit for the year	-	-	-	-	-	37,337	37,337	5	37,342
Total recognised income and expenses for the year	-	-	-	-	24,861	37,337	62,198	8	62,206
Cost of share-based payment	-	-	-	-	-	2,525	2,525	-	2,525
Exercise of options	-	-	-	298	-	(298)	-	-	-
Purchase of own shares	-	-	-	(9,695)	-	-	(9,695)	-	(9,695)
Cancellation of own shares	(323)	-	323	9,608	-	(9,608)	-	-	-
Equity dividends	-	-	-	-	-	(12,021)	(12,021)	-	(12,021)
	(323)	-	323	211	24,861	17,935	43,007	8	43,015
At 31 December 2008	9,181	2,890	74,950	(11,169)	26,368	218,970	321,190	21	321,211

Consolidated cash flow statement

For the year ended 31 December 2008

	Notes	2008	2007
		£'000	£'000
Operating activities			

Profit before taxation	39,536	42,059
Net finance costs	3,066	1,041
Depreciation	36,719	27,130
Amortisation	4,764	3,547
Share-based payment	2,525	2,659
Loss on disposal of property, plant and equipment	526	190
Impairment of intangible assets	3,046	86
Loss on disposal of intangible assets	48	-
Decrease/(increase) in inventories	19,793	(8,724)
Increase in trade and other receivables	(34,844)	(1,470)
Increase/(decrease) in trade and other payables	16,190	(19,976)
Other adjustments	(760)	(218)
Cash generated from operations	90,609	46,324
Income taxes paid	(6,052)	(13,853)
Net cash flow from operating activities	84,557	32,471
Investing activities		
Interest received	3,884	3,885
Acquisition of subsidiaries, net of cash acquired	-	(32,600)
Sale of property, plant and equipment	30	336
Purchases of property, plant and equipment	(10,065)	(8,620)
Purchases of intangible assets	(14,278)	(5,619)
Acquisition of minority interests	-	(30)
Net cash flow from investing activities	(20,429)	(42,648)
Financing activities		
Interest paid	(7,254)	(5,333)
Dividends paid to equity shareholders of the parent	(12,021)	(11,806)

Proceeds from share issues		-	661
Purchase of own shares		(9,695)	(11,332)
Repayment of capital element of finance leases		(25,713)	(12,195)
Repayment of loans		(28,633)	(11,103)
New borrowings		46,610	19,832
Increase/(decrease) in factor financing		12,763	(8,743)
Net cash flow from financing activities		(23,943)	(40,019)
Increase/(decrease) in cash and cash equivalents		40,185	(50,195)
Effect of exchange rates on cash and cash equivalents		(562)	(1,521)
Cash and cash equivalents at the beginning of the year	8	7,266	58,982
Cash and cash equivalents at the year end	8	46,889	7,266

Analysis of changes in net debt

	At 1 January 2008	Cash flows in year	Non-cash flow	Exchange differences	At 31 December 2008
	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	7,266	40,185	-	(562)	46,889
Factor financing	(23,453)	(12,763)	-	(6,064)	(42,280)
Net (debt)/funds excluding customer-specific financing	(16,187)	27,422	-	(6,626)	4,609
Finance leases	(47,642)	25,713	(27,657)	(5,605)	(55,191)
Other loans	(15,975)	(17,977)	-	(57)	(34,009)
Net debt	(79,804)	35,158	(27,657)	(12,288)	(84,591)

Notes to the consolidated financial statements

For the year ended 31 December 2008

1 Authorisation of financial statements and statement of compliance with IFRS

The consolidated financial statements of Computacenter plc for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the Directors on 9 March 2009. 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 2008 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 on consolidation translating 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 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.

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 2008 and 2007.

	UK	Germany	France	Benelux	Total
	£'000	£'000	£'000	£'000	£'000
Year ended 31 December 2008					
Revenue					
Sales to external customers	1,391,177	830,740	308,210	30,008	2,560,135
Inter-segment sales	9,063	10,268	2,517	2,203	24,051
Segment revenue	1,400,240	841,008	310,727	32,211	2,584,186
Result					
Gross profit	198,226	114,439	38,821	3,373	354,859
Distribution costs	(11,924)	(4,360)	(3,748)	(236)	(20,268)
Administrative expenses	(155,072)	(94,074)	(36,040)	(3,232)	(288,418)
Operating result before amortisation of acquired intangibles and exceptional items	31,230	16,005	(967)	(95)	46,173
Amortisation of acquired intangibles	(481)	(44)	-	-	(525)
Exceptional items	(1,922)	-	(1,124)	-	(3,046)
Segment operating result	28,827	15,961	(2,091)	(95)	42,602
Net finance income/(expense)	180	(1,532)	(1,643)	(71)	(3,066)
Profit before tax	29,007	14,429	(3,734)	(166)	39,536

Income tax expense					(2,194)
Profit for the year					37,342
Assets and liabilities					
Total segment assets	641,233	244,587	71,094	4,364	961,278
Unallocated assets					16,672
Total assets					977,950
Total segment liabilities	323,078	205,837	110,306	5,661	644,882
Unallocated liabilities					11,857
Total liabilities					656,739
Other segment information					
Capital expenditure:					
Property, plant and equipment	28,725	7,663	1,105	229	37,722
Intangible fixed assets	11,903	1,067	1,308	-	14,278
Depreciation	27,715	7,804	1,078	122	36,719
Amortisation	2,816	827	1,121	-	4,764
Share-based payments	2,009	334	182	-	2,525

	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

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	574,985	181,827	56,379	3,720	816,911
Unallocated assets					8,190
Total assets					825,101
Total segment liabilities	282,647	152,531	96,377	5,575	537,130
Unallocated liabilities					9,775
					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 payments	2,197	326	136	-	2,659

Business segments

The following tables present revenue information regarding the Group's business segments for the years ended 31 December 2008 and 2007.

	Product	Professional services	Support and managed services	Total
Year ended 31 December 2008	£'000	£'000	£'000	£'000
Revenue				
Sales to external customers	1,875,857	181,219	503,059	2,560,135
Inter-segment sales	5,093	2,350	16,608	24,051
Segment revenue	1,880,950	183,569	519,667	2,584,186

	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

Business segments provide the Group with common business performance reporting across geographical 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 geographical 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 geographical 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 Exceptional items

	2008	2007

	£'000	£'000
Operating profit		
Impairment of intangible assets - software	(1,124)	-
- trademarks	(1,922)	-
	(3,046)	-
Income tax		
Adjustment following agreement of certain items for earlier years	3,611	-
Changes in recoverable amounts of deferred tax assets	4,766	-
	8,377	-

The forecasted cash-flows for Computacenter France do not support the value of the non-current assets in the business. An exceptional impairment has been recognised in 2008 in relation to additions to intangible assets relating to the Group ERP programme that can be specifically allocated to the French cash-generating unit.

After the year-end a decision was reached to cease using the Digica brand following the integration of the Digica operations into those of Computacenter (UK) Limited. An exceptional impairment of the trademark, generated at the time of acquisition, has been recognised accordingly.

The tax charge for the year contains two items which, due to their size, are disclosed separately, as follows:

- during the year agreement was reached on certain significant items for earlier years;

- the deferred tax asset in respect of losses in Germany was re-assessed in line with management's view of the entities future performance. Where the reassessment exceeds the losses utilised in the year, the change in the recoverable amount of the deferred tax asset is shown as an exceptional item.

5 Income tax

a) Tax on profit on ordinary activities

	2008	2007
	£'000	£'000
Tax charged in the income statement		
Current income tax		

UK corporation tax	11,881	13,420
Foreign tax	673	113
Adjustments in respect of prior periods	(4,028)	(385)
Total current income tax	8,526	13,148

Deferred tax

Origination and reversal of temporary differences	(2,379)	(1,372)
Losses utilised	4,841	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	(4,145)	(2,747)
Exceptional changes in recoverable amounts of deferred tax assets	(4,766)	-
Adjustments in respect of prior periods	117	129
Total deferred tax	(6,332)	13
Tax charge in the income statement	2,194	13,161

b) Reconciliation of the total tax charge

	2008	2007
	£'000	£'000
Accounting profit before income tax	39,536	42,059
At the UK standard rate of corporation tax of 28.5% (2007: 30%)	11,268	12,618
Expenses not deductible for tax purposes	806	643
Exceptional expenses not deductible for tax purposes	548	-
Relief on share option gains	-	(78)
Non-deductible element of share-based payment charge	719	506
Exceptional adjustments in respect of current income tax of previous periods	(3,611)	-
Adjustments in respect of current income tax of previous periods	(300)	(256)

Higher tax on overseas earnings	664	859
Effect of changes in tax rate on deferred tax	-	(49)
Other differences	(104)	(149)
Effect of change in rate of overseas deferred tax asset	-	635
Changes in recoverable amounts of deferred tax assets	(4,145)	(2,747)
Exceptional changes in recoverable amounts of deferred tax assets	(4,766)	-
Losses of overseas undertakings not available for relief	1,115	1,179
At effective income tax rate of 5.5% (2007: 31.3%)	2,194	13,161

As a consequence of the UK corporation tax rate change from 30% to 28% on 6th April 2008, corporation tax is calculated at 28.5% of the estimated assessable profit for the year.

c) Tax losses

Deferred tax assets of £13.5 million (2007: £6.9 million) have been recognised in respect of losses carried forward.Where deferred tax assets have been reassessed in excess of the losses utilised in the year, the change in the recoverable amount of the deferred tax asset is shown as an exceptional item in the income tax expense for the year, due to the material nature and expected infrequency of this reassessment.

In addition, at 31 December 2008, there were unused tax losses across the Group of £212.0 million (2007 : £169.6 million) for which no deferred tax asset has been recognised. Of these losses, £138.8 million (2007 : £116.5 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.

6 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.

	2008	2007
	£'000	£'000
Profit attributable to equity holders of the parent	37,337	28,888
Amortisation of acquired intangibles	525	613

Tax on amortisation of acquired intangibles	(150)	(184)
Exceptional items within operating profit	3,046	-
Exceptional items within the total tax charge for the year:		
- adjustment following agreement of certain items for earlier years	(3,611)	-
- changes in recoverable amounts of deferred tax assets	(4,766)	-
Profit before amortisation of acquired intangibles and exceptional items	32,381	29,317

	2008	2007
	000's	000's
Basic weighted average number of shares (excluding own shares held)	151,279	156,117
Effect of dilution:		
Share options	3,077	2,202
Diluted weighted average number of shares	154,356	158,319

	2008	2007
	pence	pence
Basic earnings per share	24.7	18.5
Diluted earnings per share	24.2	18.2
Adjusted basic earnings per share	21.4	18.8
Adjusted diluted earnings per share	21.0	18.5

7 Dividends paid and proposed

	2008	2007
	£'000	£'000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2007: 5.5p (2006: 5.0p)	8,063	7,872
Interim for 2008: 2.7p (2007: 2.5p)	3,958	3,934
	12,021	11,806

Proposed for approval at AGM (not recognised as a liability as at 31 December)

Equity dividends on ordinary shares:

Final dividend for 2008: 5.5p (2007: 5.5p)	8,120	7,997

8 Cash and short-term deposits

	2008	2007
	£'000	£'000
Cash at bank and in hand	13,372	19,211
Short-term deposits	40,000	10,000
	53,372	29,211

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 £53,372,000 (2007: £29,211,000).

At 31 December 2008, the Group had available £163.4 million (2007:£ 148.1 million) of uncommitted overdraft and factoring facilities. However, £81.2 million of these facilities will expire during March 2009 and will not be renewed as they are no longer required given the £60.0 million committed facility established in May 2008, of which £45.0 million is not utilised at the balance sheet date. Customer-specific financing facilities are committed.

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

	2008	2007
	£'000	£'000
Cash at bank and in hand	13,372	19,211
Short-term deposits	40,000	10,000
Bank overdrafts	(6,483)	(21,945)
	46,889	7,266

9 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, exceptional items and after charging finance costs on customer-specific financing ("CSF") for which the Group receives regular rental income.

	2008	2007
	£'000	£'000
Operating profit	42,602	43,101
Add back		
Amortisation of acquired intangibles	525	613
Exceptional items	3,046	-
After charging		
Finance costs on CSF	(4,029)	(2,025)
	42,144	41,689

Adjusted operating profit/(loss) by geographic market

	2008	2007
	£'000	£'000
UK	27,938	33,099
Germany	15,268	10,388
France	(967)	(1,754)
Benelux	(95)	(44)
Total	42,144	41,689

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) 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; 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 and is also offset within working capital.

	2008	*2007*
	£'000	*£'000*
Adjusted profit before taxation	43,107	42,672
Net finance income	(963)	(983)
Depreciation and amortisation	18,055	16,603
Share-based payment	2,525	2,659
Working capital movements	16,306	(20,089)
Other adjustments	(186)	(2,675)
Income taxes paid	(6,052)	(13,853)
Adjusted cashflow from operating activities	**72,792**	**24,334**
Net interest received	659	577
Capital expenditure and investments	(24,313)	(13,933)
Acquisitions and disposals	-	(32,600)
Equity dividends paid	(12,021)	(11,806)
Cash in/(out)flow before financing	**37,117**	**(33,428)**
Financing activities		
Proceeds from issue of shares	-	661
Purchase of own shares	(9,695)	(11,332)
Decrease in net debt excluding CSF in the period	**27,422**	**(44,099)**
Increase/(decrease) in net debt excluding CSF	27,422	(44,099)
Effect of exchange rates on cash and cash equivalents	(6,626)	(1,521)
Net debt excluding CSF at beginning of period	(16,187)	29,433
Net debt excluding CSF at end of period	4,609	(16,187)

11 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 2008 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the year ended 31 December 2008 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 2008 were authorised for issue by the Board of

Directors on 9 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 2007 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.

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