ModusLink Global Solutions Inc
Form 10-Q
January 11, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended October 31, 2012

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-35319

ModusLink Global Solutions, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**04-2921333**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1601 Trapelo Road	
Waltham, Massachusetts	**02451**
(Address of principal executive offices)	**(Zip Code)**

(781) 663-5000

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of January 4, 2013, there were 43,841,024 shares issued and outstanding of the registrant s Common Stock, $.01 par value per share.

MODUSLINK GLOBAL SOLUTIONS, INC.

FORM 10-Q

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MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share and share amounts)

(Unaudited)

	October 31, 2012	July 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 58,355	$ 52,369
Available-for-sale securities	130	131
Accounts receivable, trade, net of allowance for doubtful accounts of $338 and $344, at October 31, 2012 and July 31, 2012, respectively	164,707	148,931
Inventories, net	89,793	83,990
Prepaid expenses and other current assets	10,323	10,466
Total current assets	323,308	295,887
Property and equipment, net	39,951	40,772
Investments in affiliates	11,080	10,803
Goodwill	3,058	3,058
Other intangible assets, net	2,612	2,897
Other assets	6,686	5,465
Total assets	$ 386,695	$ 358,882
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current installments of obligations under capital leases	$ 93	$ 73
Accounts payable	141,630	110,520
Current portion of accrued restructuring	1,751	1,724
Accrued income taxes	335	
Accrued expenses	46,074	41,753
Other current liabilities	26,542	26,778
Current liabilities of discontinued operations	1,393	1,528
Total current liabilities	217,818	182,376
Obligations under capital leases, less current installments	72	69
Other long-term liabilities	10,627	11,012
Non-current liabilities of discontinued operations	101	293
Stockholders equity:		
Preferred stock, $0.01 par value per share. Authorized 5,000,000 shares; zero issued or outstanding at October 31, 2012 and July 31, 2012		
Common stock, $0.01 par value per share. Authorized 1,400,000,000 shares; 43,819,857 issued and outstanding shares at October 31, 2012; 43,926,622 issued and outstanding shares at July 31, 2012	438	439
Additional paid-in capital	7,390,375	7,390,027
Accumulated deficit	(7,247,435)	(7,236,775)
Accumulated other comprehensive income	14,699	11,441
Total stockholders equity	158,077	165,132

Total liabilities and stockholders equity	$	386,695	$	358,882

See accompanying notes to unaudited condensed consolidated financial statements

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MODUSLINK GLOBAL SOLUTIONS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended October 31,	
	2012	2011 (As Restated)
Net revenue	$ 200,656	$ 205,908
Cost of revenue	181,973	180,437
Gross profit	18,683	25,471
Operating expenses:		
Selling, general and administrative	25,024	22,198
Amortization of intangible assets	285	332
Restructuring, net	1,479	755
Total operating expenses	26,788	23,285
Operating income (loss)	(8,105)	2,186
Other income (expense):		
Interest income	78	122
Interest expense	(99)	(90)
Other gains (losses), net	(1,319)	1,225
Equity in losses of affiliates and impairments	(310)	(427)
Total other income (expense)	(1,650)	830
Income (loss) from continuing operations before income taxes	(9,755)	3,016
Income tax expense	909	1,871
Income (loss) from continuing operations	(10,664)	1,145
Discontinued operations, net of income taxes:		
Income from discontinued operations	4	
Net income (loss)	$ (10,660)	$ 1,145
Basic and diluted earnings (loss) per share:		
Income (loss) from continuing operations	$ (0.24)	$ 0.03
Income from discontinued operations		
Net income (loss)	$ (0.24)	$ 0.03
Shares used in computing basic earnings per share:	43,589	43,315
Shares used in computing diluted earnings per share:	43,589	43,318

See accompanying notes to unaudited condensed consolidated financial statements

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MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)

(Unaudited)

	Three Months Ended October 31, 2012	Three Months Ended October 31, 2011 (As Restated)
Net income (loss)	$ (10,660)	$ 1,145
Other comprehensive income (loss):		
Foreign currency translation adjustment	3,259	(2,927)
Net unrealized holding gain (loss) on securities	(1)	2
	3,258	(2,925)
Comprehensive loss	$ (7,402)	$ (1,780)

See accompanying notes to unaudited condensed consolidated financial statements

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MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSID-IARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	Three Months Ended October 31,	
	2012	2011 (As Restated)
Cash flows from operating activities of continuing operations:		
Net income (loss)	$ (10,660)	$ 1,145
Income from discontinued operations	4	
Income (loss) from continuing operations	(10,664)	1,145
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities of continuing operations:		
Depreciation	3,618	3,748
Amortization of intangible assets	285	332
Share-based compensation	493	882
Non-operating (gains) losses, net	1,319	(1,225)
Equity in losses of affiliates and impairments	310	427
Changes in operating assets and liabilities:		
Trade accounts receivable, net	(12,585)	(42,894)
Inventories	(3,300)	(18,689)
Prepaid expenses and other current assets	(53)	315
Accounts payable, accrued restructuring and accrued expenses	31,516	57,000
Refundable and accrued income taxes, net	(4,867)	645
Other assets and liabilities	2,708	3,548
Net cash provided by operating activities of continuing operations	8,780	5,234
Cash flows from investing activities of continuing operations:		
Additions to property and equipment	(2,134)	(1,750)
Change in restricted cash	(691)	
Investments in affiliates	(586)	(1,052)
Net cash used in investing activities of continuing operations	(3,411)	(2,802)
Cash flows from financing activities of continuing operations:		
Repayments on capital lease obligations	(31)	(29)
Proceeds from issuance of common stock		29
Repurchase of common stock	(147)	(173)
Net cash used in financing activities of continuing operations	(178)	(173)
Cash flows from discontinued operations:		
Operating cash flows	(312)	(386)
Net cash used in discontinued operations	(312)	(386)

Net effect of exchange rate changes on cash and cash equivalents	1,107	(1,572)
Net increase in cash and cash equivalents	5,986	301
Cash and cash equivalents at beginning of period	52,369	111,225
Cash and cash equivalents at end of period	$ 58,355	$ 111,526

See accompanying notes to unaudited condensed consolidated financial statements

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MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(1) NATURE OF OPERATIONS

ModusLink Global Solutions, Inc. (together with its consolidated subsidiaries, ModusLink Global Solutions or the Company), through its wholly owned subsidiaries, ModusLink Corporation (ModusLink), ModusLink PTS, Inc. (ModusLink PTS) and Tech For Less LLC (TFL), is a leader in global supply chain business process management serving clients in markets such as consumer electronics, communications, computing, medical devices, software, luxury goods and retail. The Company designs and executes critical elements in its clients global supply chains to improve speed to market, product customization, flexibility, cost, quality and service. These benefits are delivered through a combination of industry expertise, innovative service solutions, integrated operations, proven business processes, expansive global footprint and world-class technology.

The Company had fiscal 2012 revenue of approximately $739.9 million. The Company has an integrated network of strategically located facilities in various countries, including numerous sites throughout North America, Europe and Asia. The Company previously operated under the names CMGI, Inc. and CMG Information Services, Inc. and was incorporated in Delaware in 1986.

(2) BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of a normal recurring nature) considered necessary for fair presentation have been included. These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and related notes for the year ended July 31, 2012, which are contained in the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on January 11, 2013. The results for the three months ended October 31, 2012 are not necessarily indicative of the results to be expected for the full fiscal year.

All significant intercompany transactions and balances have been eliminated in consolidation.

The Company considers events or transactions that occur after the balance sheet date but before the issuance of financial statements to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. For the period ended October 31, 2012, the Company evaluated subsequent events for potential recognition and disclosure through the date these financial statements were filed.

(3) RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

On February 15, 2012, the Division of Enforcement of the Securities and Exchange Commission (SEC) initiated with the Company an informal inquiry, and later a formal action, regarding the Company s treatment of rebates associated with volume discounts provided by vendors (the SEC Inquiry).

On March 12, 2012, in its Form 10-Q for the quarterly period ended January 31, 2012, the Company announced the pendency of the SEC Inquiry.

In providing its supply chain services, the Company enters into contracts with its clients that employ various arrangements for pricing, including fixed-price, cost-plus, or cost-pass-through pricing models. Although the specifications and terms of the pricing model can frequently vary from client to client, and among the products or programs for a single client, under a fixed-price model, the Company and its client will typically negotiate a fixed unit price for the supply chain services to be provided, where the level of costs incurred by the Company does not affect the contractual, negotiated price. Under a cost-plus model, the client agrees to pay the costs incurred by the Company to purchase materials, together with an agreed-to percentage mark-up on those costs. Finally, with regard to a cost-pass-through model, materials and other costs incurred by the Company are passed through directly to the client, and the client agrees to pay a separate negotiated fee for specified services provided by the Company. Arrangements with clients can include the use of any one or more of these pricing models, depending on the client program involved and the location from which the Company services the client. In addition, continued price and cost discussions with clients through the course of the relationship can sometimes result in an accepted change in the pricing model applied. Consequently, the implication and interpretation of the cost and price terms applicable to any particular client relationship can vary across client programs and products, at different periods in time, and based on the locations from which a client may be serviced.

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In the course of the Company s contractual relationships, clients often demand lower costs over time, typically attributable to efficiency gains in service offerings. The Company accomplishes this in various ways, including for example, by shifting production to lower cost regions, redesigning clients packaging and supply chains, and strategically sourcing materials. As part of these services and in the normal course of its business, the Company purchases certain commodity types of materials, including, but not limited to, print, packaging, media and labels, to meet client requirements, often in quantities well in excess of those required by any one client. As a result, the Company receives improved pricing on materials. Frequently, the Company also received and retained rebates based on aggregate volumes of purchases or other criteria established by the vendor. The retention of rebates produced a positive impact on the Company s revenue, and, therefore, also positively affected the Company s profitability and operating income.

As previously reported in the Company s Current Report on Form 8-K dated June 9, 2012, the Audit Committee, in consultation with management and the Board of Directors, concluded that the Company s previously issued financial statements for the fiscal years ended July 31, 2009 through 2011 and the first two quarters of fiscal year 2012, and selected unaudited financial data for fiscal years 2007 and 2008, should no longer be relied upon. Accordingly, the Company s consolidated financial statements for the fiscal years ended July 31, 2011, 2010 and 2009 have been restated.

Several principal adjustments were made to historic financial statements as a result of the restatement. Where the retention of a rebate or a mark-up was determined to have been inconsistent with a client contract (collectively referred to as pricing adjustments), the Company concluded that these amounts were not properly recorded as revenue. Accordingly, revenue was reduced by an equivalent amount for the period that the rebate was estimated to have affected. A corresponding liability for the same amount was recorded in that period (referred to as accrued pricing liabilities), which decreased working capital in the period. The Company believes that it may not ultimately be required to pay the accrued pricing liabilities, due in part to the nature of the interactions with its clients. When, and to the extent that, the Company is able to conclude that the accrued pricing liabilities have been extinguished for less than the amounts accrued, the Company will record the difference as other income. In the course of its business with certain clients, the Company has received releases of claims from such clients which have resulted in the Company concluding that the accrued pricing liabilities for those clients have been extinguished. For the three months ended October 31, 2012 and 2011, no accrued pricing liabilities were extinguished. The remaining accrued pricing liabilities at October 31, 2012 will be derecognized when there is sufficient information for the Company to conclude that such liabilities have been extinguished, which may occur through payment, legal release, or other legal or factual determination.

In addition to the errors described above, the restated financial statements also include other adjustments to correct certain immaterial errors for previously unrecorded adjustments identified in audits of prior years financial statements (the other adjustments). The previously unrecorded audit adjustments are being recorded as part of the restatement process although none of these adjustments is individually material.

In the tables below, the column labeled Restatement Pricing Adjustments sets forth the pricing adjustments and the column labeled Restatement Other Adjustments sets forth the other adjustments.

The restatement adjustments decreased revenues by $0.2 million, decreased net income by $24 thousand, and did not change basic and diluted earnings per share, which remained at $0.03 for the three months ended October 31, 2011.

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The effects of the restatement adjustments on the Company s unaudited condensed consolidated statements of operations for the three months ended October 31, 2011 are as follows:

	Three months ended October 31, 2011 (Unaudited)			
	As Previously Reported	Restatement Pricing Adjustments	Restatement Other Adjustments	As Restated
Net revenue	$ 206,151	(417)	174	$ 205,908
Cost of revenue	180,658		(221)	180,437
Gross profit	25,493	(417)	395	25,471
Operating expenses:				
Selling, general and administrative	22,198			22,198
Amortization of intangible assets	332			332
Impairment of goodwill and long-lived assets				
Restructuring, net	755			755
Total operating expenses	23,285			23,285
Operating income (loss)	2,208	(417)	395	2,186
Other income (expense):				
Interest income	122			122
Interest expense	(88)		(2)	(90)
Other gains	1,225			1,225
Equity in losses of affiliates and impairments	(427)			(427)
	832		(2)	830
Income (loss) from continuing operations before income taxes	3,040	(417)	393	3,016
Income tax expense	1,871			1,871
Income (loss) from continuing operations	1,169	(417)	393	1,145
Discontinued operations, net of income taxes:				
Income (loss) from discontinued operations				
Net income (loss)	$ 1,169	$ (417)	$ 393	$ 1,145
Basic and diluted income (loss) per share:				
Income (loss) from continuing operations	$ 0.03	$ (0.01)	$ 0.01	$ 0.03
Income (loss) from discontinued operations				
Net income (loss)	$ 0.03	$ (0.01)	$ 0.01	$ 0.03
Shares used in computing basic loss per share:	43,315			43,315
Shares used in computing diluted loss per share:	43,318			43,318

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The effects of the restatement adjustments on the Company s unaudited condensed consolidated statement of cash flows for the three months ended October 31, 2011 are as follows:

	Three months ended October 31, 2011 (Unaudited)			
	As Previously Reported	Restatement Pricing Adjustments	Restatement Other Adjustments	As Restated
Cash flows from operating activities of continuing operations:				
Net income	$ 1,169	$ (417)	$ 393	$ 1,145
Adjustments to reconcile net income to net cash provided by continuing operations:				
Depreciation	3,735		13	3,748
Amortization of intangible assets	332			332
Share-based compensation	882			882
Non-operating gains, net	(1,225)			(1,225)
Equity in losses of affiliates and impairments	427			427
Changes in operating assets and liabilities:				
Trade accounts receivable, net	(42,894)			(42,894)
Inventories	(18,470)		(219)	(18,689)
Prepaid expenses and other current assets	315			315
Accounts payable, accrued restructuring and accrued expenses	57,000			57,000
Refundable and accrued income taxes, net	645			645
Other assets and liabilities	3,304	417	(173)	3,548
Net cash provided by operating activities of continuing operations	5,220		14	5,234
Cash flows from investing activities of continuing operations:				
Additions to property and equipment	(1,750)			(1,750)
Investments in affiliates	(1,052)			(1,052)
Net cash used in investing activities of continuing operations	(2,802)			(2,802)
Cash flows from financing activities of continuing operations:				
Repayments on capital lease obligations	(15)		(14)	(29)
Proceeds from issuance of common stock	29			29
Repurchase of common stock	(173)			(173)
Net cash used in financing activities of continuing operations	(159)		(14)	(173)
Cash flows from discontinued operations:				
Operating cash flows	(386)			(386)
Net cash used in discontinued operations	(386)			(386)
	(1,572)			(1,572)

Net effect of exchange rate changes on cash and cash equivalents				
Net increase in cash and cash equivalents	301			301
Cash and cash equivalents at beginning of year	111,225			111,225
Cash and cash equivalents at end of year	$ 111,526	$	$	$ 111,526

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(4) RECENT ACCOUNTING PRONOUNCEMENTS

There are no recent accounting pronouncements that have a significant impact on our results of operations, financial position or cash flows.

(5) GOODWILL

The Company conducts its goodwill impairment test on July 31 of each fiscal year. In addition, if and when events or circumstances change that could reduce the fair value of any of its reporting units below its carrying value, an interim test would be performed. In making this assessment, the Company relies on a number of factors including operating results, business plans, economic projections, anticipated future cash flows, and transactions and marketplace data. The Company s reporting units are the same as the operating segments: Americas, Asia, Europe, e-Business, ModusLink PTS and TFL.

The Company s remaining goodwill of $3.1 million as of October 31, 2012 relates to the Company s e-Business reporting unit. There were no indicators of impairment identified related to the Company s e-Business reporting unit during the three months ended October 31, 2012.

The carrying amount of goodwill allocated to the Company s reportable segments is as follows:

	Americas	Asia	Europe	TFL	All Other	Consolidated Total
			(in thousands)			
Balance as of July 31, 2012						
Goodwill	$ 94,477	$ 73,948	$ 30,108	$ 16,299	$ 5,857	$ 220,689
Accumulated impairment charges	(94,477)	(73,948)	(30,108)	(16,299)	(2,799)	(217,631)
	$	$	$	$	$ 3,058	$ 3,058
Balance as of October 31, 2012						
Goodwill	94,477	73,948	30,108	16,299	5,857	220,689
Accumulated impairment charges	(94,477)	(73,948)	(30,108)	(16,299)	(2,799)	(217,631)
	$	$	$	$	$ 3,058	$ 3,058

(6) SHARE-BASED PAYMENTS

The following table summarizes share-based compensation expense related to employee stock options, employee stock purchases and nonvested shares for the three months ended October 31, 2012 and 2011, which was allocated as follows:

	Three Months Ended October 31,	
	2012	2011
Cost of revenue	$ 50	$ 96
Selling, general and administrative	443	786
	$ 493	$ 882

During the three months ended October 31, 2012, the Company did not grant any stock options or nonvested shares. As of October 31, 2012, unrecognized share-based compensation related to stock options was approximately $1.7 million. This expense is expected to be recognized over a weighted average period of 1.8 years. As of October 31, 2012, there was approximately $0.5 million of unrecognized share-based compensation related to nonvested stock to be recognized over a weighted average period of 1.3 years.

(7) OTHER GAINS (LOSSES), NET

The following table reflects the components of   Other gains (losses), net   :

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	Three Months Ended October 31, 2012	2011
Foreign currency exchange gain (losses)	$ (1,026)	$ 1,197
Gain (loss) on disposal of assets	(4)	25
Other, net	(289)	3
	$ (1,319)	$ 1,225

The Company recorded foreign exchange losses of approximately $1.0 million during the three months ended October 31, 2012. These net losses primarily related to realized and unrealized losses from foreign currency exposures and settled transactions of approximately $1.3 million and $0.5 million in Europe and Asia, respectively, offset by realized and unrealized gains of approximately $0.8 million in the Americas.

The Company recorded foreign exchange gains of approximately $1.2 million during the three months ended October 31, 2011. These net gains primarily related to realized and unrealized gains from foreign currency exposures and settled transactions of approximately $0.1 million, $0.3 million and $0.8 million in the Americas, Asia and Europe, respectively.

(8) OTHER CURRENT LIABILITIES

The following table reflects the components of Other Current Liabilities :

	October 31, 2012	July 31, 2012
	(In thousands)	
Accrued pricing liabilities	$ 20,530	$ 20,397
Other	6,012	6,381
	$ 26,542	$ 26,778

As of October 31, 2012 and July 31, 2012, the Company recorded accrued pricing liabilities of approximately $20.5 million and $20.4 million, respectively. These liabilities related to the equivalent reduction of revenue where the retention of a rebate or a mark-up was determined to have been inconsistent with a client contract. The remaining accrued pricing liabilities at October 31, 2012 will be derecognized when there is sufficient information for the Company to conclude that such liabilities have been extinguished, which may occur through payment, legal release, or other legal or factual determination.

(9) RESTRUCTURING, NET

The following table summarizes the activity in the restructuring accrual for the three and nine months ended October 31, 2012:

	Employee Related Expenses	Contractual Obligations	Asset Impairments	Total
		(in thousands)		
Accrued restructuring balance at July 31, 2012	$ 626	$ 1,098	$	$ 1,724
Restructuring charges	1,492			1,492
Restructuring adjustments	32	(45)		(13)
Cash paid	(1,148)	(309)		(1,457)
Non-cash adjustments	15	(10)		5
Accrued restructuring balance at October 31, 2012	$ 1,017	$ 734	$	$ 1,751

It is expected that the payments of employee-related charges will be substantially completed during the fiscal year ended July 31, 2013. The remaining contractual obligations primarily relate to facility lease obligations for vacant space resulting from the previous restructuring activities of the Company. The Company anticipates that contractual obligations will be substantially fulfilled by April 2013.

The net restructuring charges for the three months ended October 31, 2012 and 2011 would have been allocated as follows had the Company recorded the expense and adjustments within the functional department of the restructured activities:

	Three Months Ended October 31, 2012	2011
Cost of revenue	$ 769	$ 427
Selling, general and administrative	710	328
	$ 1,479	$ 755

The $1.5 million restructuring charge recorded during the three months ended October 31, 2012 primarily consisted of approximately $0.3 million, $0.7 million, and $0.5 million of employee-related costs in Americas, Asia, and Europe, respectively, related to the workforce reduction of 62 employees in our global supply chain operations.

The $0.8 million restructuring charge recorded during the three months ended October 31, 2011 consisted of approximately $0.2 million related to the workforce reduction of 9 employees in Raleigh, North Carolina and $0.5 million for the workforce reduction of 144 employees in China. Also, approximately $0.1 million of the restructuring charge related to certain contractual obligations in connection with the restructuring of facilities in Raleigh, North Carolina.

The following table summarizes the restructuring accrual by reportable segment and the Corporate-level activity for the three months ended October 31, 2012:

	Americas	Asia	Europe	TFL (in thousands)	All Other	Corporate-level Activity	Consolidated Total
Accrued restructuring balance at July 31, 2012	$ 1,086	$	$ 51	$ 244	$ 343	$	$ 1,724
Restructuring charges	306	664	486	9	27		1,492
Restructuring adjustments	20		(32)		(1)		(13)
Cash paid	(400)	(474)	(343)	(157)	(83)		(1,457)
Non-cash adjustments			5				5
Accrued restructuring balance at October 31, 2012	$ 1,012	$ 190	$ 167	$ 96	$ 286	$	$ 1,751

(10) SEGMENT INFORMATION

The Company has six operating segments: Americas; Asia; Europe; e-Business; ModusLink PTS and TFL. Based on the information provided to the Company s chief operating decision-maker (CODM) for purposes of making decisions about allocating resources and assessing performance and quantitative thresholds, the Company has determined that it has four reportable segments: Americas; Asia; Europe and TFL. The Company reports the ModusLink PTS operating segment in aggregation with the Americas operating segment as part of the Americas reportable segment. In addition to its four reportable segments, the Company reports an All other category. The All other category represents the e-Business operating segment. The Company also has Corporate-level activity, which consists primarily of costs associated with certain corporate administrative functions such as legal and finance, which are not allocated to the Company s reportable segments and administration costs related to the Company s venture capital activities. The Corporate-level activity balance sheet information includes cash and cash equivalents, available-for-sale securities, investments and other assets, which are not identifiable to the operations of the Company s operating segments.

Management evaluates segment performance based on segment net revenue, operating income (loss) and adjusted operating income , which is defined as the operating income (loss) excluding net charges related to depreciation, long-lived asset impairment, restructuring, amortization of intangible assets and share-based compensation. These items are excluded because they may be considered to be of a non-operational or non-cash nature. Historically, the Company has recorded significant impairment and restructuring charges and therefore management uses adjusted operating income to assist in evaluating the performance of the Company s core operations.

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Summarized financial information of the Company s continuing operations by operating segment is as follows:

	Three Months Ended October 31, 2012	Three Months Ended October 31, 2011 (As Restated)
Net revenue:		
Americas	$ 63,909	$ 69,511
Asia	56,375	60,739
Europe	68,930	57,605
TFL	3,605	8,079
All other	7,837	9,974
	$ 200,656	$ 205,908
Operating income (loss):		
Americas	$ (2,036)	$ (120)
Asia	7,174	9,292
Europe	(3,829)	(1,688)
TFL	(832)	(1,395)
All other	405	856
Total Segment operating income	882	6,945
Corporate-level activity	(8,987)	(4,759)
Total operating income (loss)	$ (8,105)	$ 2,186
Adjusted operating income:		
Americas	$ (604)	$ 1,326
Asia	9,026	10,965
Europe	(1,999)	(296)
TFL	(816)	(1,315)
All other	848	1,343
Total Segment Adjusted operating income	6,455	12,023
Corporate-level activity	(8,685)	(4,120)
Total Adjusted operating income (loss)	$ (2,230)	$ 7,903
Adjusted operating income (loss)	$ (2,230)	$ 7,903
Adjustments:		
Depreciation	(3,618)	(3,748)
Amortization of intangible assets	(285)	(332)
Share-based compensation	(493)	(882)
Restructuring, net	(1,479)	(755)
Operating income (loss)	$ (8,105)	$ 2,186
Other income (expense), net		