



## Half-year Report

August 25, 2017  
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 Computacenter PLC  
 25 August 2017

### Computacenter plc

Incorporated in England  
 Registration number: 03110569  
 LEI: 549300XSXUZ1I19DB105  
 ISIN: GB00BV9FP302

### Interim results for the six months ended 30 June 2017

Computacenter plc ("Computacenter" or the "Group"), whose ambition is to be Europe's preferred IT provider to enable users and their business in a digital world, today announces unaudited results for the six month period ended 30 June 2017.

<b>Financial Highlights</b>	<b>H1 2017</b>	<b>H1 2016</b>	<b>Percentage Change Increase/ (Decrease)</b>
<b><u>Financial Performance</u></b>			
Revenue ( <i>£ million</i> )	<b>1,700.3</b>	1,478.2	15.0
Adjusted <sup>1</sup> profit before tax ( <i>£ million</i> )	<b>41.9</b>	25.3	65.6
Adjusted <sup>1</sup> diluted earnings per share ( <i>pence</i> )	<b>25.6</b>	15.3	67.3
Statutory profit before tax ( <i>£ million</i> )	<b>47.5</b>	23.6	101.3
Statutory diluted earnings per share ( <i>pence</i> )	<b>28.3</b>	13.2	114.4
Dividend per share ( <i>pence</i> )	<b>7.4</b>	7.2	2.8
<b><u>Cash Position</u></b>			
Net funds <sup>3</sup> ( <i>£ million</i> )	<b>137.3</b>	96.6	42.1
Net cash flow from operating activities ( <i>£ million</i> )	<b>11.4</b>	(1.1)	n/a
<b><u>Revenue Performance</u></b>			
Services ( <i>£ million</i> )	<b>562.1</b>	498.0	12.9
Supply Chain ( <i>£ million</i> )	<b>1,138.2</b>	980.2	16.1

### **Reconciliation between Adjusted<sup>1</sup> and Statutory Performance**

Adjusted <sup>1</sup> profit before tax ( <i>£ million</i> )	<b>41.9</b>	25.3
<i>Exceptional and other adjusting items:</i>		

Exceptional gain on disposal of an investment property (£ million)	4.3	-
Release of provision for onerous German contracts (£ million)	1.4	-
Amortisation of acquired intangibles (£ million)	(0.1)	(0.6)
Increase in estimated costs of redundancy and other restructuring in French business (£ million)	-	(1.1)
Statutory profit before tax (£ million)	47.5	23.6

### Operational Highlights:

- The Group's first half performance was marginally ahead of our expectations for the period, as revised at the time of our Q1 Trading Update on 24 April 2017;
- The UK business achieved good revenue growth across the Supply Chain and Professional Services practices with improved Services margins dampened by Supply Chain margins, which remain challenging;
- Strong revenue growth within the German business, led by key Supply Chain accounts and supported by continuing demand across our Services portfolio; and
- Continuing profit recovery in France with a materially improved revenue mix from Supply Chain towards Services in the first half, making the business more sustainable.

### Mike Norris, Chief Executive of Computacenter plc, commented:

'The majority of our profit growth in the first half came from improved operational performance, with some help from currency movements. We also benefitted from a comparison with what was a weaker trading performance in the first half of the prior year, whereas the comparison for the second half of 2017 is challenging. We remain on track for a record performance, and marginally ahead of the upgraded board expectation expressed at our Trading Update in April 2017. We have never been more optimistic about the market's potential, as customers invest capital, digitalise their businesses and require support to reduce their long-term operating costs. It remains critical that Computacenter invests too, in skills, tools, automation, infrastructure and customer satisfaction as we remain more focused on our long-term performance than the short term. As can be seen from recent results, our investments over the last few years have paid off but they are not guaranteed. However, market opportunity and competition makes this continuous investment both attractive and necessary. It is also worthy of note that most of our investments are expensed through the Income Statement, rather than capitalised. Our cash generation over recent years has enabled us to have a strong dividend policy and to periodically return additional value to shareholders. We intend to do this again in the fourth quarter of 2017, with an anticipated return of value of approximately £100 million. This would bring the total returned to shareholders, via ordinary and special returns, to £648 million since listing on the London Stock Exchange on 21 May 1998.'

<sup>1</sup> *Adjusted operating profit or loss, adjusted profit or loss before tax, adjusted tax, adjusted profit or loss for the period, adjusted earnings per share and adjusted diluted earnings per share are, as appropriate, each stated before: exceptional and other adjusting items including gain or loss on business disposals, gain or loss on disposal of investment properties, amortisation of acquired intangibles, utilisation of deferred tax assets (where initial recognition was as an exceptional item or a fair value adjustment on acquisition), and the related tax effect of these exceptional and other adjusting items, as Management do not consider these items when reviewing the underlying performance of the segment or the Group as a whole. Additionally, adjusted gross profit or loss and adjusted operating profit or loss includes the interest paid on customer-specific financing (CSF) which Management considers to be a cost of sale. A reconciliation between key adjusted and statutory measures is provided within the Group Finance Director's Review included within this announcement. Further detail is provided within note 5 to the summary financial information included within this announcement, Segment Information.*

<sup>2</sup> *We evaluate the long-term performance and trends within our strategic key performance indicators (KPIs) on a constant currency basis. Further, the performance of the Group and its overseas segments are shown, where*

indicated, in constant currency. The constant currency presentation, which is a non-GAAP measure, excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency information gives valuable supplemental detail regarding our results of operations, consistent with how we evaluate our performance. We calculate constant currency percentages by converting our prior-year local currency financial results using the current year average exchange rates and comparing these recalculated amounts to our current year results or by presenting the results in the equivalent local currency amounts. Wherever the performance of the Group, or its overseas segments, are presented in constant currency, the equivalent prior-year measure is also presented in actual currency using the exchange rates prevailing at the time. Financial Highlights, and statutory measures, are provided in actual currency.

<sup>3</sup> Net funds includes cash and cash equivalents, CSF, other short or other long-term borrowings and current asset investments.

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## **DISCLAIMER: FORWARD-LOOKING STATEMENTS**

*This announcement includes statements that are, or may be deemed to be, 'forward-looking statements'. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'anticipates', 'believes', 'estimates', 'expects', 'intends', 'may', 'plans', 'projects', 'should' or 'will', or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this announcement and include, but are not limited to, statements regarding the Groups' intentions, beliefs or current expectations concerning, amongst other things, results of operations, prospects, growth, strategies and expectations of its respective businesses.*

*By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Group's operations and the development of the markets and the industry in which they operate or are likely to operate and their respective operations may differ materially from those described in, or suggested by, the forward-looking statements contained in this announcement. In addition, even if the results of operations and the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, those risks in the risk factor section of the 2016 Computacenter Annual Report and Accounts, as well as general economic and business conditions, industry trends, competition, changes in regulation, currency fluctuations or advancements in research and development.*

*Forward-looking statements speak only as of the date of this announcement and may, and often do, differ materially from actual results. Any forward-looking statements in this announcement reflect the Group's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy.*

*Neither Computacenter plc nor any of its subsidiaries undertakes any obligation to update the forward-looking statements to reflect actual results or any change in events, conditions or assumptions or other factors unless otherwise required by applicable law or regulation.*

## **LETTER FROM THE CHAIRMAN**

### **MOST INTERESTING TIMES**

I am pleased to report a most successful first half of 2017 for our Company. The strength of our geographically diverse business model and the investments we have made in customer relationships throughout our history are evident in revenue growth of 8.7 per cent in constant currency<sup>2</sup> (15.0 per cent in actual currency<sup>2</sup>).

Our digital workplace investments are paying off, enhanced by our Security and Cloud offerings. We have invested in the USA and Mexico, and now have some 420 employees in the USA and 210 in Mexico City, supporting a growing number of global enterprises. Add to this our customer support capabilities, with 650 people in Cape Town, 400 in Budapest, 140 in Kuala Lumpur and our new customer service desk in China, and you can see our commitment to our global customers. Our German business had an outstanding first half, growing total revenue by 13.6 per cent in constant currency<sup>2</sup> (25.5 per cent in actual currency<sup>2</sup>). We are pleased with solid progress in the UK and delighted with the number of contract renewals we have won here. We now have a clearly defined French business, which has won and successfully taken onboard some outstanding global contracts in the past year or so.

All in all, we are set for a very successful 2017. The new contract wins and renewals we have booked in the first half of this year set us up strongly for the second half and beyond, and our pipeline of opportunities is healthy.

We have a full agenda of improvements on our plate and, as ever, I stress that we are in business for the long haul. We make no promises of certain success but we are confident in our ability to compete vigorously in our chosen markets. We have always believed in our people and our business model and our continued investments in our capabilities around the globe are testament to this. In summary, we are extremely pleased with our position and results but by no means satisfied.

**Greg Lock**  
**Chairman**

25 August 2017

## **PERFORMANCE REVIEW**

### **OUR PERFORMANCE**

#### **FINANCIAL PERFORMANCE**

The Group's revenues increased by 8.7 per cent in constant currency<sup>2</sup> to £1,700.3 million, and by 15.0 per cent in actual currency<sup>2</sup> (H1 2016: £1,478.2 million).

The Group's adjusted<sup>1</sup> profit before tax increased by 58.7 per cent in constant currency<sup>2</sup> to £41.9 million, and by 65.6 per cent in actual currency<sup>2</sup> (H1 2016: £25.3 million).

With the increase in the Group's overall profitability, adjusted<sup>1</sup> diluted earnings per share increased by 67.3 per cent to 25.6 pence (H1 2016: 15.3 pence) in the first half of 2017.

The Group made a statutory profit before tax of £47.5 million, an increase of 101.3 per cent in actual currency<sup>2</sup> (H1 2016: £23.6 million). The Group's statutory diluted earnings per share increased by 114.4 per cent to 28.3 pence for the period (H1 2016: 13.2 pence).

In the first half of 2017, the Group reported a net gain of £5.6 million from exceptional and other adjusting items. The disposal of an investment property for £14.5 million realised a gain of £4.3 million, after disposal costs, and all remaining provisions, originally booked in 2013, relating to the two residual German loss-making contracts were released for a gain of £1.4 million.

The Group's first half performance was marginally ahead of our expectations for the period, as revised at the time of our Q1 Trading Update on 24 April 2017. In that announcement, we noted that our performance in 2016 was considerably weaker in the first half than in the second half against historical norms, creating an easier half-on-half comparison in H1 2017. Higher profit growth than expected in the first half of 2017 will return Computacenter to a more historical norm in the balance of our profits between the first and second halves of the year.

## **SERVICES PERFORMANCE**

The Group's Services revenue increased by 7.2 per cent in constant currency<sup>2</sup> to £562.1 million, and by 12.9 per cent in actual currency<sup>2</sup> (H1 2016: £498.0 million).

Services revenue in the UK showed good improvement during the first half of 2017. Professional Services activity, both through Entry Into Service and Transformation work, has rebounded particularly well with the business cautiously restoring capacity, as utilisation improves. The Public Sector led this activity, with significant ongoing project work being added to the forward order book. Whilst the Managed Services pipeline has been rebuilding, the UK business has defended its contract base by completing a number of significant contract renewals. These included a leading industrial customer, who renewed for a further five years without a competitive tendering process, and a leading retailer, who also renewed for five years. Renewing these critical contracts demonstrates the 'stickiness' created by our approach to putting the customer first. Whilst we signed a number of new contracts through the half, several material Public Sector tenders were not won, with the importance of incumbency again being highlighted. Services margins have improved in the UK, partly as a result of the increased mix of Professional Services, a business once again operating at sustainable levels of utilisation, and partly because of across-the-board execution in line with expectations within the Managed Services portfolio.

The German Services business continued to boost the Group's top-line growth. Demand for our Professional Services business continues to grow, with its performance starting to be held back by the availability of suitably qualified personnel in the market, with utilisation across the practices high. The Managed Services business saw good growth from the contract wins in 2016 and continued to attract new customers through the first half of the year. The significant and complex Entry Into Service projects are now largely complete, with these contracts successfully entering the 'run' phase. Several difficult contracts continued to disappoint, marginally dampening an otherwise successful six months for the business. Margins remained flat, despite the increasing contribution from the higher-margin Professional Services, as the difficulties in delivering certain Managed Services contracts constrained the overall Service margin. Finally, the last two onerous contracts that were provided for in 2013 have had the remaining provisions of £1.4 million released, as the ongoing operational

improvements led to these contracts turning profitable. This completed the turnaround activity and underlined our commitment to honouring the contracts we enter and to providing excellent service to our customers.

Our French Services business made significant progress in the half, with the return to growth of the Professional Services business supporting a much-improved Managed Services business. The significant Managed Services wins of 2015 and 2016 are now driving the business's volume growth. As we have seen elsewhere across the Group, these Managed Services contracts are also now providing opportunities for our Professional Services and Supply Chain businesses. Whilst we were disappointed not to win a significant contract with a major French utility provider, we are encouraged by the strength of the French pipeline and the performance of the contracts we have won to date.

It is worth noting that revenue for work performed by other Computacenter entities on behalf of several key French contracts has been reclassified to the French Segment. Historically these revenues have been recorded in the segment where the associated underlying subsidiary recognises the revenues in their statutory accounts. For segmental analysis, all of our offshore internal service provider entities (e.g. Computacenter USA) are allocated to the UK Segment apart from Computacenter Switzerland which is within the German Segment. As the work performed in certain offshore subsidiaries has grown within the UK Segment, Management decided to reallocate these revenues inter-segmentally to reflect better where the portfolio co-ordination and operational responsibility lies and where the benefits should accrue. We have therefore restated the French and UK Managed Services revenue for 2016, to assist with understanding the growth in each business and to ensure period-on-period comparisons reflect true underlying growth. This has no impact on Group revenue or on segmental profitability, as the margins were previously shared on the same basis that the revenue now reflects. Further information on this segmental revenue restatement can be found in note 5 to the summary financial information included within this announcement, Segment Information. All discussion within this Interim Report on segmental Managed Services revenues for the UK and France reflect this reclassification and resultant prior period restatement.

## **SUPPLY CHAIN PERFORMANCE**

The Group's Supply Chain revenue increased by 9.5 per cent in constant currency<sup>2</sup> to £1,138.2 million, and by 16.1 per cent in actual currency<sup>2</sup> (H1 2016: £980.2 million).

The UK Supply Chain performance continued the recovery displayed in the fourth quarter of 2016, with pleasing top-line growth tracking Management's expectations. Margins were depressed, however, with significant volumes of low-margin software sales diluting the result and remain below our plan for the year. A small recovery in this area would materially assist the UK's performance. Customers continue to consider their technology options in the Datacenter market, creating procurement delays, although other areas of the business have started to see the promise of Windows 10 implementations.

The Supply Chain business in Germany saw spectacular growth during the period and underpinned the Group's performance in the half. This growth was heavily influenced by the performance of our Public Sector business, with more modest gains across other sectors, which could result in a return to more normal patterns of growth if this sector starts to slow. Supply Chain margins have improved and now lead the Group, with some high-value deals leading the way.

French Supply Chain revenues fell only slightly in constant currency<sup>2</sup>, as the process of rationalising our customer business neared completion. As we expected, our largest customer had a quieter start to the year, which has affected performance. Outside of our biggest customer, we saw pleasing growth, with the overall top-line performance ahead of expectations. Margins have slipped from their Group-leading performance of

2016, as the customer and product mix changed through the first half of the year.

## **OUTLOOK**

The majority of our profit growth in the first half came from improved operational performance, with some help from currency movements. We also benefitted from a comparison with what was a weaker trading performance in the first half of the prior year, whereas the comparison for the second half of 2017 is challenging. We remain on track for a record performance, and marginally ahead of the upgraded board expectation expressed at our Trading Update in April 2017.

We have never been more optimistic about the market's potential, as customers invest capital, digitalise their businesses and require support to reduce their long-term operating costs. It remains critical that Computacenter invests too, in skills, tools, automation, infrastructure and customer satisfaction as we remain more focused on our long-term performance than the short term. As can be seen from recent results, our investments over the last few years have paid off but they are not guaranteed. However, market opportunity and competition makes this continuous investment both attractive and necessary.

It is also worthy of note that most of our investments are expensed through the Income Statement, rather than capitalised. Our cash generation over recent years has enabled us to have a strong dividend policy and to periodically return additional value to shareholders. We intend to do this again in the fourth quarter of 2017, with an anticipated return of value of approximately £100 million. This would bring the total returned to shareholders, via ordinary and special returns, to £648 million since listing on the London Stock Exchange on 21 May 1998.

**Mike Norris**  
**Chief Executive Officer**

25 August 2017

## **UNITED KINGDOM**

### **FINANCIAL PERFORMANCE**

Total revenue increased by 5.1 per cent to £678.3 million (H1 2016: £645.1 million). Adjusted<sup>1</sup> operating profit rose by 27.1 per cent to £17.8 million (H1 2016: £14.0 million) whilst statutory profit before tax was 55.9 per cent higher at £22.6 million (H1 2016: £14.5 million).

We are pleased with the UK's performance in the first half and maintain a positive outlook. Revenue growth across our Services and Supply Chain businesses appears to be ahead of the market. Profit growth has exceeded our expectations but there remains further work to do to restore Supply Chain margins.

### **SERVICES PERFORMANCE**

Services revenue grew by 5.4 per cent to £249.6 million (H1 2016: £236.7 million). This included Professional Services growth of 14.1 per cent to £66.4 million (H1 2016: £58.2 million) and Managed Services growth of 2.6 per cent to £183.2 million (H1 2016: £178.5 million).

Managed Services faced some already anticipated headwinds at the start of 2017, with the continuation of the heavy renewal activity we saw in 2016. We had a disproportionately large number of major contracts due for renewal or coming to an end in 2017, and we are pleased to report excellent progress, with many key contract renewals now concluded. During the first half we signed more than £200 million of both renewed and new contracts. This included significant new wins worth more than £45 million on a Total Contract Value basis. We are pleased by the business's pipeline and remain on course to reverse our 2016 Managed Services contract base decline.

We increased Managed Services' profits ahead of volume through efficiency gains, while maintaining our excellent customer satisfaction metrics.

The Professional Services business is beginning to see the impact of Windows 10 and new support models within our Enterprise customer base. As a result of this momentum, the forward order book for Professional Services has returned to growth, benefitting from the pull-through of engagements from Managed Services contracts. This was particularly the case in the public sector where there was strong growth during the first half, with some projects due to be delivered in the second half of the year.

## **SUPPLY CHAIN PERFORMANCE**

Supply Chain revenue increased by 5.0 per cent to £428.7 million (H1 2016: £408.4 million).

Whilst the Datacenter business has been under pressure, as customers review and refine their Software Defined/Hybrid Cloud strategies, the Workplace, Networking and Security businesses are performing well, especially in Security which is experiencing strong growth. We have seen a significant upturn in Workplace Supply Chain Services and Projects on the back of Windows 10 momentum. As the digitisation of workplace begins to materialise, our customers' demand is starting to shift in form factor, with substantial new mobility device deals into large customers.

Overall Supply Chain margins reduced slightly, partially due to the increased proportion of lower margin software revenues. This change in mix has meant that we have not seen the improvement we anticipated in the first half of 2017 and Supply Chain margins remain under pressure, albeit broadly in line with 2016. We expect these challenges to continue into the second half of 2017 and we are meeting these market pressures with initiatives to improve the efficiency and effectiveness of our Supply Chain business.

We have continued to invest in our people, to ensure we attract, develop and retain the best people in the industry. We have made some minor changes to the UK structure, ensuring that we fully address the entire UK target market. However, there is still significant work to do to ensure that the UK business remains strong, performs ahead of expectations in the year and delivers a platform for sustained long-term growth. We remain committed to delivering value to our customers and to continuing our history of developing intimate relationships with them for the long term.

## **SG&A**

Levels of SG&A within the UK business have increased by 8.6 per cent in actual currency<sup>2</sup> to £83.7 million (H1 2016: £77.1 million) due to increased variable remuneration and continued investment into tactical investment plans.

**Kevin James**  
**Managing Director, UK**

25 August 2017

## **GERMANY**

### **FINANCIAL PERFORMANCE**

Total revenue increased by 13.6 per cent in constant currency<sup>2</sup> to €886.2 million (H1 2016: €779.8 million) and by 25.5 per cent in actual currency<sup>2</sup>. Adjusted<sup>1</sup> operating profit rose by 105.7 per cent in constant currency<sup>2</sup> to €25.1 million (H1 2016: €12.2 million), and by 129.5 per cent in actual currency<sup>2</sup>. Statutory profit before tax increased by 136.0 per cent in constant currency<sup>2</sup> to €26.9 million (H1 2016: €11.4 million), and by 160.7 per cent in actual currency<sup>2</sup>.

The Supply Chain area led Computacenter's growth in Germany, driven by a strong economy encouraging customers to invest heavily in extending and refreshing their infrastructure. Services growth was also pleasing, as we benefitted from several significant 2016 Managed Services wins and continuing strong demand for our consultancy practices.

### **SERVICES PERFORMANCE**

Services revenue grew by 5.8 per cent in constant currency<sup>2</sup> to €288.3 million (H1 2016: €272.5 million) and by 16.7 per cent in actual currency<sup>2</sup>. This included Professional Services growth of 7.2 per cent in constant currency<sup>2</sup>

to €86.6 million (H1 2016: €80.8 million) and by 18.3 per cent in actual currency<sup>2</sup>, and Managed Services growth of 5.2 per cent in constant currency<sup>2</sup> to €201.7 million (H1 2016: €191.7 million) and by 16.1 per cent in actual currency<sup>2</sup>.

Whilst Services revenue growth is pleasing, margins continue to be affected by a handful of underperforming contracts. These underperforming contracts continued to achieve margins below our expectations for the first half, however we expect these margins to improve in the second half of the year. We have completed the turnaround in the financial performance of the onerous contracts in Germany, releasing €1.7 million of provisions as an exceptional item. This demonstrates our commitment to honouring our contracts with customers and our ability to improve their financial performance over time. In addition, the business is scaling up for the Entry Into Service phase for three major contracts and the associated transformations these customers have requested. The pace of Managed Services activities will continue to be a challenge for the business throughout the rest of the year.

We have grown our existing customer base and successfully renewed one of our most important networking operations contracts, with an automotive customer for the next five years, maintaining our record of successfully retaining nearly all of the important renewals over the last 12 months. This provides clear evidence of our customers' satisfaction with our ability to meet service level agreements and deliver quality of service. Most of the renewals and new business are based on transformational change programmes, to prepare our customers for the new world of digitisation, cloud and user enablement.

Our Professional Services business performed well during the period, driven by ongoing demand for Security, Cloud enablement and Networking infrastructure services, as well as initial migrations to the new Windows 10 and Office 365 environment. We have seen some big investments in the Public Sector, to build up new infrastructure for private cloud solutions and digitisation. New wins and existing framework contracts allowed us to participate in our customers' investment programmes. Our infrastructure consultancy practice remains in high demand due to its skillset and this looks set to continue. However, high demand for resources across Germany makes it challenging for us to retain and grow our people base.

## **SUPPLY CHAIN PERFORMANCE**

Supply Chain revenue for the first six months of 2017 grew by 17.9 per cent in constant currency<sup>2</sup> to €597.9 million (H1 2016: €507.3 million) and by 30.2 per cent in actual currency<sup>2</sup>. We saw significant demand from both public sector and certain private sector customers, where we participate in framework sales agreements. All business lines performed well, with Datacenter benefitting from customer investments in private cloud infrastructure, particularly within Central Government. In Networking and Security, there continues to be significant demand for refreshing and extending existing core infrastructure. The Workplace business has seen the first implementations of new infrastructure, based on the upcoming Windows 10 migrations. In all business areas, we have benefitted from driving solutions such as Cloud, Security, SAP Hana, Industrie 4.0 and Digital Workplace.

## **SG&A**

SG&A costs in the first half increased by 3.0 per cent in constant currency<sup>2</sup> to €86.8 million (H1 2016: €84.3 million) and by 13.5 per cent in actual currency<sup>2</sup>. This was primarily due to increased business volumes leading directly to higher variable remuneration and increased pre-sales costs for the growing Services business. We have kept our sales headcount flat but seen a slight increase in headcount in Services management and some overlay functions.

**Reiner Louis**  
**Managing Director, Germany**

25 August 2017

## **FRANCE**

### **FINANCIAL PERFORMANCE**

Total revenue increased by 3.1 per cent in constant currency<sup>2</sup> to €265.5 million (H1 2016: €257.6 million) and by 13.8 per cent in actual currency<sup>2</sup>. Adjusted<sup>1</sup> operating profit improved by €0.5 million to €1.7 million in constant currency<sup>2</sup> (H1 2016: €1.2 million) and by £0.6 million in actual currency<sup>2</sup>. The statutory profit before tax was €1.7 million in constant currency<sup>2</sup> (H1 2016: loss of €0.5 million) and £1.4 million in actual currency<sup>2</sup> (H1 2016: loss of £0.3 million).

With the French business having exceeded our expectations in H1 2016, we were pleased that the H1 2017 results

confirmed its further improved performance. Moreover, it improved its revenue mix from Supply Chain towards Services in the first half, making the business more sustainable.

## **SERVICES PERFORMANCE**

We are pleased with the material improvement in our Services performance in France.

Overall Services revenue increased by 20.3 per cent in constant currency<sup>2</sup> to €62.1 million (H1 2016: €51.6 million) and by 32.8 per cent in actual currency<sup>2</sup>.

Our Managed Services business saw revenues rise by 22.0 per cent in constant currency<sup>2</sup> to €50.4 million (H1 2016: €41.3 million) and by 34.9 per cent in actual currency<sup>2</sup>. The Managed Services teams have successfully taken on two major contracts that we signed at the end of 2016. Despite the disappointment of failing to extend a Services contract with a large French utilities provider, we remain well positioned to increase our annual contract base, as we are currently in the final phase of several significant Managed Services bids.

Although overall revenues remain relatively small, the performance of our Professional Services business materially improved, with revenues increasing by 13.6 per cent in constant currency<sup>2</sup> to €11.7 million (H1 2016: €10.3 million) and by 24.7 per cent in actual currency<sup>2</sup>.

We believe this improvement was the result of rising demand for Windows 10 competencies within our traditional Supply Chain customer base and additional service opportunities generated by pull-through from our expanding Managed Services customer base. We are confident that this positive trend will continue in the second half of the year and, provided we successfully recruit consultants with skills in digital workplace, mobility, datacenter and security, we will be able to accelerate our Professional Services growth.

## **SUPPLY CHAIN PERFORMANCE**

Supply Chain revenue decreased by 1.3 per cent in constant currency<sup>2</sup> to €203.4 million (H1 2016: €206.0 million), and increased by 9.1 per cent in actual currency<sup>2</sup>.

While we saw lower activity from one of our largest Supply Chain customers, we compensated for this with new customer wins in our target market of large private and public sector organisations. Taking on new contracts reduced our Supply Chain margin in the first half but we are confident that we will increase our margin in the second half to the same level as 2016, as a whole.

We continued to improve our product business mix, by shifting from workplace business towards higher-margin Datacenter and Networking solutions, but much remains to be done.

As usual at this time of year, there is still much work to do to secure Supply Chain business in the second half and traditionally there is considerable focus on the last quarter of the year. With a positive economic climate in France, a strong short-term pipeline and the recent wins of some high-volume framework tenders in the public sector, we are optimistic about our chances of exceeding the overall Supply Chain revenue achieved in 2016.

## **SG&A**

We continue to realise cost savings through our core strategy of working with a reducing targeted customer set. These efficiencies, alongside our continued focus on cost control within the French business, have resulted in a reduction in SG&A expenditure of 5.1 per cent in constant currency<sup>2</sup> to €22.3 million (H1 2016: €23.5 million) and an increase of 4.3 per cent in actual currency<sup>2</sup>.

**Lieven Bergmans**  
**Managing Director, France**

25 August 2017

## **BELGIUM**

### **FINANCIAL PERFORMANCE**

Total revenue increased by 12.4 per cent in constant currency<sup>2</sup> to €35.4 million (H1 2016: €31.5 million) and by 24.5 per cent in actual currency<sup>2</sup>. Adjusted<sup>1</sup> operating profit decreased by 50.0 per cent in both constant and actual

currency<sup>2</sup>, to €0.4 million (H1 2016: €0.8 million), primarily because of one-time restructuring costs. Statutory profit before tax fell by 57.1 per cent in constant currency<sup>2</sup> to €0.3 million (H1 2016: €0.5 million) and by 40.0 per cent in actual currency<sup>2</sup>.

Overall, the operational performance of the Belgian business was within our expectations for the first half of 2017.

## **SERVICES PERFORMANCE**

Services revenue increased by 17.1 per cent in constant currency<sup>2</sup> to €13.0 million (H1 2016: €11.1 million) and by 28.7 per cent in actual currency<sup>2</sup>. This included Professional Services growth of 9.1 per cent in constant currency<sup>2</sup> to €1.2 million (H1 2016: €1.1 million) and by 22.2 per cent in actual currency<sup>2</sup>, and Managed Services growth of 18.0 per cent in constant currency<sup>2</sup> to €11.8 million (H1 2016: €10.0 million) and by 29.5 per cent in actual currency<sup>2</sup>.

We continue to benefit from implementing the Group Operating Model, which improves our competitive position in Belgium, especially for international customers headquartered there. This is recognised by independent IT outsourcing researchers Whitelane, who ranked Computacenter Belgium as the market leader in End User Computing for the fifth year in a row. Following a significant Managed Services contract win in 2016 in the automotive industry, we are competitively positioned for both a significant renewal and a new Managed Services contract, both to be awarded in 2017. We are also delivering Digital Workplace solutions, in particular to our Managed Services customers, which will continue to drive demand.

## **SUPPLY CHAIN PERFORMANCE**

Supply Chain revenue increased by 9.8 per cent in constant currency<sup>2</sup> to €22.4 million (H1 2016: €20.4 million), and by 22.2 per cent in actual currency<sup>2</sup>.

The business saw a strong Supply Chain performance in the first half of 2017, predominantly in Workplace where we have leveraged our group relationships with key hardware vendors and improved our margins. We expect further growth opportunities in the second half of the year, especially in the Network and Datacenter Supply Chain business lines. This will also drive volumes for our Professional Services business.

## **SG&A**

SG&A increased by 12.5 per cent in constant currency<sup>2</sup> to €4.5 million (H1 2016: €4.0 million), and by 22.6 per cent in actual currency<sup>2</sup>.

**Jurgen Strijkers**  
**Managing Director, Belgium**

25 August 2017

## **GROUP FINANCE DIRECTOR'S REVIEW**

### **RETURNING VALUE TO SHAREHOLDERS**

#### **REVENUE**

Revenue for the Group increased by £222.1 million or 15.0 per cent over the period, to £1,700.3 million as measured in actual currency<sup>2</sup>. The revenue result was assisted by the decline in Sterling over the period, with revenue increasing by 8.7 per cent when measured in constant currency<sup>2</sup>.

#### **OPERATING PROFIT**

Adjusted<sup>1</sup> operating profit for the Group increased by 65.6 per cent to £41.4 million (H1 2016: £25.0 million), with gains seen across all geographic segments but primarily led by the German Segment. The Group's statutory operating profit of £42.9 million for the period was 83.3 per cent higher than in the comparative period (H1 2016: £23.4 million).

The weakening of Sterling has resulted in a foreign exchange translation benefit to the Group. The impact of

restating the first half of 2016 at 2017 exchange rates would be an increase of approximately £1.2 million in H1 2016 adjusted<sup>1</sup> profit before tax.

## EXCEPTIONAL AND OTHER ADJUSTING ITEMS

A net gain of £5.6 million was recorded, resulting from exceptional and other adjusting items (H1 2016: net loss of £1.7 million).

The remaining provisions for the last two onerous contracts in Germany were released, for an exceptional gain of £1.4 million. These provisions were originally booked in 2013 and the contracts have now returned to profitability, so the provisions are no longer required. As these provisions were booked as exceptional items, this release has also been classified as such.

The disposal of an investment property in Braintree, Essex, was completed on 26 May 2017 for £14.5 million. This property was associated with a former subsidiary of the Group, R.D. Trading Limited, which was itself sold in February 2015. Due to the size and non-operational nature of the transaction, the £4.3 million gain on disposal, net of disposal costs, has been classified as exceptional.

## PROFIT BEFORE TAX

Adjusted<sup>1</sup> profit before tax increased by 65.6 per cent to £41.9 million in actual currency<sup>2</sup> (H1 2016: £25.3 million), and by 58.7 per cent in constant currency<sup>2</sup>. Statutory profit before tax increased by £23.9 million to £47.5 million (H1 2016: £23.6 million), due to the strong underlying performance assisted by the exceptional gains.

## TAXATION

The adjusted<sup>1</sup> tax charge on ordinary activities was £10.7 million (H1 2016: £6.7 million), on an adjusted<sup>1</sup> profit before tax of £41.9 million (H1 2016: £25.3 million). The adjusted<sup>1</sup> effective tax rate ('ETR') was 25.5 per cent (H1 2016: 26.6 per cent). The H1 2017 ETR was lower than in the prior period due to a change in the geographic split of profit before tax, with increasing profits in France, a flat German cash tax rate and an increase in profits in the United Kingdom, where the tax rate is substantially lower than in the other European countries.

The statutory tax charge was £13.1 million (H1 2016: £7.5 million), on profit before tax of £47.5 million (H1 2016: £23.6 million). This represents a statutory ETR of 27.5 per cent (H1 2016: 31.9 per cent). The £4.3 million gain on the disposal of the investment property was not taxable and is the most significant reason for the movement in the ETR.

We continue to utilise the German tax losses, which reduces the statutory ETR. However, the deferred tax asset, which we previously recognised as an exceptional tax item, is no longer replenishing and readily available losses will be largely exhausted by the end of 2017, leading to an increase in the expected adjusted<sup>1</sup> ETR for 2018.

The table below reconciles the statutory tax charge to the adjusted<sup>1</sup> tax charge for the period ended 30 June 2017.

	H1 2017 £'000	H1 2016 £'000	Year 2016 £'000
<b>Statutory tax charge</b>	<b>13,052</b>	7,509	23,300
Adjustments to exclude:			
Utilisation of German deferred tax assets	<b>(2,048)</b>	(892)	(2,580)
Tax on amortisation of acquired intangibles	<b>16</b>	114	72
Tax on exceptional items	<b>(351)</b>	-	(192)
<b>Adjusted<sup>1</sup> tax charge</b>	<b>10,669</b>	6,731	20,600
<b>Statutory ETR</b>	<b>27.5%</b>	31.9%	26.8%
<b>Adjusted<sup>1</sup> ETR</b>	<b>25.5%</b>	26.6%	23.8%

## PROFIT FOR THE PERIOD

The adjusted<sup>1</sup> profit for the period increased by 67.7 per cent to £31.2 million (H1 2016: £18.6 million). The statutory profit after tax increased by £18.4 million to £34.5 million (H1 2016: £16.1 million).

## EARNINGS PER SHARE

Adjusted<sup>1</sup> diluted earnings per share increased by 67.3 per cent to 25.6 pence per share (H1 2016: 15.3 pence per share). Statutory diluted earnings per shares increased by 114.4 per cent to 28.3 pence per share (H1 2016: 13.2 pence per share).

	H1 2017	H1 2016	Year 2016
<b>Basic weighted average number of shares (excluding own shares held) (no. '000)</b>	<b>120,842</b>	120,617	120,540
Effect of dilution:			
Share options	<b>888</b>	879	1,344
Diluted weighted average number of shares	<b>121,730</b>	121,496	121,884
<b>Statutory profit for the period/year attributable to equity holders of the parent (£'000)</b>	<b>34,475</b>	16,059	63,773
Basic earnings per share (pence)	<b>28.5</b>	13.3	52.9
Diluted earnings per share (pence)	<b>28.3</b>	13.2	52.3
<b>Adjusted<sup>1</sup> profit for the period/year attributable to equity holders of the parent (£'000)</b>	<b>31,189</b>	18,554	65,829
Adjusted <sup>1</sup> basic earnings per share (pence)	<b>25.8</b>	15.4	54.6
Adjusted <sup>1</sup> diluted earnings per share (pence)	<b>25.6</b>	15.3	54

## DIVIDEND

We are pleased to announce an interim dividend of 7.4 pence per share. This is in line with our policy that the interim dividend will be approximately one-third of the previous year's full dividend. The interim dividend will be paid on Friday 13 October 2017. The dividend record date is Friday 15 September 2017, and the shares will be marked ex-dividend on Thursday 14 September 2017.

## NET FUNDS

Net funds<sup>3</sup> at 30 June 2017 were £137.3 million, compared to £96.6 million at 30 June 2016. The cash position remains strong, after what is historically the weaker half of the year in terms of our working capital cycle. The net funds<sup>3</sup> position at 30 June 2017 benefitted from the £14.3 million of proceeds on disposal, after £0.2 million of disposal costs, of an investment property that occurred on 26 May 2017. This largely offset the final 2016 dividend of £18.1 million, which was paid in May 2017, and the Group's relatively improved operating cash flow performance, with an inflow of £11.4 million for the period to 30 June 2017 (H1 2016: £1.1 million outflow). Net funds<sup>3</sup> decreased by £7.2 million from £144.5 million as at 31 December 2016.

The Group net funds<sup>3</sup> position includes current asset investments which have decreased by £30.0 million to nil since 31 December 2016 (H1 2016: £35.0 million). The Group continues to have no material borrowings outside of customer-specific finance leases and loans.

We remain conscious of our responsibility to shareholders to maximise the return on the Group's cash assets and improve the efficiency of our balance sheet. We investigate opportunities to make best use of the funds available and now believe that it would be appropriate to return excess cash to shareholders. We intend to do this in the fourth quarter of 2017, with an anticipated return of value of approximately £100 million.

## **CURRENCY**

The Group reports its results in Pounds Sterling. The weakening of Sterling, particularly against the Euro, is expected to continue to result in a foreign exchange translation benefit to the Group. If the 30 June 2017 spot rates were to continue through the remainder of 2017, the impact of restating 2016 at 2017 exchange rates would be an increase of approximately £120 million in 2016 revenue and an increase of approximately £3 million in 2016 adjusted<sup>1</sup> profit before tax.

## **UNITED KINGDOM'S WITHDRAWAL FROM THE EUROPEAN UNION**

Management and the Board continue to consider the financial and commercial implications of the pending withdrawal by the United Kingdom from the European Union on both the short and medium prospects of the Group. Outside of two principal areas where the withdrawal could affect the Group, including weakness within the UK economy driving down short term demand for the Group's products and services, the potential impact of which remains too early to foresee at this stage, and the impact of the change in foreign currency exchange rates, which has been modelled on the 2016 results and disclosed above, the Group does not see any major impact on its day to day business activities.

The Group is unable to comment on the likely impact when the United Kingdom withdraws from the European Union, as the terms and conditions remain under negotiation. Due to the positive net funds<sup>3</sup> of the Group, our ongoing strong cash generation and our continued policy to return excess cash to shareholders, we are not adversely impacted by short term fluctuations in interest rates. Further, our lack of material defined benefit pension schemes makes our exposure to extremely low gilt yields negligible. Specifically the Group sees no change to its Going Concern assumptions, Group Operating Model or Principal Risks and Uncertainties as a result of the pending withdrawal. In short, we believe the Group is well positioned, through its geographic spread, balance sheet strength, and diversity of offering, to meet the foreseeable challenges that withdrawal from the European Union may present. The Group continues to reflect on the coming change by assessing the likely opportunities this will bring for Computacenter and remains positively focused on the period ahead.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The Group's activities expose it to a variety of economic, financial, operational and regulatory risks.

Our principal risks continue to be concentrated in the availability and resilience of systems, our people, our cost base, technology change, and in the design, take on and running of large Services contracts.

The principal risks and uncertainties facing the Group are set out on pages 22 to 25 of the 2016 Annual Report and Accounts, a copy of which is available on the Group's website.

The Group's risk management approach and the principal risks, potential impacts and primary mitigating activities are unchanged from those set out in the 2016 Annual Report and Accounts.

**Tony Conophy**  
**Group Finance Director**

25 August 2017

## **DIRECTORS' RESPONSIBILITY STATEMENT**

Responsibility statement of the Directors in respect of the half-yearly financial report.

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU

the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Mike Norris  
Chief Executive Officer

Tony Conophy  
Group Finance Director

25 August 2017

## CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2017

	Note	Unaudited H1 2017 £'000	Unaudited H1 2016 £'000	Audited Year 2016 £'000
<b>Revenue</b>	5	<b>1,700,329</b>	1,478,219	3,245,397
Cost of sales		<b>(1,477,393)</b>	(1,288,844)	(2,817,350)
<b>Gross profit</b>		<b>222,936</b>	189,375	428,047
Administrative expenses		<b>(181,395)</b>	(164,228)	(341,668)
Amortisation of acquired intangibles		<b>(111)</b>	(601)	(710)
Exceptional items	8	<b>1,460</b>	(1,114)	1,876
<b>Operating profit</b>		<b>42,890</b>	23,432	87,545
Exceptional gain on disposal of an investment property	8	<b>4,320</b>	-	-
Exceptional loss on disposal of a subsidiary	8	-	-	(522)
Finance revenue		<b>676</b>	689	1,629
Finance costs		<b>(359)</b>	(551)	(1,579)
<b>Profit before tax</b>		<b>47,527</b>	23,570	87,073
<b>Income tax expense:</b>				
Before exceptional items		<b>(12,701)</b>	(7,509)	(23,108)
Exceptional items	8	<b>(351)</b>	-	(192)
Income tax expense		<b>(13,052)</b>	(7,509)	(23,300)
<b>Profit for the period/year</b>		<b>34,475</b>	16,061	63,773
<b>Attributable to:</b>				

Equity holders of the parent		34,475	16,061	63,773
<b>Earnings per share (pence)</b>				
- basic for profit for the period/year	11	28.5	13.3	52.9
- diluted for profit for the period/year	11	28.3	13.2	52.3

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited H1 2017 £'000	Unaudited H1 2016 £'000	Audited Year 2016 £'000
Profit for the period/year	34,475	16,061	63,773
Items that may be reclassified to consolidated income statement:			
(Loss)/gain arising on cash flow hedge, net of amount transferred to consolidated income statement	(287)	728	5,353
Income tax effect	(71)	(143)	(879)
	(358)	585	4,474
Exchange differences on translation of foreign operations	3,532	21,942	29,374
	3,174	22,527	33,848
Items not to be reclassified to consolidated income statement:			
Remeasurement of defined benefit plan	-	-	(710)
Other comprehensive income for the period/year, net of tax	3,174	22,527	33,138
Total comprehensive income for the period/year	37,649	38,588	96,911
<b>Attributable to:</b>			
Equity holders of the parent	37,649	38,581	96,909
Non-controlling interests	-	7	2
	37,649	38,588	96,911

## CONSOLIDATED BALANCE SHEET

	Unaudited H1 2017 £'000	Unaudited H1 2016 £'000	Audited Year 2016 £'000
<b>Non-current assets</b>			
Property, plant and equipment	62,066	62,983	63,020
Investment property	-	10,147	10,033
Intangible assets	80,005	75,816	76,285
Investment in associate	56	53	55
Deferred income tax asset	8,447	11,973	10,537
	150,574	160,972	159,930
<b>Current assets</b>			
Inventories	50,116	40,546	44,015
Trade and other receivables	666,512	525,493	740,371
Prepayments	68,670	63,516	58,959
Accrued income	119,336	98,179	80,554

	Unaudited H1 2017 £'000	Unaudited H1 2016 £'000	Audited Year 2016 £'000
Derivative financial instruments	6,237	4,694	8,127
Current asset investments	-	35,000	30,000
Cash and short-term deposits	140,136	65,884	118,676
	1,051,007	833,312	1,080,702
<b>Total assets</b>	<b>1,201,581</b>	<b>994,284</b>	<b>1,240,632</b>
<b>Current liabilities</b>			
Trade and other payables	606,590	484,212	679,538
Deferred income	114,077	105,072	102,112
Financial liabilities	1,393	2,904	2,352
Derivative financial instruments	1,488	1,170	273
Income tax payable	19,816	12,275	17,410
Provisions	1,664	4,038	3,075
	745,028	609,671	804,760
<b>Non-current liabilities</b>			
Financial liabilities	1,442	1,339	1,832
Provisions	6,266	4,999	5,732
Deferred income tax liabilities	436	446	341
	8,144	6,784	7,905
<b>Total liabilities</b>	<b>753,172</b>	<b>616,455</b>	<b>812,665</b>
<b>Net assets</b>	<b>448,409</b>	<b>377,829</b>	<b>427,967</b>
<b>Capital and reserves</b>			
Issued capital	9,299	9,299	9,299
Share premium	3,913	3,913	3,913
Capital redemption reserve	74,957	74,957	74,957
Own shares held	(9,700)	(11,025)	(12,115)
Translation and hedging reserves	25,859	11,359	22,685
Retained earnings	344,067	289,307	329,214
<b>Shareholders' equity</b>	<b>448,395</b>	<b>377,810</b>	<b>427,953</b>
Non-controlling interests	14	19	14
<b>Total equity</b>	<b>448,409</b>	<b>377,829</b>	<b>427,967</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						Total £'000	Non- controlling interests £'000	Total equity £'000
	Issued capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held £'000	Translation and hedging reserves £'000	Retained earnings £'000			
At 1 January 2016	9,297	3,830	74,957	(10,571)	(11,161)	295,086	361,438	12	361,450
Profit for the period	-	-	-	-	-	16,061	16,061	-	16,061

	Attributable to equity holders of the parent						Total £'000	Non- controlling interests £'000	Total equity £'000
	Issued capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held £'000	Translation and hedging reserves £'000	Retained earnings £'000			
Other comprehensive income	-	-	-	-	22,520	-	22,520	7	22,527
Total comprehensive income	-	-	-	-	22,520	16,061	38,581	7	38,588
Cost of share-based payments	-	-	-	-	-	1,697	1,697	-	1,697
Tax on share-based payments	-	-	-	-	-	(854)	(854)	-	(854)
Exercise of options	-	-	-	4,613	-	(4,577)	36	-	36
Issue of shares	2	83	-	-	-	-	85	-	85
Purchase of own shares	-	-	-	(5,067)	-	-	(5,067)	-	(5,067)
Equity dividends	-	-	-	-	-	(18,106)	(18,106)	-	(18,106)
<b>At 30 June 2016</b>	<b>9,299</b>	<b>3,913</b>	<b>74,957</b>	<b>(11,025)</b>	<b>11,359</b>	<b>289,307</b>	<b>377,810</b>	<b>19</b>	<b>377,829</b>
Profit for the period	-	-	-	-	-	47,712	47,712	-	47,712
Other comprehensive income	-	-	-	-	11,326	(710)	10,616	(5)	10,611
Total comprehensive income	-	-	-	-	11,326	47,002	58,328	(5)	58,323
Cost of share-based payments	-	-	-	-	-	1,648	1,648	-	1,648
Tax on share-based payments	-	-	-	-	-	1,090	1,090	-	1,090
Exercise of options	-	-	-	2,836	-	(1,137)	1,699	-	1,699
Purchase of own shares	-	-	-	(3,926)	-	-	(3,926)	-	(3,926)
Equity dividends	-	-	-	-	-	(8,696)	(8,696)	-	(8,696)
<b>At 31 December 2016</b>	<b>9,299</b>	<b>3,913</b>	<b>74,957</b>	<b>(12,115)</b>	<b>22,685</b>	<b>329,214</b>	<b>427,953</b>	<b>14</b>	<b>427,967</b>
Profit for the period	-	-	-	-	-	34,475	34,475	-	34,475
Other comprehensive income	-	-	-	-	3,174	-	3,174	-	3,174

	Attributable to equity holders of the parent						Total £'000	Non- controlling interests £'000	Total equity £'000
	Issued capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held £'000	Translation and hedging reserves £'000	Retained earnings £'000			
Total comprehensive income	-	-	-	-	3,174	34,475	37,649	-	37,649
Cost of share-based payments	-	-	-	-	-	1,865	1,865	-	1,865
Tax on share-based payments	-	-	-	-	-	112	112	-	112
Exercise of options	-	-	-	4,302	-	(3,448)	854	-	854
Purchase of own shares	-	-	-	(1,887)	-	-	(1,887)	-	(1,887)
Equity dividends	-	-	-	-	-	(18,151)	(18,151)	-	(18,151)
<b>At 30 June 2017</b>	<b>9,299</b>	<b>3,913</b>	<b>74,957</b>	<b>(9,700)</b>	<b>25,859</b>	<b>344,067</b>	<b>448,395</b>	<b>14</b>	<b>448,409</b>

#### CONSOLIDATED CASH FLOW STATEMENT

	Unaudited H1 2017 £'000	Unaudited H1 2016 £'000	Audited Year 2016 £'000
<b>Operating activities</b>			
Profit before tax	47,527	23,570	87,073
Net finance income	(317)	(138)	(50)
Depreciation of property, plant and equipment	8,505	7,009	15,631
Depreciation of investment property	91	113	227
Amortisation of intangible assets	6,316	6,820	13,197
Share-based payments	1,865	1,697	3,345
Exceptional gain on disposal of an investment property	(4,320)	-	-
(Gain)/Loss on disposal of property, plant and equipment	(528)	24	168
(Gain)/Loss on disposal of intangibles	(688)	114	25
Exceptional loss from disposal of a subsidiary	-	-	522
Net cash flow from provisions	(1,011)	(957)	(2,149)
Net cash flow from inventories	(5,142)	9,161	7,185
Net cash flow from trade and other receivables	44,437	95,803	(73,980)
Net cash flow from trade and other payables	(77,020)	(137,922)	31,377
Other adjustments	(506)	178	374
Cash generated from operations	19,209	5,472	82,945
Income taxes paid	(7,785)	(6,582)	(14,711)
<b>Net cash flow from operating activities</b>	<b>11,424</b>	<b>(1,110)</b>	<b>68,234</b>
<b>Investing activities</b>			
Interest received	676	689	1,629

	<b>Unaudited H1 2017 £'000</b>	<b>Unaudited H1 2016 £'000</b>	<b>Audited Year 2016 £'000</b>
Decrease/(increase) in current asset investments	<b>30,000</b>	(20,000)	(15,000)
Acquisition of subsidiaries, net of cash acquired	<b>(7,662)</b>	-	-
Proceeds from disposal of a subsidiary, net of cash disposed of	-	-	(319)
Proceeds from disposal of property, plant and equipment	<b>797</b>	97	112
Proceeds from disposal of an investment property	<b>14,450</b>	-	-
Proceeds from disposal of intangible assets	<b>1,381</b>	-	-
Purchases of property, plant and equipment	<b>(6,916)</b>	(6,531)	(17,641)
Purchases of intangible assets	<b>(2,931)</b>	(2,071)	(4,943)
<b>Net cash flow from investing activities</b>	<b>29,795</b>	(27,816)	(36,162)
<b>Financing activities</b>			
Interest paid	<b>(359)</b>	(551)	(1,579)
Dividends paid to equity shareholders of the parent	<b>(18,151)</b>	(18,106)	(26,802)
Proceeds from share issues	<b>854</b>	121	1,820
Purchase of own shares	<b>(1,887)</b>	(5,067)	(8,993)
Repayment of capital element of finance leases	<b>(1,024)</b>	(1,247)	(2,679)
Repayment of loans	<b>(337)</b>	(942)	(1,101)
New borrowings	-	-	1,512
<b>Net cash flow from financing activities</b>	<b>(20,904)</b>	(25,792)	(37,822)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>20,315</b>	(54,718)	(5,750)
Effect of exchange rates on cash and cash equivalents	<b>1,145</b>	8,861	12,746
Cash and cash equivalents at the beginning of the period/year	<b>118,676</b>	111,680	111,680
<b>Cash and cash equivalents at the end of the period/year</b>	<b>140,136</b>	65,823	118,676

## 1 CORPORATE INFORMATION

The interim condensed consolidated financial statements (Financial Statements) of the Group for the six months ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors on 25 August 2017.

Computacenter plc is a limited company incorporated and domiciled in England whose shares are publicly traded.

## 2 BASIS OF PREPARATION

The Financial Statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union. They do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2016 Annual Report and Accounts which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Group has maintained its positive cash position in the period. In order to ensure that the Group can maintain its strong liquidity position it has a £40 million committed facility, which remained unutilised at the reporting date. The Group's forecast and projections, which allow for reasonably possible variations, show that the Group will continue to maintain its strong liquidity position, and therefore supports the Directors' view that the Group has sufficient funds available to meet its foreseeable requirements. The Directors have concluded therefore that the going concern basis remains appropriate.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these Financial Statements are the same as those applied by the Group in 2016 Annual Report and Accounts, except for the adoption of new standards and interpretations as of 1 January 2017, which did not have any impact on the accounting policies, financial position or performance of the Group.

IFRS 15, Revenue from Contracts with Customers, becomes effective for the Group on 1 January 2018. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognised at the date of initial application (the cumulative catch-up transition method).

In our 2016 Annual Report and Accounts, we highlighted an expected adjustment to our Supply Chain revenue where certain services will be presented as 'agency' revenue on a net basis compared to the current presentation as gross 'principal' revenue.

Further analysis performed since the 2016 Annual Report and Accounts was published has identified that adjustments are also expected in relation to:

- Certain costs, such as win fees (a form of commission) will need to be capitalised and spread over the life of the contract, as opposed to being expensed as incurred;
- Certain elements of our Managed Services contracts, for example those relating to Entry Into Service, will no longer be treated as separate performance obligations for which revenue and costs are recognised as incurred, but rather will be treated as part of the ongoing performance obligations in the contract. This will result in the revenue and costs for Entry Into Service being deferred and spread over the life of the contracts; and
- Our analysis of which contracts are considered to be loss-making will change, resulting in fewer onerous contract provisions being recognised.

The impact of these items, individually or in aggregate, may be material to the revenue and profits in any given financial year, however there will be no impact on cash in any given financial year nor is there expected to be any ultimate long-term impact on the cumulative profits of the Group.

The Group's IFRS 15 impact assessment and implementation work remains ongoing, alongside a quantification exercise which is expected to be finalised coincidental with the 2017 Annual Report and Accounts.

#### **4 ADJUSTED MEASURES**

The Group uses a number of non-Generally Accepted Accounting Practice (non-GAAP) financial measures in addition to those reported in accordance with IFRS. The Directors believe that these non-GAAP measures, detailed below, are important when assessing the underlying financial and operating performance of the Group.

Adjusted operating profit or loss, adjusted profit or loss before tax, adjusted profit or loss for the period, adjusted earnings per share and adjusted diluted earnings per share are, as appropriate, each stated before: exceptional and other adjusting items including gain or loss on business disposals, gain or loss on disposal of investment properties, amortisation of acquired intangibles, utilisation of deferred tax assets (where initial recognition was as an exceptional item or a fair value adjustment on acquisition), and the related tax effect of these exceptional and other adjusting items, as Management do not consider these items when reviewing the underlying performance of the segment or the Group as a whole.

Additionally, adjusted gross profit or loss and adjusted operating profit or loss includes the interest paid on customer-specific financing (CSF) which Management considers to be a cost of sale.

A reconciliation between key adjusted and statutory measures is in the Group Finance Director's review included within this announcement. Further detail is also provided within note 5, Segment Information.

#### **5 SEGMENT INFORMATION**

For management purposes, the Group is organised into geographical segments, with each segment determined by

the location of the Group's assets and operations. The Group's business in each geography is managed separately.

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

Segmental performance for the periods to H1 2017, H1 2016 and Full Year 2016 were as follows:

**Six months ended 30 June 2017 (unaudited)**

	<b>UK £'000</b>	<b>Germany £'000</b>	<b>France £'000</b>	<b>Belgium £'000</b>	<b>Total £'000</b>
<b>Revenue</b>					
<b>Supply Chain revenue</b>	428,780	515,000	175,163	19,293	<b>1,138,236</b>
<b>Services revenue</b>					
Professional Services	66,314	74,460	10,108	1,069	<b>151,951</b>
Managed Services	183,175	173,473	43,363	10,131	<b>410,142</b>
Total Services revenue	249,489	247,933	53,471	11,200	<b>562,093</b>
<b>Total revenue</b>	<b>678,269</b>	<b>762,933</b>	<b>228,634</b>	<b>30,493</b>	<b>1,700,329</b>
<b>Results</b>					
Adjusted <sup>1</sup> gross profit	101,587	96,346	20,672	4,194	<b>222,799</b>
Administrative expenses	(83,739)	(74,626)	(19,180)	(3,850)	<b>(181,395)</b>
Adjusted <sup>1</sup> operating profit	17,848	21,720	1,492	344	<b>41,404</b>
Adjusted <sup>1</sup> net interest	400	135	(77)	(4)	<b>454</b>
Adjusted <sup>1</sup> profit before tax	18,248	21,855	1,415	340	<b>41,858</b>
Exceptional items:					
- exceptional gains	-	1,460	-	-	<b>1,460</b>
Total exceptional items	-	1,460	-	-	<b>1,460</b>
Exceptional gain on disposal of an investment property	4,320	-	-	-	<b>4,320</b>
Amortisation of acquired intangibles	-	(65)	-	(46)	<b>(111)</b>
Statutory profit before tax	22,568	23,250	1,415	294	<b>47,527</b>

The reconciliation for adjusted<sup>1</sup> operating profit to statutory operating profit, as disclosed in the Consolidated Income Statement, is as follows:

**Six months ended 30 June 2017 (unaudited)**

	<b>UK £'000</b>	<b>Germany £'000</b>	<b>France £'000</b>	<b>Belgium £'000</b>	<b>Total £'000</b>
<b>Adjusted<sup>1</sup> segment operating profit</b>	17,848	21,720	1,492	344	<b>41,404</b>
Add back interest on CSF	1	136	-	-	<b>137</b>
Amortisation of acquired intangibles	-	(65)	-	(46)	<b>(111)</b>
Exceptional items	-	1,460	-	-	<b>1,460</b>
<b>Segment operating profit</b>	<b>17,849</b>	<b>23,251</b>	<b>1,492</b>	<b>298</b>	<b>42,890</b>
<b>Other segment information</b>					
Share-based payments	1,599	345	(79)	-	<b>1,865</b>

**Six months ended 30 June 2016 (unaudited)**

	<b>Restated UK £'000</b>	<b>Germany £'000</b>	<b>Restated France £'000</b>	<b>Belgium £'000</b>	<b>Total £'000</b>
<b>Revenue</b>					
<b>Supply Chain revenue</b>	408,448	395,395	160,569	15,837	<b>980,249</b>
<b>Services revenue</b>					
Professional Services	58,194	62,943	8,063	851	<b>130,051</b>
Managed Services	178,477	149,453	32,158	7,831	<b>367,919</b>
Total Services revenue	236,671	212,396	40,221	8,682	<b>497,970</b>
<b>Total revenue</b>	<b>645,119</b>	<b>607,791</b>	<b>200,790</b>	<b>24,519</b>	<b>1,478,219</b>
<b>Results</b>					
Adjusted <sup>1</sup> gross profit	91,080	75,219	19,259	3,706	<b>189,264</b>
Administrative expenses	(77,050)	(65,703)	(18,354)	(3,121)	<b>(164,228)</b>
Adjusted <sup>1</sup> operating profit	14,030	9,516	905	585	<b>25,036</b>
Adjusted <sup>1</sup> net interest	457	(36)	(158)	(14)	<b>249</b>
Adjusted <sup>1</sup> profit before tax	14,487	9,480	747	571	<b>25,285</b>
Exceptional items:					
- exceptional losses	-	-	(1,114)	-	<b>(1,114)</b>
Total exceptional items	-	-	(1,114)	-	<b>(1,114)</b>
Amortisation of acquired intangibles	-	(561)	-	(40)	<b>(601)</b>
Statutory profit/(loss) before tax	14,487	8,919	(367)	531	<b>23,570</b>

The reconciliation for adjusted<sup>1</sup> operating profit to operating profit, as disclosed in the Consolidated Income Statement, is as follows:

**Six months ended 30 June 2016 (unaudited)**

	<b>UK £'000</b>	<b>Germany £'000</b>	<b>France £'000</b>	<b>Belgium £'000</b>	<b>Total £'000</b>
<b>Adjusted<sup>1</sup> segment operating profit</b>	14,030	9,516	905	585	<b>25,036</b>
Add back interest on CSF	5	106	-	-	<b>111</b>
Amortisation of acquired intangibles	-	(561)	-	(40)	<b>(601)</b>
Exceptional items	-	-	(1,114)	-	<b>(1,114)</b>
<b>Segment operating profit/(loss)</b>	<b>14,035</b>	<b>9,061</b>	<b>(209)</b>	<b>545</b>	<b>23,432</b>
<b>Other segment information</b>					
Share-based payments	1,375	306	16	-	<b>1,697</b>

**Year ended 31 December 2016**

	<b>Restated UK £'000</b>	<b>Germany £'000</b>	<b>Restated France £'000</b>	<b>Belgium £'000</b>	<b>Total £'000</b>
<b>Revenue</b>					

	<b>Restated UK £'000</b>	<b>Germany £'000</b>	<b>Restated France £'000</b>	<b>Belgium £'000</b>	<b>Total £'000</b>
<b>Supply Chain revenue</b>	899,822	934,214	335,612	37,907	<b>2,207,555</b>
<b>Services revenue</b>					
Professional Services revenue	118,636	138,218	15,470	1,868	<b>274,192</b>
Managed Services revenue	357,473	319,744	69,446	16,987	<b>763,650</b>
Total Services revenue	476,109	457,962	84,916	18,855	<b>1,037,842</b>
<b>Total revenue</b>	<b>1,375,931</b>	<b>1,392,176</b>	<b>420,528</b>	<b>56,762</b>	<b>3,245,397</b>
<b>Results</b>					
Adjusted <sup>1</sup> gross profit	202,556	175,273	42,520	7,479	<b>427,828</b>
Adjusted <sup>1</sup> administrative expenses	(155,812)	(139,683)	(39,649)	(6,524)	<b>(341,668)</b>
Adjusted <sup>1</sup> operating profit	46,744	35,590	2,871	955	<b>86,160</b>
Adjusted <sup>1</sup> net interest	717	(212)	(208)	(28)	<b>269</b>
Adjusted <sup>1</sup> profit before tax	47,461	35,378	2,663	927	<b>86,429</b>
Exceptional items:					
- exceptional losses on redundancy and other restructuring costs	-	-	(1,169)	-	<b>(1,169)</b>
- gain on reversal of fair value adjustments	-	3,045	-	-	<b>3,045</b>
Total exceptional items	-	3,045	(1,169)	-	<b>1,876</b>
Exceptional loss on disposal of a subsidiary	(522)	-	-	-	<b>(522)</b>
Amortisation of acquired intangibles	-	(627)	-	(83)	<b>(710)</b>
Statutory profit before tax	46,939	37,796	1,494	844	<b>87,073</b>

The reconciliation for adjusted<sup>1</sup> operating profit to statutory operating profit, as disclosed in the Consolidated Income Statement, is as follows:

#### Year ended 31 December 2016

	<b>UK £'000</b>	<b>Germany £'000</b>	<b>France £'000</b>	<b>Belgium £'000</b>	<b>Total £'000</b>
<b>Adjusted<sup>1</sup> operating profit</b>	46,744	35,590	2,871	955	<b>86,160</b>
Add back interest on CSF	9	210	-	-	<b>219</b>
Amortisation of acquired intangibles	-	(627)	-	(83)	<b>(710)</b>
Exceptional items	-	3,045	(1,169)	-	<b>1,876</b>
<b>Statutory operating profit</b>	<b>46,753</b>	<b>38,218</b>	<b>1,702</b>	<b>872</b>	<b>87,545</b>

#### RESTATEMENT

The revenue for work performed by other Computacenter entities on behalf of several key French contracts has been reclassified to the French Segment, consistent with the way information is reported and monitored internally. Historically these revenues have been recorded in the segment where the associated underlying subsidiary recognises the revenues in their statutory accounts. For segmental analysis, all of our offshore internal service provider entities (e.g. Computacenter USA) are allocated to the UK Segment apart from Computacenter Switzerland which is within the German Segment. As the work performed in certain offshore subsidiaries has grown within the UK Segment, Management decided to reallocate these revenues inter-segmentally to reflect better where the portfolio co-ordination and operational responsibility lies and where the benefits should accrue. We have therefore restated the French and

UK Managed Services revenue for 2016, to assist with understanding the growth in each business and to ensure period-on-period comparisons reflect true underlying growth. This has no impact on Group revenue or on segmental profitability, as the margins were previously shared on the same basis that the revenue now reflects. All discussion within this Interim Report on segmental Managed Services revenues for the UK and France reflect this reclassification and resultant prior period restatement.

## 6 SEASONALITY OF OPERATIONS

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

## 7 DIVIDENDS PAID AND PROPOSED

A second interim dividend for 2016 of 15.0 pence per ordinary share was paid on 9 June 2017. An interim dividend in respect of 2017 of 7.4 pence per ordinary share, amounting to a total dividend of £9.1 million, was declared by the Directors at their meeting on 22 August 2017. The expected payment date of the dividend declared is Friday 13 October 2017. This interim report does not reflect this dividend payable.

## 8 EXCEPTIONAL ITEMS

	Unaudited H1 2017 £'000	Unaudited H1 2016 £'000	Audited Year 2016 £'000
<b>Operating profit</b>			
Redundancy and other restructuring costs	-	(1,114)	(1,169)
Onerous contracts	1,460	-	-
Gain on reversal of fair value adjustments	-	-	3,045
	1,460	(1,114)	1,876
Gain on disposal of an investment property	4,320	-	-
Loss on disposal of a subsidiary	-	-	(522)
Exceptional items before taxation	5,780	(1,114)	1,354
<b>Income tax</b>			
Tax on onerous contracts included in operating profit	(351)	-	-
Tax on gain on reversal of fair value adjustments	-	-	(192)
Exceptional items after taxation	5,429	(1,114)	1,162

### 2017:

Included within the current period are the following exceptional items:

- The remaining provisions for the last two onerous contracts in Germany were released, for an exceptional gain of £1,461,000. These provisions were originally booked in 2013 and the contracts have now returned to profitability, so the provisions are no longer required. As these provisions were booked as exceptional items, this release has also been classified as such.
- The disposal of an investment property in Braintree, Essex, was completed on 26 May 2017 for £14.5 million. This property was associated with a former subsidiary of the Group, R.D. Trading Limited, which was itself sold in February 2015. Due to the size and non-operational nature of the transaction, the £4.3 million gain on disposal, net of £0.2 million disposal costs, has been classified as exceptional.

### 2016:

Included within the current period are the following exceptional items:

- During the period a Line of Business restructure was agreed with the business in France. This initiative reduced the underutilised resources within our Professional Services arm and completed in H2 2016. The full cost of £1.0 million was recognised as at 30 June 2016. This restructure has seen Computacenter France exit the direct provision of Group Field Maintenance Services. This Line of Business had materially decreased over time, leading to a significant resourcing overcapacity. Any future residual customer requirement will be sub-contracted to an existing third party provider.
- Computacenter France continued to complete its responsibilities under the Social Plan that related to the substantial restructuring exercise that occurred in 2014. An additional cost of £0.1 million was recognised as part of the wind-down of the Social Plan. As the redundancy and restructuring costs were previously treated as an exceptional item on recognition, this further provision was also treated as an exceptional item.

## 9 BUSINESS CONTRIBUTION

### CITIUS AG ('CITIUS')

On 1 January 2017, the Group acquired 100 per cent of the voting shares of cITius for an initial consideration of CHF 2.8 million and agreed to a maximum undiscounted contingent consideration of CHF 1.5 million, dependent upon the achievement of agreed performance criteria over the next three and a half years. The acquisition-related costs amounted to CHF 41,500 and are included in the interim Consolidated Income Statement. Due to the size of the balance, the acquisition cost is not treated as an exceptional item. cITius is based in Switzerland and is an IT service provider. The acquisition has been accounted for using the purchase method of accounting.

The book and fair values of the net assets at date of acquisition and at 30 June 2017 were as follows:

	<b>Book value £'000</b>	<b>Provisional fair value to Group £'000</b>
Intangible assets		
Comprising:		
Software	123	123
Total intangible assets	123	123
Property, plant and equipment	302	302
Inventories	17	17
Trade and other receivables	297	297
Cash and short-term deposits	422	422
Trade and other payables	(183)	(183)
Net assets acquired	978	978
Goodwill arising on acquisition		2,107
		3,085
Discharged by:		
Cash paid on acquisition		2,212
Contingent consideration		873
		3,085
Cash and cash equivalents acquired		
Cash and short-term deposits		(422)

	<b>Book value £'000</b>	<b>Provisional fair value to Group £'000</b>
Cash outflow on acquisition		<b>2,663</b>

There were no differences between the provisional fair values and the book values at acquisition. The initial accounting for the acquisition of cITius has only been provisionally determined at the end of the interim reporting period. At the date of finalisation of these consolidated interim financial statements, the necessary market valuations and other calculations had not been finalised and they have therefore only been provisionally determined based on the Management's best estimates.

Included in the £2.1 million of goodwill that arose on acquisition are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include the expected value of synergies and an assembled workforce.

From the date of acquisition to 30 June 2017, cITius contributed £1.4 million to the Group's revenue and £0.2 million to the Group's profit after tax.

The previous shareholders of cITius included the current Managing Director of Computacenter Switzerland, who owned 30 per cent at the time of the acquisition, as a result £0.1 million was paid in cash and a further £0.9 million will be payable in three and a half years contingent on the achievement of profit based targets. The acquisition of cITius was made on terms equivalent to those that would have prevailed in an arm's-length transaction.

### **Contingent consideration**

Based on the performance of the business in 2017 and the forecasted performance for the next three and a half years, Management's assessment is that it is highly probable that the maximum contingent consideration will become payable and accordingly the discounted maximum contingent consideration has been included in the provisional fair value to the Group.

### **TEAMULTRA LIMITED ('TEAMULTRA')**

On 1 April 2017, the Group acquired 100 per cent of the voting shares of TeamUltra for an initial consideration of £2.6 million and agreed to a maximum undiscounted contingent consideration of £3.5 million, dependent upon the achievement of agreed performance criteria over the next three and a half years. The acquisition-related costs amounted to £30,000 and are included in the interim Consolidated Income Statement.

Due to the size of the balance, the acquisition cost is not treated as an exceptional item. TeamUltra is based in the United Kingdom and is an IT service provider. The acquisition has been accounted for using the purchase method of accounting.

The book and fair values of the net assets at date of acquisition and at 30 June 2017 were as follows:

	<b>Book value £'000</b>	<b>Provisional fair value to Group £'000</b>
Property, plant and equipment	23	23
Trade and other receivables	2,767	2,767
Cash and short-term deposits	370	370
Trade and other payables	(2,982)	(2,982)
Net assets acquired	178	178
Goodwill arising on acquisition		<b>4,905</b>

	Book value £'000	Provisional fair value to Group £'000
		5,083
Discharged by:		
Cash paid on acquisition		2,575
Contingent consideration		2,508
		5,083
Cash and cash equivalents acquired		
Cash and short-term deposits		(370)
Cash outflow on acquisition		4,713

There were no differences between the provisional fair values and the book values at acquisition. The initial accounting for the acquisition of TeamUltra has only been provisionally determined at the end of the interim reporting period. At the date of finalisation of these consolidated interim financial statements, the necessary market valuations and other calculations had not been finalised and they have therefore only been provisionally determined based on the Management's best estimates.

Included in the £4.9 million of goodwill that arose on acquisition are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include the expected value of synergies and an assembled workforce.

From the date of acquisition to 30 June 2017, TeamUltra contributed £1.6 million to the Group's revenue and £0.1 million to the Group's profit after tax.

### **Contingent consideration**

Based on the performance of the business in 2017 and the forecasted performance for the next three and a half years, Management's assessment is that it is highly probable that the maximum contingent consideration will become payable and accordingly the discounted maximum contingent consideration has been included in the provisional fair value to the Group.

If the acquisition of TeamUltra had been completed on the first day of the financial year, Group's revenue for the period would have been £1,701,846,000 and Group's profit would have been £34,494,000.

### **10 INCOME TAX**

Tax for the six months period in charged at 27.5 per cent (six months ended 30 June 2016: 31.9 per cent; year ended 31 December 2016: 26.8 per cent), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period.

### **11 EARNINGS PER 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 period (excluding own shares held).

To calculate diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential shares. Share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period are considered to be dilutive potential shares.

	Unaudited	Unaudited	Audited
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	<b>H1 2017 £'000</b>	<b>H1 2016 £'000</b>	<b>Year 2016 £'000</b>
Profit attributable to equity holders of the parent	<b>34,475</b>	16,061	63,773

	<b>Unaudited H1 2017 '000</b>	<b>Unaudited H1 2016 '000</b>	<b>Audited Year 2016 '000</b>
Basic weighted average number of shares (excluding own shares held)	<b>120,842</b>	120,617	120,540
Effect of dilution:			
Share options	<b>888</b>	879	1,344
Diluted weighted average number of shares	<b>121,730</b>	121,496	121,884

	<b>Unaudited H1 2017 pence</b>	<b>Unaudited H1 2016 pence</b>	<b>Audited Year 2016 pence</b>
Basic earnings per share	<b>28.5</b>	13.3	52.9
Diluted earnings per share	<b>28.3</b>	13.2	52.3

## **12 FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONSOLIDATED BALANCE SHEET**

Financial instruments which are recognised at fair value subsequent to initial recognition are grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The three levels are defined as follows:

1. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
2. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
3. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 June 2017 the Group had forward currency contracts, which were measured at Level 2 fair value subsequent to initial recognition, to the value of a net asset of £4,749,000 (30 June 2016: £3,524,000, 31 December 2016: £7,854,000).

The net realised gains from forward currency contracts in the period to 30 June 2017 of £6,006,000 (30 June 2016: £1,335,000, 31 December 2016: £940,000), are offset by broadly equivalent realised losses/gains on the related underlying transactions. There were no transfers between Level 1 and Level 2 during the period (2016: nil).

The foreign currency forward contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. All contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own credit risk.

The carrying value of the Group's short-term receivables and payables is a reasonable approximation of their fair values. The fair value of all other financial instruments carried within the Group's financial statements is not materially different from their carrying amount.

## **13 PUBLICATION OF NON-STATUTORY ACCOUNTS**

The financial information contained in the interim statement does not constitute statutory accounts as defined in section 435 of the Companies Act 2006.

The comparative figures for the financial year ended 31 December 2016 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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