Computacenter - Final Results 2019

March 12, 2020
RNS Number : 8462F
Computacenter PLC
12 March 2020

Computacenter plc

Final results for the year ended 31 December 2019

Computacenter plc ("Computacenter" or the "Group"), a leading independent technology partner trusted by large corporate and public sector organisations, today announces audited results for the year ended 31 December 2019.

Financial Highlights	**2019**	**2018**	**Percentage Change Increase/ (Decrease)**
Financial Performance			
Services revenue (£ *million*)	**1,230.6**	1,175.0	4.7
Technology Sourcing revenue (£ *million*)	**3,822.2**	3,177.6	20.3
Revenue *(£ million)*	**5,052.8**	4,352.6	16.1
Adjusted[1] profit before tax *(£ million)*	**146.3**	118.2	23.8
Adjusted[1] diluted earnings per share *(pence)*	**92.5**	75.7	22.2
Dividend per share *(pence)*	**37.0**	30.3	22.1
Statutory profit before tax (£ *million*)	**141.0**	108.1	30.4
Statutory diluted earnings per share (*pence*)	**89.0**	70.1	27.0
Cash Position			
Cash and cash equivalents (£ *million*)	**217.9**	200.4	8.7
Adjusted net funds[3] (£ *million*)*	**137.1**	66.2	107.1

Net funds[3] (*£ million*)	**20.3**	57.3	(64.6)
Net cash flow from operating activities *(£ million)*	**202.0**	115.2	75.3

Reconciliation between Adjusted[1] and Statutory Performance

Adjusted[1] profit before tax *(£ million)*	**146.3**	118.2
Exceptional and other adjusting items:		
Costs related to acquisition *(£ million)*	**(0.9)**	(5.7)
Amortisation of acquired intangibles (*£ million*)	**(4.4)**	(4.4)
Statutory profit before tax *(£ million)*	**141.0**	108.1

**The Group recognised £110.9 million of right-of-use assets and £116.8 million of lease liabilities as at 31 December 2019 under the new IFRS 16 accounting standard. The Group includes lease liabilities within its net funds measure. Due to the distortive effect of the capitalised lease liabilities on the overall liquidity position of the Group, these lease liabilities recognised under the new IFRS 16 accounting standard, are excluded from its non-GAAP adjusted net funds[3] measure.*

Operational Highlights:

- The Group's total revenues grew 16.1 per cent or £700.2 million during the year, and by 16.9 per cent or £732.2 million during the year in constant currency[2] including growth of £586.6 million from acquisitions. A 23.8 per cent increase in adjusted[1] profit before tax to £146.3 million has resulted in record adjusted[1] diluted EPS of 92.5 pence (2018: 75.7 pence), an increase of 22.2 per cent.
- France had an excellent year with an organic increase in revenues of 15.7 per cent, led by a buoyant Technology Sourcing marketplace, and an increase in adjusted[1] operating profit of 76.3 per cent, both on a constant currency[2] basis.
- Germany delivered another strong performance with revenue growth of 5.2 per cent during the year driven by a resilient Technology Sourcing business and a strong Professional Services result leading to a 27.9 per cent increase in adjusted[1] operating profit, both on a constant currency[2] basis. This was a very good performance given the material spend reduction from a key customer, that declined down to normal volumes rather than those seen in the prior year, which created a challenging comparison.
- The UK saw a reduction in revenues of 1.8 per cent as both Services and Technology Sourcing revenues declined. The prior year comparative result contained two very large margin-dilutive Technology Sourcing deals that, being one-off in nature, contributed to this decline. Adjusted[1] operating profit increased by 10.6 per cent during the year, with improvements in both Services and Technology Sourcing margins.
- The US acquisition made on 30 September 2018 has seen a much better performance in the second half of 2019 as sales orders returned to a more expected baseline level after the slowdown in volumes in the first half of the year.

The result has benefited from £857.6 million of revenues (2018: £270.9 million), and £6.5 million of adjusted[1] profit before tax (2018: £2.2 million), resulting from the acquisitions made since 30 June 2018. All figures reported throughout this announcement include the results of the acquired entities.

The Group has adopted IFRS 16 from 1 January 2019 which has resulted in changes in accounting policies and adjustments to the amounts recognised in the Financial Statements. Importantly, and in accordance with the modified retrospective approach, the comparative results for the year ended 31 December 2018 have not been restated under the accounting policies adopted as a result of transition to IFRS 16. The current year results include an overall decrease in profitability before tax of £1.7 million on both statutory and adjusted[1] basis due to the impact of IFRS 16 which has seen increased interest costs exceed the net of increased depreciation and reduced rental costs due to the timing difference effect of the new accounting standard. An analysis of the impact of transition is presented in note 2 to the summary financial information contained within this announcement. Further information on the implementation of, and transition to, IFRS 16 is included within the Group Finance Director's review contained in this announcement.

A reconciliation between key adjusted[1] and statutory measures is provided within the Group Finance Director's review contained in this announcement. Further details are provided in note 2 to the summary financial information contained within this announcement.

Mike Norris, Chief Executive of Computacenter plc, commented:

'As we stated back in January, the results for 2019 set a high bar for the business in 2020. It is too early to predict the outcome for the year as a whole and there is still much work to be done, particularly as we have not yet completed our first quarter. Our Services pipeline is the strongest we have seen for some time in both Professional and Managed Services. While we still believe customers will continue to invest in product, particularly in the areas of Security, Networking and Cloud, it may well be difficult to achieve the same growth rates we have seen in recent years.

The current COVID-19 outbreak makes forecasting the future even more challenging. In the short term, we are urgently supporting our customers focused on their business continuity plans which involves the need for a greater degree of remote working. We have seen a surge in demand for laptop computers for this purpose. To-date, supply constraints from our Technology Providers have been minimal, although there are some concerns going forward. We do however have some concerns that in the medium-term, customers may postpone significant IT infrastructure projects while the current uncertainty remains. In the longer term, we feel more certain, either because when this crisis is behind us, life will return to normal and the fundamental business drivers for IT growth remain or, if there is a long-term reduction in business travel and commuting with a consequent upsurge in remote working, it can only drive the need for technology even further.

Our current focus is on maintaining continuity for our customers for the services and products we supply as well as doing whatever we can to protect the health of our employees, customers and the wider community.'

[1] *Adjusted operating profit or loss, adjusted net finance income or expense, adjusted profit or loss before tax, adjusted tax, adjusted profit or loss, adjusted earnings per share and adjusted diluted earnings per share are, as appropriate, each stated before: exceptional and other adjusting items including gain or losses on business acquisitions and disposals, 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. Prior to the adoption of IFRS 16, adjusted gross profit or loss and adjusted operating profit or loss included the interest paid on customer-specific financing (CSF) which Management considered to be a cost of sale. A reconciliation between key adjusted and statutory measures is provided within the Group Finance Director's review contained in this announcement which details the impact of exceptional and other adjusted items when compared to the non-Generally Accepted Accounting Practice financial measures in addition to those reported in accordance with IFRS. Further detail is provided within note 6 to the summary financial information contained in this announcement.*

[2] *We evaluate the long-term performance and trends within our strategic objectives 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-period local currency financial results using the current period average exchange rates and comparing these recalculated amounts to our current period 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, or equivalent local*

currency amounts, the equivalent prior-period measure is also presented in the reported pound sterling equivalent using the exchange rates prevailing at the time. 2019 Highlights, as shown at the beginning of this announcement, and statutory measures, are provided in the reported pound sterling equivalent.

[3] Adjusted net funds or adjusted net debt includes cash and cash equivalents, other short or other long-term borrowings and current asset investments. Following the adoption of IFRS 16 this measure excludes all lease liabilities. CSF balances which were previously included within this measure are now also excluded as they form part of lease liabilities. A table reconciling this measure, including the impact of finance lease liabilities, is provided within note 9 to the summary financial information contained in this announcement.

Enquiries:

Computacenter plc

Mike Norris, Chief Executive	01707 631601
Tony Conophy, Finance Director	01707 631515

Tulchan Communications

James Macey White	020 7353 4200
Matt Low	

Results Presentation Conference Call:
There will be a conference call available this morning at 0930 for analysts and investors unable to join the Results Presentation in person. For dial-in details, please contact Yasemin Balman at Tulchan Communications at computacenter@tulchangroup.com. The Results Presentation will be available on investors.computacenter.com from 0830 this morning.

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 2018 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.

Chairman's Statement

This is my first statement since succeeding Greg Lock as Chairman in May 2019. Firstly, I would like to thank Greg, on behalf of both the Board and the Company, for his service and impact over the 11 years of his tenure as Chairman of the Board.

I have spent this year learning more about our business by engaging with key members of senior management and our stakeholders. Computacenter's success has always been driven by the effort, talent and dedication of its people. As I get to know the culture and values that our employees live by, I am continuously impressed by their passion for Our Purpose. I, along with all of the Board, would like to thank the team for their contribution to our record-breaking year.

The CEO, Mike Norris, and I visited a number of our USA Technology Providers. I came away pleased by the Company's reputation with these key stakeholders.

Enabling Success

This has been a year of strong progress for Computacenter. Revenues surpassed £5 billion for the first time, with the 2018 acquisitions contributing £586.6 million of the £700.2 million of revenue growth. Our USA acquisition, FusionStorm, performed significantly better in the second half of the year, after we made some adjustments and learned how to drive the business. The overall progress across the Company in the year was very pleasing, with an increase in statutory profit before tax of 30.4 per cent to £141.0 million (2018: £108.1 million), following revenue growth of 16.1 per cent to £5,052.8 million. The Group's adjusted[1] profit before tax increased by 23.8 per cent to £146.3 million (2018: £118.2 million) and by 24.9 per cent in constant currency[2].

Statutory diluted earnings per share (EPS) increased by 27.0 per cent to 89.0 pence for the year (2018: 70.1 pence). Adjusted[1] diluted earnings per share grew 22.2 per cent to 92.5 pence (2018: 75.7 pence). In line with our policy of paying a dividend that is covered between 2.0 and 2.5 times by adjusted[1] diluted earnings per share, we propose to pay a final dividend of 26.9 pence per share, bringing our full-year dividend to 37.0 pence per share, an increase of 22.1 per cent.

We continue to monitor our growing adjusted net funds[3], which reached £137.1 million at the end of the year. The Board reviews investment opportunities to ensure these remain aligned strategically with our purpose of enabling success and, if none are suitable, will look to return excess capital to shareholders at the appropriate time.

The Board in 2019

There have been several changes to the Board's composition this year, in addition to the Chairmanship transition.

Regine Stachelhaus retired from the Board at the AGM on 16 May 2019. On the same day, Ljiljana Mitic was appointed to the Board. Ljiljana brings expertise in large technology enterprises operating in our Western European geographies, particularly France and Germany. This ensures that we continue to have a European voice on the Board with experience in our Services sector.

We were pleased to announce the appointment of Rene Haas, a US citizen, on 20 August 2019. He has global experience with a US focus and can bring his insights into the leading-edge of long-term technological thinking. He is currently President, IP Products Group, at Arm Limited.

Rene's appointment returned the Board to its full complement of independent Non-Executive Directors.

The independent external evaluator who facilitated our recent Board evaluation noted that whilst the Board was collegiate in its approach, Members provided real challenge to Management in an open environment.

Our Continued Commitment to Sustainability

During the year, the Board has addressed a variety of areas of the Company's approach to sustainability.

Whilst our footprint remains small compared to those of our Technology Providers and customers, we hope to make a difference to the overall impact of the IT industry by continuing to focus on and improve our impact on the environment in our part of the supply chain.

The Board agrees that it is both the right thing to do morally and a business imperative, to be able to support our customers' increasing efforts to improve the sustainability of their businesses.

We have also increased the targets for gender diversity across all levels of the organisation and set the Executive Directors and senior management specific measurable objectives in this area.

The Year Ahead

Before addressing the coming year, we need to acknowledge the unprecedented levels of change in both the external and internal operating environments for Computacenter in 2019. In nearly all areas that touch our business, we have seen challenges stemming from change.

Governance and regulatory requirements have increased. The geopolitical impacts of Brexit, trade disputes and general elections in our key markets have all weighed on customer sentiment.

As we look to 2020, the pace of change, and the challenges that accompany that change, look set to increase even further. Our business model, to date, has proved resilient and helped us to weather these challenges effectively.

We have considered, and will continue to monitor closely, the potential impact of the COVID-19 virus on our business, global trade, and the macro-economic outlook. The Company's Principal Risks and Uncertainties have been updated to reflect the emerging situation. We consider that the sensitivity analysis conducted to support the Directors' reasonable expectation of the impact of risks, and assessment of viability, to be sufficiently robust given what we know today, although considerable uncertainties remain surrounding the duration and impact of the COVID-19 virus.

As the pace of change continues to accelerate, we must continue to adapt just to keep up. Trust from our stakeholders remains paramount to our success and we can achieve that by always delivering on our existing commitments and by evolving our offer to lead the industry through the changes and challenges ahead.

For nearly 40 years, Computacenter has endured and adapted. Mike continues to lead the management team along with Tony, and they remain true survivors of the industry. They, the Board, and the rest of the senior management team, still feel the energy and excitement of the opportunities ahead.

This has been a landmark year for Computacenter, both in terms of the results we are announcing and our progress with strengthening the Company, to enable the success of our stakeholders.

Peter Ryan
Chairman
11 March 2020

Our Performance in 2019

Financial performance
The Group's revenues increased by 16.1 per cent to £5,052.8 million (2018: £4,352.6 million) and were 16.9 per cent higher in constant currency[2].

The Group made a statutory profit before tax of £141.0 million, an increase of 30.4 per cent (2018: £108.1 million). The Group's adjusted[1] profit before tax increased by 23.8 per cent to £146.3 million (2018: £118.2 million) and by 24.9 per cent in constant currency[2].

The difference between statutory profit before tax and adjusted[1] profit before tax primarily relates to the Group's reported net charge of £5.3 million (2018: charge of £10.1 million) from exceptional and other adjusting items. These relate principally to the Group's acquisition of FusionStorm.

It should be noted that these results include an overall decrease of £1.7 million in both statutory and adjusted[1] profit before tax, due to the impact of IFRS 16. The timing difference effect of the new accounting standard has resulted in increased interest costs exceeding the net of reduced rental costs and increased depreciation. Excluding the impact of IFRS 16, statutory profit before tax was 32.0 per cent better than the prior year, whilst adjusted[1] profit before tax was 25.2 per cent higher.

With the increase in the Group's overall statutory profit after tax, statutory diluted earnings per share (EPS) increased by 27.0 per cent to 89.0 pence for the year (2018: 70.1 pence). Adjusted[1] diluted EPS, the Group's primary EPS measure, increased by 22.2 per cent to 92.5 pence for 2019 (2018: 75.7 pence).

The result has benefited from £857.6 million of revenues (2018: £270.9 million) and £6.5 million of adjusted[1] profit before tax (2018: £2.2 million), resulting from the acquisitions made since 30 June 2018. All figures reported throughout this Annual Report and Accounts include the results of the acquired entities.

2019 was one of the most successful years in Computacenter's history. We recorded our best-ever revenue, profit, EPS and cash generation from ongoing operations, and increased our profit by the largest absolute amount ever. The acceleration shown in 2019 in the progress of Computacenter's adjusted[1] profitability and adjusted[1] earnings per share, two key financial measures for the Group, shows a business growing both organically and through leveraging recent acquisitions.

This improvement on the prior year was evident across the board, although it was stronger in some areas than others. German Services gross profit showed the greatest increase across the Group, driven by strong growth in Professional Services and an excellent recovery in Services margins from the lows of 2018. The German Technology Sourcing business saw solid growth and an improvement in margins, even with the slow-down of its largest customer, which significantly reduced its spend back to normal levels after the surge in 2018. UK margins showed significant improvement, with pleasing Technology Sourcing growth once the large one-off deals from 2018 are excluded. The French business had another year of exceeding expectations and internal targets, with strong revenue growth and margin gains across the business. The acquired business in the USA had a very strong second half of the year, with adjusted[1] operating profit exceeding that of the disappointing

first half by a factor of 10, as some early issues in operating the business were mitigated and sales volumes returned. Our International business, primarily the 'Rest of Europe' trading group, has contributed pleasing profit growth whilst absorbing the significant investment of aligning the Netherlands to the Group Operating Model. The acquisition of PathWorks during the year has been very successful and has rounded out the full business model in Switzerland.

Technology Sourcing performance

The Group's Technology Sourcing revenue increased by 20.3 per cent to £3,822.2 million (2018: £3,177.6 million) and by 21.3 per cent on a constant currency[2] basis.

As noted in our 2018 Interim Report and Accounts, the prior year revenue performance was flattered by two one-off software licence sales in the UK totalling £70.8 million, at very low margins. Once these deals are adjusted out from the comparative, and the £820.0 million of revenues resulting from the acquisitions made since 30 June 2018 are adjusted out from the current year result (2018: £254.7 million), the Group saw a 5.3 per cent increase in organic Technology Sourcing revenue over the prior year comparative.

The UK Technology Sourcing business saw pleasing growth, excluding the one-off deals noted above. Margins improved, with the subtle shift in the product mix towards higher-margin Data Center, Networking and Security products continuing throughout the year.

The Technology Sourcing business in Germany saw a significant reduction in revenue with one key software hyperscale customer, which has reduced investment in Cloud infrastructure build out. Pleasingly, this loss in volumes was exceeded by growth in other areas of the business, particularly in the Public Sector, leading to 4.2 per cent of revenue growth in constant currency[2] over what has been a sustained period of success for the business. German Technology Sourcing margins improved significantly from the prior year, driven by the improving product mix and the replacement of the lower-margin hyperscale business with higher margin business.

French Technology Sourcing revenues grew faster than expected, at improved margins, due to the widening portfolio of target customers, particularly in the Public Sector. The key Public Sector account that was renewed in the prior year unexpectedly saw much increased volumes, in contrast to historic trends following previous renewals. French Technology Sourcing margins increased and remain the best and most consistent across the Group.

Overall Group Technology Sourcing margins increased by 26 basis points during the year, when compared to the prior year.

Services performance

The Group's Services revenue increased by 4.7 per cent to £1,230.6 million (2018: £1,175.0 million) and was up 5.2 per cent on a constant currency[2] basis. Within this, Group Professional Services revenue increased by 13.7 per cent to £366.1 million (2018: £321.9 million), and by 14.5 per cent on a constant currency[2] basis. Group Managed Services revenue increased by 1.3 per cent to £864.5 million (2018: £853.1 million), and by 1.7 per cent on a constant currency[2] basis.

The overall Services result benefited from £37.6 million of revenue resulting from the acquisitions made since the second half of the previous year (2018: £16.3 million).

UK Services revenue reduced during 2019, with both Professional Services and Managed Services activity declining. Professional Services was challenged by lower than forecast volumes, as the customer pipeline

elongated, but continued strength in the mix of work towards higher-end consulting and less transformation projects reinforced margins. Whilst Managed Services revenues were down due to renewals, as reduced prices caused decline in the Contract Base, the business stabilised the 'difficult' contracts from 2018 and strongly improved margins elsewhere in the portfolio. The improvement in the core Managed Services contracts, along with an improved Professional Services margin mix, both contributed to an overall increase in Services margins.

The German Services business was buoyed by exceptionally high Professional Services volumes, particularly within the Public Sector which is becoming a key specialism in Germany. High-end work on our traditional key strengths in Security, Networking and Cloud have driven growth in this area, alongside Windows 10 transformations. Ongoing high demand for IT personnel with quality technical skills continues to make the market challenging to address. In Managed Services, the 'difficult' contracts have now stabilised and the margin improvement was a significant driver for the Group's profitability. This contributed to the overall growth in Services margins, supported by the strong Professional Services business.

Following the non-renewal of the Group's largest Managed Services customer in the year, the French business has signed a number of new contracts, providing continued optimism about the longer-term prospects for Managed Services in France as the customer base diversifies. Our Professional Services business in France has seen a step-change in the scale and complexity of projects which we have won. The business continues to set new records for the size of projects that it has worked on, with a strong pipeline. Services margins improved, as increasing Professional Services demand drove higher utilisation and complemented the margins made on established Managed Services contracts.

Overall growth in the USA business was driven by the acquisition of FusionStorm in the second half of 2018. Whilst full-year performance across the Segment was slightly below our internal targets, this was weighed down by a poor first-half performance. As we noted at the half year, the FusionStorm Professional Services business, whilst small, underperformed against expectations. This was due to two challenging projects that resulted in lower margins and growth than forecast and which affected utilisation rates, in a business that was investing in resource as demand fell. Key contract renewals and expansions of scope supported the Managed Services business, which also added new opportunities to the Contract Base. Margins reduced from the prior year, heavily impacted by the Professional Services business.

Overall Group Services margins increased by 246 basis points during the year.

Outlook

As we stated back in January, the results for 2019 set a high bar for the business in 2020. It is too early to predict the outcome for the year as a whole and there is still much work to be done, particularly as we have not yet completed our first quarter. Our Services pipeline is the strongest we have seen for some time in both Professional and Managed Services. While we still believe customers will continue to invest in product, particularly in the areas of Security, Networking and Cloud, it may well be difficult to achieve the same growth rates we have seen in recent years.

The current COVID-19 outbreak makes forecasting the future even more challenging. In the short term, we are urgently supporting our customers focused on their business continuity plans which involves the need for a greater degree of remote working. We have seen a surge in demand for laptop computers for this purpose. To-date, supply constraints from our Technology Providers have been minimal, although there are some concerns going forward. We do however have some concerns that in the medium-term, customers may postpone significant IT infrastructure projects while the current uncertainty remains. In the longer term, we feel more certain, either because when this crisis is behind us, life will return to normal and the fundamental business drivers for IT growth remain or, if there is a long-term reduction in business travel and commuting with a

consequent upsurge in remote working, it can only drive the need for technology even further.

Our current focus is on maintaining continuity for our customers for the services and products we supply as well as doing whatever we can to protect the health of our employees, customers and the wider community.

United Kingdom

Financial performance
Revenues in the UK business decreased by 1.8 per cent to £1,581.6 million (2018: £1,611.3 million).

The UK business reported modestly lower revenues across Technology Sourcing, Professional Services and Managed Services. However, Technology Sourcing revenues for the prior year were flattered by the inclusion of two one-off software licence sales totalling £70.8 million, at very low margins. After adjusting the 2018 comparative for these deals, Technology Sourcing showed good revenue growth and total revenues in the UK increased by 2.2 per cent.

We increased the number of large customers during 2019, which are those who contribute over £1 million of adjusted[1] gross profit per year, with six added to the list. Greater investment in our front-end Sales and Service Management teams should further increase the number of new customers during 2020.

Overall margins in the UK increased by 122 basis points, with total adjusted[1] gross profit increasing from 12.8 per cent to 14.0 per cent of revenues. Adjusted[1] gross profit grew by 7.5 per cent to £221.2 million (2018: £205.7 million).

Administrative expenses increased by 6.3 per cent to £156.7 million (2018: £147.4 million), due to increased variable remuneration, functional changes and improvements to broaden our capabilities and skills portfolio.

This resulted in adjusted[1] operating profit growing by 10.6 per cent to £64.5 million (2018: £58.3 million).

We have taken measures to manage our cost base, ensure we have only the right skills going forward and retain high utilisation levels for our Consulting and Engineering teams. This involved reducing the volume of legacy skills and ensuring we have the new and emerging skills our customers need, such as those related to adopting Public Cloud and enabling Multi-Cloud environments.

Technology Sourcing performance
Technology Sourcing revenue decreased by 1.3 per cent to £1,142.7 million (2018: £1,157.9 million).

As noted above, revenue in 2018 contained two large, one-off and very low-margin software deals worth £70.8 million. Excluding these deals, Technology Sourcing revenues grew by 4.5 per cent during the year.

The revenue mix in 2019 moved marginally towards Workplace business and away from Enterprise business, with customers typically purchasing new technology in advance of implementing Digital Workplace transformations.

Technology Sourcing margins grew by 70 basis points compared to the prior year, benefiting from some improvement in product mix.

With Brexit negotiations ongoing, we have taken the decision to create the ability to serve the European arms of some of our UK-headquartered customers from our new facility in Kerpen, Germany. This will give us the

flexibility to continue to support our customers' requirements, whatever the outcome of the trade negotiations.

We are confident that our progress in Technology Sourcing will continue through 2020, with new participation on two key Public Sector frameworks along with good demand from our existing customers to transform their environments. We are seeing more global consolidation of our customers' requirements for Technology Sourcing and are well positioned through our acquisition of FusionStorm to take advantage of these larger Enterprise volumes.

Services performance
Services revenue declined by 3.2 per cent to £438.9 million (2018: £453.4 million). This resulted from a decline in Professional Services of 0.9 per cent to £117.7 million (2018: £118.8 million) and a decline in Managed Services of 4.0 per cent to £321.2 million (2018: £334.6 million).

We were disappointed that Professional Services revenues did not grow during 2019. This was partly due to delays in the uptake of Windows 10, as a result of Microsoft's decision to extend support for Windows 7. Professional Services benefited from work with existing customers, with more complex technology projects along with some key transformational programmes, typically driven by Digital Workplace and Public Cloud adoption.

The Managed Services decline was driven by the loss of a large customer in 2018, coupled with embedded year-on-year price reductions within our existing Contract Base, as we pass operational efficiency savings to our customers at renewal.

This was also a strong year for renewing existing contracts, notably with two large central government clients, where we signed multi-year renewals.

The outlook for Managed Services is encouraging with a significant pipeline ahead in our core markets of Finance, Public Sector, Technology Media & Telecoms (TMT) and core industries such as Pharmaceuticals, Utilities and Oil & Gas. The type of opportunities are across all areas from Workplace to Networking including Public Cloud adoption and are spread across the year meaning, should we execute effectively, we will have the resource to take on in line with customer expectations.

In Professional Services, we closed the year with an increased order book, which gives us confidence of a return to growth through 2020. In Managed Services, the strong renewals performance in 2019 gives us a good platform to grow the Contract Base again in 2020. Our customers have held back on a straightforward migration to Windows 10 in favour of greater collaboration and value through a new Digital Workplace. This creates an opportunity to return to some of the larger- volume Professional Services work we have seen previously.

Services margins increased by 276 basis points over the year, as a result of greater efficiency and through improvements in the quality of Services we deliver for customers, meaning we could achieve our year-on-year commitments to reduce the cost of those Services while also improving profitability.

Germany

Financial performance
Total revenue increased by 5.2 per cent to €2,226.6 million(2018: €2,115.7 million) and by 3.8 per cent in reported pound sterling equivalents[2].

After a slow start, the financial year ended slightly above expectations as a result of a good third quarter and a very strong fourth quarter.

Sales growth of 5.2 per cent was good, particularly given the significant decline in business with one of our largest customers. Despite the continuing problems in the automotive and chemical sectors, we maintained our growth path of previous years in these sectors. We also saw above-average growth in the Public Sector business and in some other sectors, such as the construction industry, trade and auditing firms. The customer base expanded further and there were particular initial successes in increasing the number of customers new to Computacenter.

The overall result was driven by a continued strong Technology Sourcing business and a strong Services business, particularly in Professional Services. Above all, Computacenter benefited from the continuing strong demand for skills and technology projects in the Cloud, Security, Networking and collaboration areas, as well as strong demand for Windows 10 migration projects. In addition, we succeeded in winning three new major contracts in Managed Services, while stabilising the remaining problem contracts or bringing them into profitability.

Overall margins in Germany increased by 107 basis points, with adjusted[1] gross profit increasing from 12.3 per cent to 13.4 per cent of revenues. Adjusted[1] gross profit grew by 14.3 per cent to €298.7 million(2018: €261.4 million) and by 12.8 per cent in reported pound sterling equivalents[2].

Administrative expenses increased by 8.7 per cent to €202.0 million(2018: €185.8 million), and by 7.2 per cent in reported pound sterling equivalents[2]. The cost increase was slightly above target, due to higher pre-sales costs and in particular the expansion of the sales support units. Investing in new opportunities should contribute to future growth and has already led to some new business.

Adjusted[1] operating profit for the German business increased by 27.9 per cent to €96.7 million(2018: €75.6 million) and by 26.5 per cent in reported pound sterling equivalents[2]. Profits grew faster than revenue, despite the increase in indirect costs. This was mainly due to the continued strong Technology Sourcing margin but the margin development in Services also contributed. In particular, Professional Services growth significantly exceeded expectations.

We expect the German business to continue on its growth path in 2020. Despite the ongoing problems in the German economy, especially in the automotive industry and its suppliers, mechanical engineering and the chemical industry, we expect demand to remain strong, especially in the Public Sector. Digitalisation driven by the government and the associated investment in solutions and infrastructure will provide us with additional opportunities. Customers are signalling continued high demand in the areas of Security, Multi-Cloud management, Data Centers and Networking refreshes, followed by the first major investments in setting up and expanding collaboration environments. Ongoing Windows 10 migrations and implementations of Windows Evergreen Services will also ensure that demand remains high in 2020. It should be possible to expand the customer base through a major customer contract campaign initiated in 2019, which will continue in 2020. We should also benefit from the positive effects of the improved difficult contract performance in Managed Services.

Technology Sourcing performance
Technology Sourcing revenue grew by 4.2 per cent to €1,566.5 million(2018: €1,502.9 million) and by 2.7 per cent in reported pound sterling equivalents[2].

Our Technology Sourcing business benefited from ongoing strong Networking and Security demand, supported

by our partnership with Cisco, as well as strong Workplace business, driven by Windows 10 and the associated replacement investments. Growth in Public Sector business meant overall performance in the year was reasonable, despite the significant decline in Data Center sales to our largest customer, a German software hyperscaler, which reverted to more normal levels of business. Adjusting for the impact of that customer, Technology Sourcing grew by 13 per cent, which should be above market.

We also saw a couple of wins benefiting from our new Kerpen Integration Center capabilities. Most of our customer base attended full day workshops in Kerpen, to demonstrate our strengthened delivery capabilities, resulting in very good feedback. This should generate positive momentum for future business.

Technology Sourcing margins increased by 15 basis points over last year and remained at a high level. The improvement was predominantly driven by the product mix, with more high-value Networking and Data Center business.

Services performance

Services revenue grew by 7.7 per cent to €660.1 million(2018: €612.8 million) and by 6.5 per cent in reported pound sterling equivalents[2]. This included Professional Services growth of 25.8 per cent to €236.8 million (2018: €188.2 million), an increase of 24.3 per cent in reported pound sterling equivalents[2], and a small reduction in Managed Services of 0.3 per cent to €423.3 million(2018: €424.6 million), a decline of 1.4 per cent in reported pound sterling equivalents[2].

In 2019, we reported strong Services growth ahead of the market average, especially in Professional Services. After a rather subdued first half of the year, we saw a very strong second half, with growth in almost all industries and especially in the Public Sector. Thanks to the headcount expansion in the technology areas, especially Security, Cloud and Networking, which we initiated in 2018, we were able to satisfy the continuing high level of customer demand to some extent. Nevertheless, the issue of resource scarcity remains a major challenge for all IT companies in Germany.

In the Managed Services Segment, we closed the year with revenues slightly above expectations. We focused on service stability for the problem deals in this area rather than growth, but were still able to maintain revenue at the previous year's level. However, three major wins should provide growth impetus in the coming year. These wins included a worldwide Workplace on-site and IMAC support for one of the largest German pharmaceutical companies, as well as a complete Workplace contract for a public health insurance company. Good results were also achieved in the extension of existing contracts, with almost all major contracts extended or renegotiated. This reflects an increase in customer satisfaction in this area, compared with the problems of previous years, with Services significantly stabilised and creating the basis for contract extensions.

Overall, the Services margin was 309 basis points higher than last year. Increasing Services profitability was one of the key goals for 2019, with the business achieving good results through stabilising and improving the profitability of the historical difficult contracts. This was a particular contributor to increased Services profits, along with the higher than expected Professional Services revenue.

France

Financial performance

Total revenue increased by 15.7 per cent to €644.7 million(2018: €557.4 million). In reported pound sterling equivalents[2], total revenue was up 14.1 per cent.

Our French business significantly increased its revenues in a positive market, as it refocused its sales activities

on winning the right business with target customers, without reducing the size of the sales force. We were pleased to increase the number of large customers, including some high-profile new names, while working very well with our installed base, which has also showed good growth.

We were also pleased with good growth in our two business sectors. The Public Sector delivered good growth with existing customers, thanks to numerous wins in large framework contracts. In the private sector, we also grew business with existing customers by diversifying the activities delivered and won two significant new Managed Services contracts. We renewed 100 per cent of our Managed Services contracts in 2018, and achieved many gains in 2019, however we suffered a setback on a very large international account, which will have a negative impact on 2020 and in particular 2021.

The restructuring of the teams in the private sector continues to deliver results and we were pleased with the very good integration of new starters. The successful strengthening of the Sales Specialists' teams is also continuing, to ensure the sales system has the skills necessary to support increasingly complex businesses.

We saw very good growth in Technology Sourcing and Services activities, after a very good year in 2018. We achieved this growth by working on the right customer set, with the right value proposition, by optimising our delivery capabilities, automating more and keeping our cost structures under control, leading to net results improving significantly.

This year was also important in demonstrating our ability to execute large technological projects, with an exceptional result on the two largest projects ever delivered by Computacenter in France. We will continue to focus on large organisations, helping their IT decision makers to enable users with advanced support and guidance and supporting their businesses by delivering outstanding infrastructure Services and solutions. In this context, our alignment with Group propositions and Services capabilities remains key. To enforce this alignment and support further growth, we invested in 2019 to increase significantly our resources in operations. To support talent development and attraction, we launched the Computacenter University to recruit, train and certify new resources, ready to support our growth in the modern Workplace management and Multi-Cloud spaces. We have recruited and trained more than 30 new people in our Consultancy team and, for the first time, this is now bigger than our Project Management team.

We also launched our new Service Center in Perpignan, with the recruitment of more than 30 people. The Service Center is on track to grow to more than 150 employees in the coming months, to support the growth of Managed Services activities.

Overall, margins in France increased by 80 basis points, with adjusted[1] gross profit increasing from 11.3 per cent to 12.1 per cent of revenues.

Overall adjusted[1] gross profit grew by 24.3 per cent to €78.2 million(2018: €62.9 million) and by 22.4 per cent in reported pound sterling equivalents[2].

Administrative expenses increased by 16.8 per cent to €64.1 million(2018: €54.9 million), and by 15.0 per cent in reported pound sterling equivalents[2] as we have continued to invest to support the growth.

Adjusted[1] operating profit for the French business increased by 76.3 per cent to €14.1 million(2018: €8.0 million), and by 73.2 per cent in reported pound sterling equivalents[2].

Technology Sourcing performance

Technology Sourcing revenue increased by 17.8 per cent to €524.0 million(2018: €444.9 million) and by 16.2

per cent in reported pound sterling equivalents[2].

2019 was a very good year for Technology Sourcing, thanks to the investment in the Sales Specialists teams, who were able to bring additional expertise to win major projects. We also worked very well with our Technology Providers, to maintain our margins in a market under strong pressure. Finally, our investments in technical resources allow us to manage this growth internally and we are working to develop an ecosystem with other partners, to better respond to important requests from customers and the shortage of talent on the market.

The rebalancing of our technological activities is continuing as well, supported by the go-to-market propositions produced by the Group. We have seen significant improvement in our product mix alongside growth in all Segments.

Finally, in 2019 we launched a financing activity dedicated to France, in order to support new consumption patterns among our customers. We now have dedicated local teams to offer relevant as-a-service models. Overall, Technology Sourcing margins increased by 84 basis points.

Services performance

Services revenue increased by 7.3 per cent to €120.7 million (2018: €112.5 million) and by 5.9 per cent in reported pound sterling equivalents[2]. Professional Services revenue increased by 27.6 per cent to €27.3 million (2018: €21.4 million), which was an increase of 25.9 per cent in reported pound sterling equivalents[2]. Managed Services revenues increased by 2.5 per cent to €93.4 million (2018: €91.1 million), an increase of 1.2 per cent in reported pound sterling equivalents[2].

With many large wins over the last 18 months, Managed Services activity grew in 2019 despite the year-on-year revenue reduction on existing contracts. However, a large international contract was not renewed, which will affect our activity levels in 2020 and especially in 2021, as the contract comes to an end in the first half of 2020. This will also impact some of our international Service Centers which provided significant volumes of the customer-facing work .

However, 2020 will benefit from a full year of the major new contracts signed with CAC40 accounts that were in transition in 2019, enabling us to continue to grow Managed Services in France. Our two Service Centers in France are now running at good capacity, while we continue to invest.

Although Professional Services activity remains relatively low compared to our Group colleagues, the business made pleasing progress and had strong growth in 2019, with ambitious growth plans in 2020 as well.

In 2019, we demonstrated the excellence of our Professional Services activities on very successful large projects. This was an important step in building the credibility of these activities with our target customer set, in order to support their major transformation projects. This performance was the result of joint efforts by the Sales and Delivery teams and we intend to continue in this direction. To support the resurgence of resource-on-demand type requests, we have set up a system dedicated to the sale and sourcing of expert profiles.

We are confident in our ability to continue to develop the Services business in 2020, while continuing to improve our margins.

Services margins increased by 82 basis points over last year.

USA

During the second half of 2018, the Group completed the material acquisition of FusionStorm. This business was combined with our existing Services-focused USA business, to create the USA Segment from 1 January 2019. Prior year segmental numbers have been restated but are not comparable, due to the size of the acquired Technology Sourcing-focused business against the existing USA Services business.

Financial performance

Total revenue increased by 180.6 per cent to $986.6 million (2018: $351.6 million). In reported pound sterling equivalents[2], total revenue was up 183.1 per cent.

The USA performance was driven by Technology Sourcing, which saw its first full-year contribution to the Segment flatter headline results. Overall, revenue was below forecast due to a slowdown in volumes with several hyperscale Silicon Valley customers, particularly in the first half, with a recovery in the second half to more expected baseline performance, driven by stronger orders combined with strong backlog conversion. Services revenues were impacted by particular challenges in the Professional Services business.

Overall, margins in the USA decreased by 84 basis points, with adjusted[1] gross profit decreasing from 9.9 per cent to 9.0 per cent of revenues.

The Technology Sourcing business increased margin performance, due primarily to customer mix during the reporting period. The Professional Services business recovered somewhat from the first half due to cost reductions, but reported margins were still significantly below expectations overall. The Managed Services business reported flat margins year-on-year.

Overall adjusted[1] gross profit grew by 153.9 per cent to $88.6 million (2018: $34.9 million) and by 157.4 per cent in reported pound sterling equivalents[2]. These headline numbers reflect the full-year inclusion of acquired entities.

Administrative expenses increased by 162.8 per cent to $77.0 million (2018: $29.3 million), and by 166.1 per cent in reported pound sterling equivalents[2]. This was due to increasing variable remuneration, investments in our business development programme to hire and train our next generation of sales professionals, a newly formed Partner Management function that is already driving significant bottom line results, as well as continuing focus on scaling our technical capabilities to enhance our value to customers and deploy our portfolio framework to enable our customers' success.

Adjusted[1] operating profit for the USA business increased by 107.1 per cent to $11.6 million (2018: $5.6 million), and by 111.6 per cent in reported pound sterling equivalents[2].

Overall, performance in the first half of 2019 was challenging, as sustaining last year's record growth in the underlying annualised comparative performance of FusionStorm proved difficult to repeat. The necessary action plans were put in place and tracked, and as a result performance moved back above our baseline business case projection. Significant expenses continue to affect profits, as the acquired entity had a significant investment backlog that we are correcting within our multi-year investment programme, including systems, facilities and people. We have a significant amount of work to do but the overall customer situation remains favourable, in terms of both retention and our predicted performance going forward.

Margins in the USA decreased by 90 basis points, with adjusted[1] gross profit decreasing from 9.9 per cent to 9.0 per cent of revenues. There remains considerable scope, through the adoption of Group processes and practices, to increase the margin performance of the USA business.

Technology Sourcing performance

Technology Sourcing revenue increased by 204.0 per cent to $934.0 million (2018: $307.2 million) and by 206.8 per cent in reported pound sterling equivalents[2].

The Technology Sourcing business consolidated after the prior year's strong performance. We saw a similar technology spending mix amongst major partners and technologies, particularly in the Data Center and Networking lines of business. We benefited from significant continuing investments by our customers, as they continue to digitise their operations and modernise their infrastructure. We continue to see customers seeking to simplify their operations by consolidating to fewer suppliers, resulting in long-term commitments and larger transactions. Simplifying supply chains via consolidation and process integration remain powerful value propositions to our target market customers.

USA Technology Sourcing margins improved 90 basis points over last year but remain 185 basis points behind the Group Technology Sourcing margin for the year, with the mix of hardware OEM vendors a key driver of our margins. Throughout the first half of the year, Management initiated a number of activities to improve the underlying efficiency and effectiveness of the Technology Sourcing business. As a result of implementing a Partner Management organisation, modelled on similar functional teams in our European operations, we have been able to enhance our focus on driving mutual value with partners and increase
our margins. There is still additional work in progress to drive our results as far as possible towards those achieved in Group Technology Sourcing.

Services performance

Services revenue increased by 18.5 per cent to $52.6 million (2018: $44.4 million) and by 19.4 per cent in reported pound sterling equivalents[2]. Professional Services declined by 1.7 per cent to $17.4 million (2018: $17.7 million), which was a decrease of 1.4 per cent in reported pound sterling equivalents[2]. Managed Services increased by 31.8 per cent to $35.2 million (2018: $26.7 million), an increase of 33.3 per cent in reported pound sterling equivalents[2].

There were particular challenges in the Professional Services business, which was scaled up to accommodate predicted growth that did not materialise. Necessary adjustments were made in the second quarter to return the business to the level of profitability seen in 2018. This resulted in over $3 million in annual costs being removed from Professional Services at the end of the first half, with those reductions proving sustainable at similar business volumes to those experienced during the period.

The overall Services performance was subdued but showed an improving trend from the first half to the second half of 2019. It is notable that we have continued to see double digit growth for our Integration Center projects, including complex distributed branch rollouts, as well as global Data Center build-out projects for our hyperscale customers.

We continued to renew and extend key contracts, which created expected headwinds in our Managed Services business through certain reductions in pricing and volumes, as well as transitioning new customers into our Services Contract Base. One of the major French-headquartered USA Managed Service customers did not renew its contract and managing that contract down properly is a priority. However, we have a major customer going live in the region with a similar Managed Services scope that will partially offset this loss. The retention and expansion of core Managed Services contracts typically helps drive our overall business, as customers ask us to deliver associated transformation activity and also leverage our Technology Sourcing capability. Accordingly, a renewed focus on expanding our Contract Base with US-originated contracts remains a strategic objective for the business.

We also continue to invest in and develop our operating models and practices for efficiency, with our customers increasingly leveraging centrally delivered shared Services, particularly in our near-shore Service Center in Mexico City, as they strive to minimise operational expenditure.

Services margins decreased by 471 basis points but were 45 basis points ahead of the overall combined Group Services margin. Service margins were largely driven by under-utilisation of resources within the Professional Services segment, and flat margins within Managed Services.

International

The International Segment comprises a number of trading entities and offshore Global Service Desk delivery locations.

The trading entities include Computacenter Switzerland, Computacenter Belgium and Computacenter Netherlands. In addition to their operational delivery capabilities, these entities have in-country sales organisations, which enable us to engage with local customers. During the year, Computacenter Switzerland acquired PathWorks GmbH (PathWorks), a value-added reseller based in Neudorf (Luzern), Switzerland.

These trading entities are joined in the Segment by the offshore Global Service Desk entities in Spain, Malaysia, India, South Africa, Hungary, Poland, China and Mexico, which have limited external revenues.

Financial performance
Revenues in the International business increased by 87.3 per cent to £191.4 million (2018: £102.2 million) and by 88.0 per cent in constant currency[2].

This significant increase was the result of modest growth in our existing businesses in Belgium and Switzerland, together with the revenues generated by the Dutch business acquired in September 2018 (2019: £86.2 million, 2018: £24.9 million) and PathWorks, which was acquired earlier this year in Switzerland (2019: £18.4 million).

Adjusted[1] gross profit increased by 51.6 per cent to £43.5 million (2018: £28.7 million), and by 52.1 per cent in constant currency[2]. Approximately £11.2 million of the increase was from the acquired entities.

Administrative expenses increased by 66.5 per cent to £35.3 million (2018: £21.2 million) and by 67.3 per cent in constant currency[2] with approximately £10.1 million of this increase due to the acquired entities.

Administrative expenses outside the acquired entities grew according to our investment plans. We have increased our Belgian sales force and further reshaped our sales organisation in the Netherlands.

Overall adjusted[1] operating profit increased by 9.3 per cent to £8.2 million (2018: £7.5 million) and by the same percentage in constant currency[2], with the acquired entities contributing £1.2 million of growth, in line with our ambitions.

The Belgian business delivered a small profit growth, in line with our plans. In 2019, our focus was to establish significant growth in our sales capacity, with the aim of gaining further market share in the coming years.

Thanks to the acquisition of PathWorks, our Swiss business showed an increase in profit for the fifth consecutive year. While our first-half performance was excellent in all business lines, our Services performance

was less strong in the second half of the year, mainly because of delayed starts on some customer projects. The integration of PathWorks is on track and we are pleased to see that customers now use our full capabilities in Technology Sourcing, Professional Services and Managed Services.

Our business in the Netherlands made very good progress in 2019. We have turned around the business from loss making towards profitability. The team also successfully implemented our Group ERP systems within the planned deadlines and integrated the local team within the Group Operating Model. While much remains to be done, we feel encouraged by the good progress in 2019 and aim for further growth in 2020.

Technology Sourcing performance

Technology Sourcing revenue increased by 118.0 per cent to £123.6 million (2018: £56.7 million) and by 121.1 per cent in constant currency[2].

Technology Sourcing in the International Segment benefited from £65.0 million of revenue from the acquisitions noted above.

In Belgium, the Workplace and Data Center business saw a small decline in contribution, mainly because our 2018 performance in both areas was exceptional. This decline was largely compensated for by the significant growth in our Networking business. We have further aligned with our Group's Digital Connect offering and booked some encouraging successes in this business area.

While our acquired PathWorks business in Switzerland was primarily focused on Public Sector customers, we have been able to offer our Technology Sourcing capabilities to our existing Services customers, mainly in the private sector. In comparison to PathWorks' 2018 full-year performance, year-on-year revenues grew over 50 per cent.

Technology Sourcing revenues in the Netherlands increased by 7.0 per cent, while the total contribution improved by 5.0 per cent. Although overall Technology Sourcing margins are healthy, we believe that the implementation of Group systems and the integration into the wider Group Operating Model will help us to further optimise our Technology Sourcing contribution in the coming years.

Services performance

Services revenue increased by 49.0 per cent to £67.8 million (2018: £45.5 million) and by 47.7 per cent in constant currency[2]. Professional Services revenue was flat at £4.0 million (2018: £3.9 million) whilst Managed Services increased 53.4 per cent to £63.8 million (2018: £41.6 million), which was an increase of 51.5 per cent in constant currency[2]. The Segment benefited from an increase of £14.7 million in Services revenue due to the acquisitions noted above.

The Belgian operation grew in both Professional Services and Managed Services, although we still have an opportunity to increase our Professional Services contributions, hence our investment in our pre-sales capabilities around infrastructure solutions. Our existing Managed Services contracts deliver good contributions and we continue to work on an improved long-term Managed Services pipeline.

Although the Swiss operation saw a revenue increase in both Managed and Professional Services we saw a decrease in the total Services contribution. As mentioned above, this was due to the investments made in our Services capabilities, which we have not been able to fully utilise during the year. The Services pipeline continues to grow and we remain confident that these investments will show returns in 2020.

Compared to its pre-acquisition performance, the Dutch business saw a decline in Services revenue. This was

partly due to our strategic decision to align our target customer base with that of the Group. On top of the aspiration to grow new Services opportunities within new targeted customers, we also use Group ERP system information to compare our Services performance with other Computacenter entities, with the aim of identifying optimisation opportunities in 2020.

Group Finance Director's Review

The continued success of Technology Sourcing and margin improvements in the Services business, drove the Group's performance in 2019.

The Group result saw significant double digit increases in adjusted[1] operating profit across the UK, France and Germany, with a solid contribution from the USA in the second half of the year. Margins improved almost everywhere across both Services and Technology Sourcing, capitalising on a year where the headline was once again significant Technology Sourcing growth. Customers continue to invest in technology to drive business efficiencies, improve IT Security and implement Multi-Cloud, even in challenging market and geopolitical conditions. As a result, France and Germany had another year of very strong growth, with Germany significantly exceeding expectations. The UK also returned to growth when the one-off low-margin contracts of 2018 are normalised out. Both the UK and France benefited from customers investing in Security, Networking and Workplace in particular.

Professional Services revenue was very strong across the Group, driven by high demand for increasingly complex skills across France and Germany. We continue to look for ways of increasing the capacity of the German business to meet the strong demand for the diverse blend of offerings within Professional Services.

Managed Services revenue was flat overall, with reductions in Germany and the UK due to several key losses and renewal-led Contract Base attrition, offset by gains in France and elsewhere and flattered by the acquired businesses. However, recent wins within our core countries lead us to believe that the Contract Base remains secure in the medium term. Significantly, the problems of the difficult contracts that we saw in 2018 are behind us, with the stabilised contracts, and improvements in other contracts, leading to a strong increase in margins.

A reconciliation between key adjusted[1] and statutory measures is provided in Group Finance Director's Review included within this announcement.

Further details are provided in note 4 to the summary financial information within this announcement, Segment information.

Reconciliation from statutory to adjusted[1] measures for the year ended 2019

		Adjustments				
	Statutory results £'000	**CSF interest £'000**	**Amortisation of acquired intangibles £'000**	**Utilisation of deferred tax £'000**	**Exceptionals and others £'000**	**Adjusted[1] results £'000**
Revenue	**5,052,779**	-	-	-	-	**5,052,779**
Cost of sales	**(4,389,665)**	-	-	-	-	**(4,389,665)**
Gross profit	**663,114**	-	-	-	-	**663,114**

	Statutory results £'000	Adjustments CSF interest £'000	Amortisation of acquired intangibles £'000	Utilisation of deferred tax £'000	Exceptionals and others £'000	Adjusted[1] results £'000
Administrative expenses	**(516,090)**	-	4,374	-	94	**(511,622)**
Operating profit	**147,024**	-	4,374	-	94	**151,492**
Finance income	**980**	-	-	-	-	**980**
Finance costs	**(7,046)**	-	-	-	825	**(6,221)**
Profit before tax	**140,958**	-	4,374	-	919	**146,251**
Income tax expense	**(39,397)**	-	(1,149)	733	(878)	**(40,691)**
Profit for the year	**101,561**	-	3,225	733	41	**105,560**

Reconciliation from statutory to adjusted[1] measures for the year ended 2018

	Statutory results £'000	Adjustments CSF interest £'000	Amortisation of acquired intangibles £'000	Utilisation of deferred tax £'000	Exceptionals and others £'000	Adjusted[1] results £'000
Revenue	**4,352,570**	-	-	-	-	**4,352,570**
Cost of sales	**(3,804,019)**	(293)	-	-	-	**(3,804,312)**
Gross profit	**548,551**	(293)	-	-	-	**548,258**
Administrative expenses	**(439,183)**	-	4,451	-	5,240	**(429,492)**
Operating profit	**109,368**	(293)	4,451	-	5,240	**118,766**
Finance income	**1,250**	-	-	-	-	**1,250**
Finance costs	**(2,490)**	293	-	-	417	**(1,780)**
Profit before tax	**108,128**	-	4,451	-	5,657	**118,236**
Income tax expense	**(27,199)**	-	(1,169)	1,933	(4,444)	**(30,879)**
Profit for the year	**80,929**	-	3,282	1,933	1,213	**87,357**

Profit before tax

The Group's statutory profit before tax increased by 30.4 per cent to £141.0 million (2018: £108.1 million). Adjusted[1] profit before tax increased by 23.8 per cent to £146.3 million (2018: £118.2 million) and by 24.9 per cent in constant currency[2].

The difference between statutory profit before tax and adjusted[1] profit before tax primarily relates to the Group's reported net costs of £5.3 million (2018: net costs of £10.1 million) from exceptional and other adjusting items which is principally the amortisation of acquired intangibles as a result of the acquisition of FusionStorm on 30 September 2018.

The Group has adopted IFRS 16 from 1 January 2019 which has resulted in changes in accounting policies and adjustments to the amounts recognised in the Financial Statements. The comparative results for the year ended 31 December 2019 have not been restated under the accounting policies adopted. The current year results include an overall decrease in profitability before tax of £1.7 million on both statutory and adjusted[1] basis due to the impact of IFRS 16. Right-of-use assets and lease liabilities of £120.6 million were recorded as of 1 January 2019, with no net impact on retained earnings. The Group recognised £110.9 million of right-of-use assets and £116.8 million of lease liabilities as at 31 December 2019. An analysis of the impact of transition is presented in note 2 to the summary financial information within this announcement, summary of significant accounting policies. Further information on the implementation of, and transition to, IFRS 16 is included later within the Group Finance Director's Review.

Profit for the year

The statutory profit for the year increased by 25.6 per cent to £101.6 million (2018: £80.9 million). The adjusted[1] profit for the year increased by 20.8 per cent to £105.6 million (2018: £87.4 million) and by 22.1 per cent in constant currency[2].

Net finance income

Net finance charge in the year amounted to £6.1 million on a statutory basis (2018: charge of £1.2 million). The charge includes £3.7 million of interest on lease liabilities recognised following the adoption of IFRS 16 on 1 January 2019. This now includes the CSF charge previously excluded on an adjusted[1] basis (2018: £0.3 million) but now included within the wider charge on lease liabilities under IFRS 16. A further £1.8 million of cost relates to interest on the term loan drawn down for the FusionStorm acquisition (2018: £0.5 million), along with a £0.1 million cost for the unwind of the discount on the deferred consideration for acquisitions (2018: cost of £0.4 million) and £0.4 million cost on the term loan for the Kerpen facility (2018: cost of £0.2 million). The statutory net finance charge also includes exceptional interest costs of £0.8 million relating to the unwind of the discount on the deferred consideration for the purchase of FusionStorm (2018: £0.4 million) which is excluded on an adjusted[1] basis.

Outside of the items above, net finance income of £0.7 million was recorded (2018: income of £0.5 million). On an adjusted[1] basis, the net finance cost was £5.2 million during the year (2018: £0.5 million).

Taxation

The statutory tax charge was £39.4 million (2018: £27.2 million) on statutory profit before tax of £141.0 million (2018: £108.1 million). This represents a statutory tax rate of 27.9 per cent (2018: 25.2 per cent). The Group's adjusted[1] tax rate has benefited from the historical tax losses in Germany, the final residual of which was utilised during the year. The utilisation of the asset of £0.7 million (2018: £1.9 million) increased the statutory tax rate by 0.5 per cent (2018: 1.8 per cent) but is considered to be outside of our adjusted[1] tax measure.

During 2019, a tax credit of £0.8 million (2018: £3.1 million) was recorded due to post-acquisition activity in FusionStorm. This benefit derived from payments which were settled by the vendor, out of the consideration paid, via post-acquisition capital contributions to FusionStorm. As this credit was related to the acquisition and not operational activity within FusionStorm, is of a one-off nature and material to the overall tax result, we

have classified this as an exceptional tax item, consistent with the treatment in 2018.

The tax credit related to the amortisation of acquired intangibles was £1.1 million (2018: £1.2 million). This relates primarily to the £4.1 million of amortisation of intangible assets that were recognised as a result of the FusionStorm acquisition (2018: £4.2 million). As the amortisation is recognised outside of our adjusted[1] profitability, the tax benefit on the amortisation is also only recognised in the statutory tax charge.

The adjusted[1] tax charge for the year was £40.7 million (2018: £30.9 million), on an adjusted[1] profit before tax for the year of £146.3 million (2018: £118.2 million). The effective tax rate (ETR) was therefore 27.8 per cent (2018: 26.1 per cent) on an adjusted[1] basis. The ETR during the year was higher than the previous year due to the large increase in profitability in Germany, which also saw an increase in the German cash tax rate due to the now fully utilised German tax losses, and in the significant increase in profitability in the USA, primarily in the second half of the year, which has a significantly higher ETR than the Group. The ETR, excluding the impact of FusionStorm, is within the range that we indicated during the year at 27.2 per cent (H1 2019: 26.6 per cent).

We expect that the ETR in 2020 will remain under upwards pressure, due to the increasing reweighting of the geographic split of adjusted[1] profit before tax from the UK to Germany and the USA, where tax rates are substantially higher.

The Group Tax Policy was reviewed during the year and approved by the Audit Committee and the Board, with no material changes from the prior year. We make every effort to pay all the tax attributable to profits earned in each jurisdiction that we operate in. We do not artificially inflate or reduce profits in one jurisdiction to provide a beneficial tax result in another and maintain approved transfer pricing policies and programmes, to meet local compliance requirements. Virtually all of the statutory tax charge in 2019 was incurred in either the UK, German or USA tax jurisdictions.

Computacenter will recognise provisions and accruals in respect of tax where there is a degree of estimation and uncertainty, including where it relates to transfer pricing, such that a balance cannot fully be determined until accepted by the relevant tax authorities. There are no material tax risks across the Group. For 2019, the revised Group Transfer Pricing policy, implemented in 2013, resulted in a licence fee for the use of intellectual property equivalent to one per cent of revenue charged by Computacenter UK to Computacenter Germany, Computacenter France and Computacenter Belgium of £25.6 million (2018: £19.5 million).The licence fee reflects the value of the best practice and know-how that is owned by Computacenter UK and used by the Group. It is consistent with the requirements of the Organisation for Economic Co-operation and Development (OECD) base erosion and profit shifting. The licence fee is recorded outside the Segmental results found in note 4 to the Consolidated Financial Statements, Segment information, which analyses Segmental results down to adjusted[1] operating profit.

Revenue

	Half 1 £m	**Half 2 £m**	**Total £m**
2017	1,700.3	2,093.1	3,793.4
2018	2,008.9	2,343.7	4,352.6
2019	**2,427.0**	**2,625.8**	**5,052.8**
2019/18	20.8%	12.0%	16.1%

Adjusted[1] profit before tax

	Half 1		Half 2		Total	
	£m	% Revenue	£m	% Revenue	£m	% Revenue
2017	41.9	2.5%	64.3	3.1%	106.2	2.8%
2018	52.1	2.6%	66.1	2.8%	118.2	2.7%
2019	**53.5**	**2.2%**	**92.8**	**3.5%**	**146.3**	**2.9%**
2019/18	2.7%		40.4%		23.8%	

Revenue by Segment

	2019			2018		
	Half 1 £m	Half 2 £m	Total £m	Half 1 £m	Half 2 £m	Total £m
UK	**793.9**	**787.7**	**1,581.6**	861.1	750.2	1,611.3
Germany	**889.0**	**1,054.7**	**1,943.7**	866.0	1,006.7	1,872.7
France	**271.4**	**291.5**	**562.9**	230.7	262.6	493.3
USA	**380.4**	**392.8**	**773.2**	13.4	259.7	273.1
International	**92.3**	**99.1**	**191.4**	37.7	64.5	102.2
Total	**2,427.0**	**2,625.8**	**5,052.8**	2,008.9	2,343.7	4,352.6

Adjusted[1] operating profit by Segment

	2019					
	Half 1		Half 2		Total	
	£m	% Revenue	£m	% Revenue	£m	% Revenue
UK	**23.5**	**3.0%**	**41.0**	**5.2%**	**64.5**	**4.1%**
Germany	**32.6**	**3.7%**	**51.9**	**4.9%**	**84.5**	**4.3%**
France	**6.1**	**2.2%**	**6.2**	**2.1%**	**12.3**	**2.2%**
USA	**1.2**	**0.3%**	**7.9**	**2.0%**	**9.1**	**1.2%**
International	**4.6**	**5.0%**	**3.6**	**3.6%**	**8.2**	**4.3%**
Central Corporate Costs	**(11.9)**	**(0.5%)**	**(15.2)**	**(0.6%)**	**(27.1)**	
Total	**56.1**	**2.3%**	**95.4**	**3.6%**	**151.5**	**3.0%**

	2018					
	Half 1		Half 2		Total	
	£m	% Revenue	£m	% Revenue	£m	% Revenue
UK	25.9	3.0%	32.4	4.3%	58.3	3.6%

	2018					
	Half 1		Half 2		Total	
	£m	% Revenue	£m	% Revenue	£m	% Revenue
Germany	32.2	3.7%	34.6	3.4%	66.8	3.6%
France	2.1	0.9%	5.0	1.9%	7.1	1.4%
USA	0.4	3.0%	3.9	1.5%	4.3	1.6%
International	2.9	7.7%	4.6	7.1%	7.5	7.3%
Central Corporate Costs	(11.4)	(0.6%)	(13.8)	(0.6%)	(25.2)	
Total	52.1	2.6%	66.7	2.8%	118.8	2.7%

The table below reconciles the statutory tax charge to the adjusted[1] tax charge for the year ended 31 December 2019.

	2019 £'000	2018 £'000
Statutory tax charge	**39,397**	27,199
Adjustments to exclude:		
Utilisation of German deferred tax assets	**(733)**	(1,933)
Exceptional tax items	**839**	3,091
Tax on amortisation of acquired intangibles	**1,149**	1,169
Tax on exceptional items	**39**	1,353
Adjusted[1] tax charge	**40,691**	30,879
Statutory ETR	**27.9%**	25.2%
Adjusted[1] ETR	**27.8%**	26.1%

Exceptional and other adjusting items

The net loss from exceptional and other adjusting items in the year was £4.0 million (2018: loss of £6.4 million). Excluding the tax items noted above which resulted in a statutory gain of £1.3 million (2018: gain of £3.7 million), the profit before tax impact was a net loss from exceptional and other adjusting items of £5.3 million (2018: loss of £10.1 million).

An exceptional loss during the year of £0.1 million (2018: £5.2 million) resulted from costs directly relating to the acquisition of FusionStorm. These costs include social taxes on a severance payment for the FusionStorm Chief Executive Officer, agreed as part of the acquisition. This cost is non-operational in nature, unlikely to recur, and related to the prior year exceptional items recognised and has therefore been classified as outside our adjusted[1] results. A further £0.8 million (2018: £0.4 million) relating to the unwinding of the discount on the deferred consideration for the purchase of FusionStorm has been removed from the adjusted[1] net finance expense and classified as exceptional interest costs.

We have continued to exclude the effect of amortisation of acquired intangible assets in calculating our adjusted[1] results. Amortisation of intangible assets is non-cash and is significantly affected by the timing and

size of our acquisitions, which distorts the understanding of our Group and Segmental operating results.

The amortisation of acquired intangible assets was £4.4 million (2018: £4.5 million), primarily relating to the amortisation of the intangibles acquired as part of the FusionStorm acquisition. The 2018 value includes the write-off of a number of short-term acquired intangibles relating to the valuation of order backlogs. This has not recurred in 2019 due to the expiration of the valued assets in 2018.

Earnings per share

Statutory diluted earnings per share increased by 27.0 per cent to 89.0 pence per share (2018: 70.1 pence per share). Adjusted[1] diluted earnings per share increased by 22.2 per cent to 92.5 pence per share (2018: 75.7 pence per share).

	2019	**2018**
Basic weighted average number of shares (excluding own shares held) (no.'000)	**112,514**	113,409
Effect of dilution:		
Share options	**1,655**	1,984
Diluted weighted average number of shares	**114,169**	115,393
Statutory profit for the year attributable to equity holders of the Parent (£'000)	**101,655**	80,931
Basic earnings per share (pence)	**90.3**	71.4
Diluted earnings per share (pence)	**89.0**	70.1
Adjusted[1] profit for the year attributable to equity holders of the Parent (£'000)	**105,654**	87,359
Adjusted[1] basic earnings per share (pence)	**93.9**	77.0
Adjusted[1] diluted earnings per share (pence)	**92.5**	75.7

Dividend

The Group remains highly cash generative and adjusted net funds[3] continue to regenerate on the Consolidated Balance Sheet, following the share buyback and the acquisition of FusionStorm in 2018. Computacenter's approach to capital management is to ensure that the Group has a robust capital base and maintains a strong credit rating, whilst aiming to maximise shareholder value.

If further funds are not required for investment within the business, either for fixed assets, working capital support or acquisitions, and the distributable reserves are available in the Parent Company, we will aim to return the additional cash to investors through one-off returns of value, as we did in February 2018.

Dividends are paid from the standalone Balance Sheet of the Parent Company and, as at 31 December 2019, the distributable reserves were approximately £165 million (2018: £184 million).

The Board is pleased to propose a final dividend of 26.9 pence per share. The interim dividend paid on 11 October 2019 was 10.1 pence per share. Together with the final dividend, this brings the total ordinary dividend for 2019 to 37.0 pence per share, representing a 22.1 per cent increase on the 2018 total dividend per share of 30.3 pence.

The Board has consistently applied the Company's dividend policy, which states that the total dividend paid will result in a dividend cover of 2 to 2.5 times based on adjusted[1] diluted earnings per share. In 2019, the cover was 2.5 times (2018: 2.5 times).

Subject to the approval of shareholders at our Annual General Meeting on 14 May 2020, the proposed dividend will be paid on Friday 26 June 2020. The dividend record date is set as Friday 29 May 2020 and the shares will be marked ex-dividend on Thursday 28 May 2020.

Central Corporate Costs

Certain expenses, such as those for the Board itself and related public company costs, Group Executive members not aligned to a specific geographic trading entity, and the cost of centrally funded strategic corporate initiatives that benefit the whole Group, are not specifically allocated to individual Segments because they are not directly attributable to any single Segment.

Accordingly, these expenses are disclosed as a separate column, 'Central Corporate Costs', within the Segmental note. These costs are borne within the Computacenter (UK) Limited legal entity and have been removed for Segmental reporting and performance analysis but form part of the overall Group administrative expenses.

During the year, total Central Corporate Costs were £27.1 million, an increase of 7.5 per cent (2018: £25.2 million).

Within this:

- Board expenses, related public company costs and costs associated with Group Executive members not aligned to a specific geographic trading entity were slightly down at £7.1 million (2018: £7.5 million);
- share-based payment charges associated with the Group Executive members identified above, including the Group Executive Directors, increased from £2.7 million in 2018 to £3.0 million in 2019, due primarily to the increased value of Computacenter plc ordinary shares; and
- strategic corporate initiatives increased from £15.0 million in 2018 to £17.1 million in 2019, primarily due to increased spend on projects designed to increase capability, enhance productivity or strengthen systems which underpin the Group.

Cash and cash equivalents and net funds

Cash and cash equivalents as at 31 December 2019 were £217.9 million, compared to £200.4 million at 31 December 2018.

The Group delivered an operating cash inflow of £200.0 million for the year to 31 December 2019 (2018: £115.2 million inflow).

Net funds[3] as at 31 December 2019 was £20.3 million, compared to net funds[3] of £57.3 million as at 31 December 2018.

Adjusted net funds[3] as at 31 December 2019 was £137.1 million, compared to adjusted net funds[3] of £66.2 million as at 31 December 2018.

The Group had two specific term loans at the end of the year and no other material borrowings. The Group drew down a £100 million term loan on 1 October 2018, to complete the acquisition of FusionStorm. This loan is on a seven-year repayment cycle, with a renewal of the facility due on 30 September 2021. The Group took

advantage of stronger than anticipated cash generation to make an unplanned repayment of £30 million of this loan in the second half of the year. As at 31 December 2019, £56.0 million remained of the loan (2018: £100.5 million).

The Group also has a specific term loan for the build and purchase of our new German headquarters and Integration Center in Kerpen, which stood at £24.8 million at 31 December 2019 (2018: £31.4 million). The Integration Center opened in November 2018 and the office facility opened in March 2019, which concluded the project.

For a full reconciliation of net funds[3] and adjusted net funds[3], see note 30 to the Consolidated Financial Statements, analysis of changes in net funds.

The Group returned £100 million to shareholders in the first quarter of the previous year.

Capital expenditure in 2019 was £29.2 million (2018: £51.4 million), with the decrease due to the investment in our German headquarters, which primarily occurred in 2018. Current year spend included the final elements of the German facility, other investments in IT equipment and software tools to enable us to deliver improved service to our customers and the establishment of a new Integration Center in Livermore, California.

The Group continued to manage its cash and working capital positions appropriately using standard mechanisms, to ensure that cash levels remained within expectations throughout the year. The Group had no debt factoring at the end of the year outside the normal course of business. From time to time, some customers request credit terms longer than our standard of 30-60 days. In certain instances, we will arrange for the sale of the receivables on a true sale basis to a finance institution on the customers' behalf. We would receive funds typically on 45-day terms from the finance institution who will then recover payment from the customer on terms agreed with them. The cost of such an arrangement is borne by the customer and enables us to receive the full amount of payment in line with our standard terms. The benefit to the cash and cash equivalents position of such arrangements as at 31 December 2019 is £33.8 million.

The Group excludes finance lease liabilities from its non-GAAP adjusted net funds[3] measure, due to the distorting effect of the capitalised lease liabilities on the Group's overall liquidity position under the new IFRS 16 accounting standard. More details on these leases and the transition to IFRS 16 can be found below.

There were no interest-bearing trade payables as at 31 December 2019 (2018: nil).

The Group's adjusted net funds[3] position contains no current asset investments (2018: nil).

Net funds as at 31 December 2019 and 31 December 2018 were as follows:

	2019 £'000	**2018 £'000**
Cash and short-term deposits	**217,881**	200,442
Cash and cash equivalents	**217,881**	200,442
Bank loans	**(80,772)**	(134,234)
Adjusted net funds[3] (excluding CSF and lease liabilities)	**137,109**	66,208
CSF	**-**	(8,928)

	2019 £'000	2018 £'000
Lease liabilities	**(116,766)**	-
Net funds	**20,343**	57,280

Implementation of, and transition to, IFRS 16 Leases
A new accounting standard, IFRS 16 Leases, became effective for the Group from 1 January 2019 and replaces IAS 17 Leases.

IFRS 16 provides a single lessee accounting model, specifying how leases are recognised, measured, presented and disclosed. The Group elected to apply the modified retrospective approach for transition to IFRS 16, meaning the Group has not restated the comparatives for 2018.

The Group has recognised an asset representing its right as a lessee to use a leased item and a liability for future lease payments, for all properties, equipment and vehicles previously held under operating leases. The costs of such leases have been recognised in the Consolidated Income Statement, split between depreciation of the right-of-use asset and an interest cost on the lease liability. This is similar to the accounting for finance leases under IAS 17, but substantively different to the accounting for operating leases, under which no right-of-use asset or lease liability was recognised, and rentals payable were expensed to the Consolidated Income Statement on a straight-line basis.

IFRS 16 therefore results in an increase to operating profit, which is reported prior to interest being deducted. Depreciation of the right-of-use asset is charged on a straight-line basis but interest is charged on outstanding lease liabilities and therefore reduces over the life of the lease. As a result, the impact on the Consolidated Income Statement below operating profit depends on the average lease maturity in any particular year. For an immature portfolio, depreciation and interest are higher than the rental charge they replace in any year and therefore IFRS 16 is dilutive to EPS. For a mature portfolio, they are lower and therefore IFRS 16 is accretive to EPS.

Finance leases previously capitalised under IAS 17 Leases have been reclassified to the right-of-use asset category under IFRS 16.

The Group took the benefit of the two key practical expedients on adoption of IFRS 16, which relate to either short-term contracts in which the lease term is 12 months or less, or low-value assets (less than £5,000), which are expensed to other operating expenses.

Refer to note 2 to the summary financial information within this announcement, for further detail on the practical expedients applied on adoption of IFRS 16.

The judgements made by the Group on adoption of IFRS 16 included the selection of an appropriate discount rate to calculate the lease liability.

The adoption of IFRS 16 has had a significant impact on the presentation of the Group's assets and liabilities. The right-of-use assets are included within property, plant and equipment and corresponding lease liabilities are included within financial liabilities on the face of the Consolidated Balance Sheet. The cash and cash equivalents or the total cash flow at the year end are not affected by the adoption of IFRS 16. However, cash generated from operations and free cash flow measures increase, as operating lease rental expenses are no longer recognised as operating cash outflows. Cash outflows are instead split between interest paid and

repayments of obligations under leases, which both increase.

On initial application, the Group has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease liabilities of £120.6 million were recorded as of 1 January 2019, with no net impact on retained earnings. The Group recognised £110.9 million of right-of-use assets and £116.8 million of lease liabilities as at 31 December 2019. During the year, the Group recognised £40.3 million of depreciation charge and £3.7 million of interest costs from these leases.

In the previous year, the rental expense of £42.3 million was charged to the Consolidated Income Statement under IAS 17. Had IAS 17 continued in operation during 2019, Group profit before tax, on both an adjusted[1] and statutory basis, would have been £1.7 million higher.

Asset reunification

Following the changes to our Articles of Association approved at our AGM on 16 May 2019, the Company, in conjunction with our Registrar, conducted an asset reunification exercise during the year. We are aware that shareholders can lose touch with us due to a number of reasons. The Board wanted to re-unite as many shareholders as possible with their unclaimed assets. Our Registrar engaged a specialist company, to help us trace shareholders with unclaimed assets. Following this process, all shares in the names of shareholders who had not cashed dividend cheques in over 12 years, and that could not be traced through the asset unification process, were sold with the resultant funds returned to the company alongside all uncashed dividends. A total of 21,458 shares were forfeited from 355 shareholders with a total of £0.2 million returned to the Company from the sale of the shares. These funds have been allocated by the Board to be used to support the charitable partners selected by our employees.

RDC acquisition

During the year we bought back R.D. Trading Limited (RDC), to ensure that we have an organic capability dedicated to the repurposing and recycling of IT equipment our customers no longer need. This allows us to have a positive impact at the end of the IT lifecycle, rather than assuming our responsibilities stop when we sell product to customers.

Segmental reporting structure changes

Due to the acquisitions made in 2018, Management reviewed the way it reported Segmental performance to the Board and the Chief Executive Officer, who is the Group's Chief Operating Decision Maker ('CODM'), during the first half of the year. As a result of this analysis, the Board has adopted a new Segmental reporting structure for the year ended 31 December 2019.

In accordance with IFRS 8 Operating Segments, the Group has identified five revised operating Segments:

- UK;
- Germany;
- France;
- USA; and
- International.

The Group has now added a fifth operating Segment which comprises the FusionStorm business acquired in 2018 and the existing USA operations, which transfer in from the International Segment.

The UK Segment now includes the TeamUltra trading operations from the International Segment, reflecting the fact that the majority of the work performed by TeamUltra is for UK customers. The TeamUltra operations have been absorbed into the UK trading entity, reflecting the importance of this capability to the UK business. This

has also resulted in the combination of the previously separate cash-generating units for these businesses as, post-absorption, the ongoing operation is now assessed at this level. The reacquisition of R.D. Trading Limited has been added to the UK Segment in the year, as the business primarily serves our UK customer base.

The International Segment now comprises a core 'Rest of Europe' presence, with key trading operations in Belgium, the Netherlands and Switzerland, along with the international Global Service Desk locations in South Africa, Spain, Hungary, Mexico, Poland, Malaysia, India and China. During the year, Computacenter Switzerland acquired PathWorks, a value-added reseller, based in Neudorf (Luzern), Switzerland. This acquisition allows us to add Technology Sourcing to our existing Swiss portfolio, completing the Group's Source, Transform and Manage offering. The Global Service Desk locations have limited external revenues, and a cost recovery model that suggests better than break-even margins to ensure compliance with transfer pricing regulations.

The French and German Segments remain unchanged from those reported at 31 December 2018.

As noted previously, 'Central Corporate Costs' continue to be disclosed as a separate column within the Segmental note.

This new Segmental reporting structure is the basis on which internal reports are provided to the Chief Executive Officer, as the CODM, for assessing performance and determining the allocation of resources within the Group.

Segmental performance is measured based on external revenues, adjusted[1] gross profit, adjusted[1] operating profit and adjusted[1] profit before tax.

The change in Segmental reporting has no impact on reported Group numbers.

Further information on this Segmental restatement can be found in note 4 to the Consolidated Financial Statements where, to enable comparisons with prior year performance, historical segment information for the year ended 31 December 2018 has been restated in accordance with the revised Segmental reporting structure. All discussion within this Annual Report and Accounts on Segmental results reflects this revised structure and the resultant prior year restatements.

Trade creditor arrangements
Computacenter has a strong covenant and enjoys a favourable credit rating from IT vendors and suppliers. Some suppliers provide standard credit directly on their own credit risk, whereas some suppliers decide to sell the debt to banks, who offer to purchase the receivables and manage collection. The standard credit terms offered by suppliers are typically between 30 and 60 days, whether provided directly or when sold to a third-party finance provider. In the latter case, the cost of the free trade credit period is paid by the relevant supplier, as part of the overall package of terms provided by suppliers to Computacenter and our competitors. The finance providers offer extended credit terms at relatively low interest rates. However, these rates are always higher than the rate at which we deposit and therefore we do not currently use this facility.

Capital management
Details of the Group's capital management policies are included in note 27 to the Consolidated Financial Statements.

Financial instruments
The Group's financial instruments comprise borrowings, cash and liquid resources, and various items that arise

directly from its operations.

The Group enters into hedging transactions, principally forward exchange contracts or currency swaps, to manage currency risks arising from the Group's operations and its sources of finance. As the Group continues to expand its global reach and benefit from lower cost operations in geographies such as South Africa, Poland, Mexico and India, it has entered into forward exchange contracts to help manage cost increases due to currency movements.

The Group's policy is not to undertake speculative trading in financial instruments. The main risks arising from the Group's financial instruments are interest rate, liquidity and foreign currency risks. The overall financial instruments strategy is to manage these risks in order to minimise their impact on the Group's financial results. The policies for managing each of these risks are set out below. Further disclosures in line with the requirements of IFRS 7 are included in the Consolidated Financial Statements.

Interest rate risk

The Group finances its operations through a mixture of retained profits, bank borrowings, leases and loans for certain customer contracts. The Group's general bank borrowings, other facilities and deposits are at floating rates. No interest rate derivative contracts have been entered into. The Group's specific borrowing facility for the purchase of FusionStorm, and the undrawn committed facility of £60 million, are at floating rates. However, the borrowing facility for the new operational headquarters in Germany is at a fixed rate.

Liquidity risk

The Group's policy is to ensure that it has sufficient funding and facilities in place to meet any foreseeable peak in borrowing requirements. The Group's positive net cash was maintained throughout 2019 and at the year end was £217.9 million, with net funds[3] of £20.3 million after including the Group's two specific borrowing facilities and lease liabilities recognised under IFRS 16. Excluding these lease liabilities, adjusted net funds[3] was £137.1 million at the year end.

Due to strong cash generation over the past four years, the Group can currently finance its operational requirements from its cash balance, and it operates an informal cash pooling arrangement for the majority of Group entities. During 2015, we extended an existing specific committed facility of £40.0 million for a three-year term through to February 2018. In January 2018, we extended the facility to £60.0 million with an expiry date of 22 May 2021. The Group has never drawn on this committed facility.

The Group has a Board-monitored policy to manage its counterparty risk. This ensures that cash is placed on deposit across a range of reputable banking institutions.

Foreign currency risk

The Group operates primarily in the United Kingdom, Germany, France and the United States of America, with smaller operations in Belgium, China, Hungary, India, Malaysia, Mexico, the Netherlands, Poland, South Africa, Spain and Switzerland.

The Group uses an informal cash pooling facility to ensure that its operations outside the UK are adequately funded, where principal receipts and payments are denominated in euros and US dollars. For those countries within the Eurozone, the level of non-euro denominated sales is small and, if material, the Group's policy is to eliminate currency exposure through forward currency contracts. For our US operations, most transactions are denominated in US dollars. For the UK, the majority of sales and purchases are denominated in sterling and any material trading exposures are eliminated through forward currency contracts.

The Group has been successful in winning international Services contracts, where Services are provided in multiple countries.

We aim to minimise currency exposure by invoicing the customer in the same currency in which the costs are incurred. For certain contracts, the Group's committed contract costs are not denominated in the same currency as its sales. In such circumstances, for example where contract costs are denominated in South African rand, we eliminate currency exposure for a foreseeable period on these future cash flows, through forward currency contracts.

In 2019, the Group recognised a loss of £0.8 million (2018: loss of £3.2 million) through other comprehensive income in relation to the changes in fair value of related forward currency contracts, where the cash flow hedges relating to firm commitments were assessed to be highly effective.

The Group reports its results in pound sterling. The ongoing weakness in the value of sterling against most currencies during 2019, in particular the euro, continued to benefit our revenues and profitability as a result of the conversion of our foreign earnings. However, the exchange rates seen in 2019 were not materially dissimilar to those seen in 2018. The impact of restating 2018 results at 2019 exchange rates would be a decrease of approximately £32.0 million in 2018 revenue and a decrease of £1.2 million in 2018 adjusted[1] profit before tax.

Credit risk

The Group principally manages credit risk through customer credit limits. The credit limit is set for each customer based on its creditworthiness, assessed by using credit rating agencies, and the anticipated levels of business activity. These limits are determined when the customer account is first set up and are regularly monitored thereafter.

There are no significant concentrations of credit risk within the Group. The Group's major customer, disclosed in note 4 to the Consolidated Financial Statements, consists of entities under the control of the UK Government. The maximum credit risk exposure relating to financial assets is represented by their carrying value as at the balance sheet date.

Planning for the United Kingdom exiting the European Union

Computacenter's target clients are large corporate customers and large government departments. We operate in four principal geographies, the UK, Germany, France and the USA. This allows us to manage European Union (EU) requirements from our EU locations and we have a long history of trading with the subsidiaries of large global Western European headquartered organisations, in many diverse locations across the world. Therefore, the concept of exporting to and importing from multiple countries with the related systems requirements is already functioning across the business.

There remains considerable uncertainty around the structure of the future trading relationship between the UK and EU, following the UK's legal departure from the EU on 31 January 2020, which makes it difficult to develop specific plans for the various potential outcomes. However, we established a Committee for Planning for the United Kingdom exiting the European Union (the 'Committee') in 2017, to consider the key risks and changes that may be required.

This Committee is led by the Group Finance Director and includes senior staff from the key areas that may be affected, including:

- Finance, including Group Tax & Treasury and Group Commercial Finance;
- Group Human Resources, for employment and related matters;
- Group Legal & Contracting, including intellectual property, data protection and supplier contracting;

- Group Information Services, including IT systems, location of IT infrastructure and location of data; and
- Group Technology Sourcing, including Export/Import, Supply Chain Services, Commercial Operations, Technology Provider Relations and the potential impact of Waste Electrical and Electronic Equipment (WEEE).

The Committee meets regularly to review papers submitted by the subject matter experts and monitors an action list, to identify ways to minimise the impact of this change. The Committee monitors negotiation developments, actively considers the possible impacts of the United Kingdom's departure from the EU on our business and plans for changes to our processes and procedures that may be required. The Committee, through its members, liaises with our customers and our Technology Providers, and is supported in its work by specialist external advisors. The Committee has issued a series of briefing notes and FAQs to customer facing employees, so they can respond to customer queries. The minutes of the meetings and the subject matter papers are reviewed at the Group Risk Committee and updates have been provided to both the Audit Committee and the Board.

Initial position and preparation

We are committed to operating our business and serving our customers in a way that properly manages and mitigates the impact of the UK leaving the EU. We will continue to work with our customers and partners to deliver leading IT infrastructure products and services during and after the UK's departure from the EU, including any period of transition.

While Computacenter advocates barrier-free trade in products, services and data between the UK and the EU, there remains considerable uncertainty about the changes to trade arrangements that will occur. This makes it difficult to take specific action and communicate specific plans. Computacenter believes however, that it is well placed to deal effectively with any likely eventuality. The Company, led by the Committee, has taken a number of preparatory steps and assessed what we currently consider could be the main impacts on the Company of exiting the EU and our initial views on managing those impacts, so as to cause minimal disruption to our customers.

Due to the already global nature of Computacenter's business, its in-house logistics and Service capabilities in the UK, Germany, France, Belgium and the Netherlands, and its placement in the IT infrastructure industry, the Committee does not currently consider that we will be materially impacted by the UK's departure from the EU. All the same, the Committee is paying particular attention to our Technology Sourcing business, where products routinely cross between continental Europe and the UK, and our IT Services business, where data can flow across borders, especially within the EU. For one large customer, we have already transferred the responsibility for its EU27 shipments from our UK Integration Center to our German Integration Center and can manage similar changes for other customers if required.

Technology Sourcing

Computacenter does not manufacture products, and instead sources and resells products manufactured by leading Technology Providers worldwide. We have over 30 years of Technology Sourcing experience and routinely trade with manufacturers, distributors and customers located both inside and outside the EU.

Any trade barriers created as a result of the UK's departure from the EU have the potential to increase cross-border supply complexity and cause delivery delays. We have been in regular dialogue with our suppliers to understand their strategies to deal with these, and to put in place appropriate mitigation strategies to reduce the risk to us and our customers. Additionally, we have been closely examining the countries of origin and destination of the deliveries we make to customers from each Integration Center. The vast majority of current customer Technology Sourcing product supply is transacted on a country to country basis. There are some

instances where our UK business ships to Germany and our German business ships to the UK. This is primarily due to local customer ordering requirements. We have established a process where EU27 requirements of our UK customers will be shipped from Germany and vice versa.

While the precise outcome of the UK's departure from the EU is not yet clear, we are confident the imposition of new trade barriers will not require Computacenter to develop fundamentally new Technology Sourcing systems and processes. We are confident that adapting existing systems and processes to cope with an additional non-EU trading country, along with our multinational Integration Centers and our experience of international trade, will mean that we are well positioned in this regard.

Data transfer regulation

By incorporating the EU Commission approved Standard Contractual Clauses, the Group has built data transfer adequacy into its intra-Group agreements, to which all of its relevant UK and EU legal entities are party.

In this regard, the Company establishes appropriate safeguards for the purposes of General Data Protection Regulation Article 46, when transferring personal data to third countries not considered adequate by EU data protection standards. Computacenter has a strong desire for both the UK and EU Governments to agree an adequacy agreement on data protection, to ensure the continued smooth transfer of data post the UK's departure from the EU.

People

Whilst we do not employ a significant number of EU27 citizens in the UK or UK citizens in the EU, and all indications suggest that the UK Government and the EU have agreed that EU citizens living and working in the UK will be able to carry on doing so with undiminished rights after the UK's departure from the EU, there is still uncertainty. We will continue to closely support employees throughout the process of the UK's departure from the EU, including helping them to be fully aware of the applicable status/registration processes as they become known.

Opportunities

We are not alone in our sector in facing these challenges. A number of our European competitors have strong presences within the EU and sell from this base into the UK. Equally, a number of our global competitors have their European headquarters in the UK and address the EU market from there. Once the details of the trade deal following the UK's departure from EU are known, we will work with our major Technology Providers to address any concerns they may have about end-customers currently serviced by other resellers with single country operations or those stranded on either side of the UK-EU border.

It is likely that there will be additional investment required in IT systems to manage the transition. Whilst this will be a cost to us, it will also be an opportunity, as our customers, in some cases, may need to increase investment in a similar manner.

Wider economic impact

There is significant uncertainty in relation to the ultimate outcome of the trade negotiations that are expected to be resolved in 2020, to avoid a final 'no-deal' type departure from the EU on 31 December 2020, and the impact that this may have on business confidence and investment plans and therefore the marketplaces in which we operate. Whilst the UK's departure from the EU is frequently seen as only a risk or a negative event, it may also create new opportunities and we remain well positioned to support our customers whatever the outcome.

Going Concern

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out within

this Group Finance Director's Review.

The Directors have, after due consideration, a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the Consolidated Financial Statements.

Thus, they continue to adopt the Going Concern basis of accounting in preparing the Consolidated Financial Statements.

Viability Statement

In accordance with provision 31 of the UK Corporate Governance Code, the Directors have assessed the Group's prospects over a longer period than the 12 months required by the Going Concern Statement.

Viability timeframe

The Directors have assessed the Group's viability over a period of three years from 31 December 2019. This period was selected as an appropriate timeframe for the following reasons:

- the Group's rolling strategic review, as considered by the Board, covers a three-year period;
- the period is aligned to the length of the Group's Managed Services contracts, which are typically three to five years long;
- the short lifecycle and constantly evolving nature of the technology industry lends itself to a period not materially longer than three years;
- Technology Sourcing has seen greater recent growth than the Group's Services business, increasing the revenue mix towards the part of the business that has less medium-term visibility and is therefore more difficult to forecast; and
- the continuing macro-economic and political environment, following the Referendum on leaving the European Union, introduces greater uncertainty into a forecasting period longer than three years.

Whilst the Directors have no reason to believe the Group will not be viable over a longer period than three years, we believe that a three-year period presents shareholders with a reasonable degree of confidence, while providing a longer-term perspective.

With regard to the principal risks, the Directors remain assured that the business model will be valid beyond the period of this Viability Statement. There will continue to be demand for both our Professional and Managed Services businesses, and it is the responsibility of the Management to ensure that the Group remains able to meet that demand at an appropriate cost to our customers. The Group's value-added product reselling Technology Sourcing business only appears vulnerable to disintermediation at the low end of the product range, as the Group continues to provide a valuable service to customers and vendors alike.

Prospects of the Group assessment process and key assumptions

The assessment of the Group's prospects derives from the annual strategic planning and review process. This begins with an annual away day for the Board, where Management presents the strategic review for discussion against the Group's current and future operating environments.

High-level expectations for the following year are set with the Board's full involvement and are delivered to Management, who prepare the detailed bottom-up financial target for the following year. This financial target is reviewed and agreed by Management before presentation to the Board for approval.

On a rolling annual basis, the Board considers a three-year business plan consisting of the detailed bottom-up financial target for the following year (2020) and forecast information for two further years (2021 and 2022),

which is driven by top-down assumptions overlaid on the detailed target year. Key assumptions used in formulating the forecast information include organic revenue growth, margin improvement and cost control, continued strategic investments through the Consolidated Income Statement, and forecast Group effective tax rates, with no changes to dividend policy or capital structure beyond what is known at the time of the forecast. The financial target for 2020 was considered and approved by the Board on 17 December 2019, with amendments and enhancements to the target as part of the full three-year plan considered and approved by the Board on 5 March 2020.

Impact of risks and assessment of viability

The three-year business plan is subject to sensitivity analysis which involves flexing a number of the main assumptions underlying the forecast. The forecast cash flows from the three-year plan are aggregated with the current position, to provide a total three-year cash position against which the impact of potential risks and uncertainties can be assessed. In the absence of significant external debt, the analysis also considers access to available committed and uncommitted finance facilities, ability to raise new finance in most foreseeable market conditions and the ability to restrict dividend payments as an instrument of last resort.

The potential impact of the principal risks and uncertainties is then applied to the sensitised three-year business plan. This assessment includes only those risks and uncertainties that, individually or in plausible combination, would threaten the Group's business model, future performance, solvency or liquidity over the assessment period and which are considered to be severe, but reasonable scenarios. It also takes into account an assessment of how the risks are managed and the effectiveness of any mitigating actions. The combined effect of the potential occurrence of several of the most impactful risks and uncertainties is then compared to the cash position generated throughout the sensitised three-year plan, to assess whether the business will be able to continue in operation.

For the current period, the risk related to an eventual 'no-deal' departure of the UK from the EU on 31 December 2020 has been added to the sensitivity analysis. The analysis now includes assumptions of limited short-term one-off costs required to adapt systems and processes to changes in cross-border selling and customs regimes, in order to avoid Technology Sourcing friction and to remediate any concerns over data storage and transfer. These cost assumptions have been aggregated into existing sensitivities, which already model a general prolonged market downturn scenario that represents the 'worst-case' impact from the UK leaving the EU under a 'no-deal' basis on 31 December 2020. Whilst the immediate risk of such an exit has receded following the successful passage of the Withdrawal Agreement and the legal departure from the EU on 31 January 2020, the robust sensitivity analysis remains in place throughout the 2020 transition period ahead of the deadline to agree a trade deal by 31 December 2020.

Conclusion

Based on the period and assessment above, the Directors have a reasonable expectation that the Group will be able to continue in operation and meets its liabilities as they fall due over the three-year period to 31 December 2022.

Fair, balanced and understandable

The UK Corporate Governance Code requires the Board to consider whether the Annual Report and Accounts, taken as a whole, are 'fair, balanced and understandable' and 'provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy'.

Management undertakes a formal process through which it can provide comfort to the Board in making this statement.

This Strategic Report was approved by the Board on 11 March 2020 and signed on its behalf by:

MJ Norris
Chief Executive Officer

FA Conophy
Group Finance Director

Consolidated Income Statement

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Revenue	4,5	**5,052,779**	4,352,570
Cost of sales		**(4,389,665)**	(3,804,019)
Gross profit		**663,114**	548,551
Administrative expenses		**(516,090)**	(439,183)
Operating profit		**147,024**	109,368
Finance income		**980**	1,250
Finance costs		**(7,046)**	(2,490)
Profit before tax		**140,958**	108,128
Income tax expense	7	**(39,397)**	(27,199)
Profit for the year		**101,561**	80,929
Attributable to:			
Equity holders of the Parent		**101,655**	80,931
Non-controlling interests		**(94)**	(2)
Profit for the year		**101,561**	80,929
Earnings per share:			
- basic	8	**90.3p**	71.4p
- diluted	8	**89.0p**	70.1p

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Profit for the year		**101,561**	80,929
Items that may be reclassified to Consolidated Income Statement:			
Loss arising on cash flow hedge		**(915)**	(3,231)
Income tax effect		**176**	490
		(739)	(2,741)
Exchange differences on translation of foreign operations		**(18,175)**	7,828
		(18,914)	5,087
Items not to be reclassified to Consolidated Income Statement:			
Remeasurement of defined benefit plan		**(786)**	(1,000)
Other comprehensive income for the year, net of tax		**(19,700)**	4,087
Total comprehensive income for the year		**81,861**	85,016
Attributable to:			
Equity holders of the Parent		**81,956**	85,013
Non-controlling interests		**(95)**	3
Total comprehensive income for the year		**81,861**	85,016

Consolidated Balance Sheet

As at 31 December 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Property, plant and equipment		**212,325**	106,267
Intangible assets		**175,670**	184,613
Investment in associate		**54**	57
Deferred income tax assets	7d	**9,204**	9,587
Prepayments		**3,520**	3,524
		400,773	304,048
Current assets			

	Note	2019 £'000	2018 £'000
Inventories		**122,189**	99,524
Trade and other receivables		**996,462**	1,180,394
Prepayments		**82,315**	69,320
Accrued income		**94,030**	101,899
Forward currency contracts		**3,218**	3,851
Cash and short-term deposits	9	**217,881**	200,442
		1,516,095	1,655,430
Total assets		**1,916,868**	1,959,478
Current liabilities			
Trade and other payables		**978,220**	1,142,628
Deferred income		**174,258**	143,080
Financial liabilities		**56,606**	10,640
Forward currency contracts		**1,707**	612
Income tax payable		**39,278**	42,184
Provisions		**7,703**	11,990
		1,257,772	1,351,134
Non-current liabilities			
Financial liabilities		**140,932**	132,522
Provisions		**13,982**	15,041
Deferred income tax liabilities	7d	**11,698**	13,009
		166,612	160,572
Total liabilities		**1,424,384**	1,511,706
Net assets		**492,484**	447,772
Capital and reserves			
Issued share capital		**9,270**	9,270
Share premium		**3,942**	3,942
Capital redemption reserve		**74,957**	74,957
Own shares held		**(113,563)**	(113,474)
Translation and hedging reserves		**14,028**	32,941
Retained earnings		**503,928**	440,119

	Note	2019 £'000	2018 £'000
Shareholders' equity		**492,562**	447,755
Non-controlling interests		**(78)**	17
Total equity		**492,484**	447,772

Approved by the Board on 11 March 2020.

MJ Norris
Chief Executive Officer

FA Conophy
Group Finance Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to equity holders of the Parent								
	Issued share capital £'000	**Share premium £'000**	**Capital redemption reserve £'000**	**Own shares held £'000**	**Translation and hedging reserves £'000**	**Retained earnings £'000**	**Shareholder's equity £'000**	**Non-controlling interests £'000**	**Total equity £'000**
At 1 January 2019	**9,270**	**3,942**	**74,957**	**(113,474)**	**32,941**	**440,119**	**447,755**	**17**	**447,772**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**101,655**	**101,655**	**(94)**	**101,561**
Other comprehensive income	**-**	**-**	**-**	**-**	**(18,913)**	**(786)**	**(19,699)**	**(1)**	**(19,700)**
Total comprehensive income	**-**	**-**	**-**	**-**	**(18,913)**	**100,869**	**81,956**	**(95)**	**81,861**
Cost of share-based payments	**-**	**-**	**-**	**-**	**-**	**6,775**	**6,775**	**-**	**6,775**
Tax on share-based payments	**-**	**-**	**-**	**-**	**-**	**1,790**	**1,790**	**-**	**1,790**
Exercise of options	**-**	**-**	**-**	**15,798**	**-**	**(10,071)**	**5,727**	**-**	**5,727**
Purchase of own shares	**-**	**-**	**-**	**(15,887)**	**-**	**-**	**(15,887)**	**-**	**(15,887)**
Asset reunification	**-**	**-**	**-**	**-**	**-**	**210**	**210**	**-**	**210**

	Attributable to equity holders of the Parent								
	Issued share capital £'000	**Share premium £'000**	**Capital redemption reserve £'000**	**Own shares held £'000**	**Translation and hedging reserves £'000**	**Retained earnings £'000**	**Shareholder's equity £'000**	**Non-controlling interests £'000**	**Total equity £'000**
Equity dividends	**-**	**-**	**-**	**-**	**-**	**(35,764)**	**(35,764)**	**-**	**(35,764)**
At 31 December 2019	**9,270**	**3,942**	**74,957**	**(113,563)**	**14,028**	**503,928**	**492,562**	**(78)**	**492,484**
At 1 January 2018	9,299	3,913	74,957	(11,360)	27,859	390,725	495,393	14	495,407
Profit for the year	-	-	-	-	-	80,931	80,931	(2)	80,929
Other comprehensive income	-	-	-	-	5,082	(1,000)	4,082	5	4,087
Total comprehensive income	-	-	-	-	5,082	79,931	85,013	3	85,016
Cost of share-based payments	-	-	-	-	-	6,425	6,425	-	6,425
Tax on share-based payments	-	-	-	-	-	2,706	2,706	-	2,706
Exercise of options	-	-	-	11,158	-	(7,592)	3,566	-	3,566
Purchase of own shares	-	-	-	(13,274)	-	-	(13,274)	-	(13,274)
Return of Value (RoV)	-	-	-	(99,998)	-	-	(99,998)	-	(99,998)
Expenses relating to RoV	-	-	-	-	-	(1,196)	(1,196)	-	(1,196)
Cancellation of deferred shares	(29)	29	-	-	-	-	-	-	-
Equity dividends	-	-	-	-	-	(30,880)	(30,880)	-	(30,880)
At 31 December 2018	9,270	3,942	74,957	(113,474)	32,941	440,119	447,755	17	447,772

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Operating activities			
Profit before taxation		**140,958**	108,128
Net finance cost		**6,066**	1,240
Depreciation of property, plant and equipment (excluding right-of-use assets)		**21,456**	19,380
Depreciation of right-of-use asset		**40,266**	-
Amortisation of intangible assets		**11,543**	15,428
Share-based payments		**6,775**	6,425
Loss on disposal of intangibles		**116**	164
Loss on disposal of property, plant and equipment		**347**	177
Net cash flow from inventories		**(27,422)**	(28,887)
Net cash flow from trade and other receivables (including contract assets)		**136,682**	(274,968)
Net cash flow from trade and other payables (including contract liabilities)		**(108,799)**	285,361
Net cash flow from provisions		**10,670**	5,865
Other adjustments		**(2,414)**	726
Cash generated from operations		**236,244**	139,039
Income taxes paid		**(34,231)**	(23,821)
Net cash flow from operating activities		**202,013**	115,218
Investing activities			
Interest received		**980**	1,250
Acquisition of subsidiaries, net of cash acquired		**6,116**	(55,970)
Purchases of property, plant and equipment		**(30,132)**	(45,442)
Purchases of intangible assets		**(8,737)**	(5,935)
Proceeds from disposal of property, plant and equipment		**1,009**	146
Net cash flow from investing activities		**(30,764)**	(105,951)
Financing activities			
Interest paid		**(3,318)**	(2,490)

	Note	2019 £'000	2018 £'000
Interest expense on lease liabilities		**(3,728)**	-
Dividends paid to equity shareholders of the Parent		**(35,764)**	(30,880)
Return of Value (RoV)		**-**	(99,998)
Expenses on RoV		**-**	(1,196)
Asset reunification		**210**	-
Proceeds from share issues		**5,727**	3,566
Purchase of own shares		**(15,887)**	(13,274)
Repayment of capital element of finance leases		**-**	(803)
Repayment of loans	9	**(51,755)**	(1,119)
Payment of lease liabilities	9	**(42,346)**	-
New borrowings - finance leases		**-**	5,125
New borrowings - bank loan		**-**	124,065
Net cash flow from financing activities		**(146,861)**	(17,004)
Increase/(decrease) in cash and cash equivalents		**24,388**	(7,737)
Effect of exchange rates on cash and cash equivalents		**(6,949)**	1,580
Cash and cash equivalents at the beginning of the year	9	**200,442**	206,599
Cash and cash equivalents at the year end	9	**217,881**	200,442

1 Authorisation of Consolidated Financial Statements and statement of compliance with IFRS

The Consolidated Financial Statements of Computacenter plc (Parent Company or the Company) and its subsidiaries (the Group) for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 11 March 2020. The Consolidated Balance Sheet was signed on behalf of the Board by MJ Norris and FA Conophy. Computacenter plc is a limited company incorporated and domiciled in England whose shares are publicly traded.

The Group's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the Consolidated Financial Statements of the Group for the year ended 31 December 2019 and applied in accordance with the Companies Act 2006.

2 Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year as disclosed in the 2018 Annual Report and Accounts except for lease accounting where the Group has adopted the new accounting standard, IFRS 16 'Lease' ('IFRS 16'), as it became effective for the Group from 1 January 2019.

IFRS 16 Leases (IFRS 16)

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee,

has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

Effective 1 January 2019, the Group adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for FY 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

As permitted by IFRS 16, the Group has elected to adopt the following practical expedients on transition:

- not to capitalise a right-of-use asset or related lease liability where the lease expires before 31 December 2019;
- not to reassess contracts to determine if the contract contains a lease and not to separate lease and non-lease elements;
- to use hindsight in determining the lease term if the contract contains options to extend or terminate the lease;
- lease payments for contracts with a duration of 12 months or less and contracts for which the underlying asset is of a low value will continue to be expensed to the Consolidated Income Statement on a straight-line basis over the lease term;
- to exclude initial direct costs from the measurement of the right-of-use asset related to leases existing at 31 December 2018; and
- to apply the portfolio approach where a group of leases has similar characteristics.

Impact of adoption of IFRS 16

Consolidated Balance Sheet

On initial application, the Group has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease obligations of £120.6 million were recorded as of 1 January 2019. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The average rate applied is 4.0 per cent.

The Group has recognised £110.9 million of right-of-use assets and £116.8 million of lease liability as at 31 December 2019.

Consolidated Income Statement

Under IFRS 16, the Group has seen a different categorisation of expense within the Consolidated Income Statement, as the IAS 17 operating lease expense is replaced by depreciation and interest costs. During the year ended 31 December 2019, the Group has recognised £40.3 million of depreciation costs and £3.7 million of interest costs from these leases and has seen a decrease of £42.3 million of operating lease rental expense. Had IAS 17 continued in operation during the period, Group profit before tax, on both an adjusted[1] and statutory basis, would have been £1.7 million higher.

Consolidated Cash Flow Statement

The change in presentation because of the adoption of IFRS 16 has seen an improvement in 2019 of cash flow generated from operating activities, offset by a corresponding decline in cash flow from financing activities. There is no overall cash flow impact from the adoption of IFRS 16.

Reconciliation between the Group's operating lease commitments and lease liability

The following table reconciles the Group's operating lease commitments as a lessee at 31 December 2018, as previously disclosed in the Financial Statements, to the lease obligations recognised on initial application of

IFRS 16 at 1 January 2019:

	£'000
Operating lease commitments at 31 December 2018 as disclosed in the Financial Statements	137,032
Discounted using the incremental borrowing rate at 1 January 2019	(9,913)
Recognition exemption for leases of low-value assets and with less than 12 months of lease term at transition	(18,378)
Other adjustment relating to implementation of IFRS 16	3,098
Total additional lease liabilities recognised on adoption of IFRS 16	111,839
Existing finance lease liabilities at 31 December 2018	8,767
Lease liabilities recognised at 1 January 2019	120,606

Accounting policies

Group as lessee

Recognition of a lease

The contracts are assessed by the Group, to determine whether a contract is, or contains a lease. In general, arrangements are a lease when all of the following apply:

- It conveys the right to control the use of an identified asset for a certain period in exchange for consideration;
- The Group have substantially all economic benefits from the use of the asset; and
- The Group can direct the use of the identified asset.

The policy is applied to contracts entered into, or changed, on or after 1 January 2019. The Group has elected to separate the non-lease components and elected to apply several practical expedients as stated above. In cases where the Group acts as an intermediate lessor, it accounts for its interests in the head-lease and the sub-lease separately.

Measurement of a right-of-use asset and lease liability

Right-of-use asset

As at 1 January 2019, the Group measured the right-of-use asset at cost, which included the following:

- the initial amount of the lease liability adjusted for any lease payments made at or before 1 January 2019;
- any lease incentives received; and
- any initial direct costs incurred by the Group as well as an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lease contract. Cost for dismantling, removing or restoring the site on which it is located and/or the underlying asset is only recognised when the Group incurs an obligation to do so.

The right-of-use asset is depreciated over the lease term, using the straight-line method.

Lease liability

As at 1 January 2019, the lease liability is initially measured at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease, or if the rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments included in the measurement comprise of fixed payments, variable lease payments that depend on an index or a rate, amounts to be paid under a residual value guarantee and lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option as well as penalties for early termination of a lease, if the Group is reasonably certain to terminate early. If there is a purchase option present, this will be included if the Group is reasonably certain to exercise the option.

Leases of low-value assets and short-term

Leases of low-value assets (<£5,000) and short-term with a term of 12 months or less are not required to be recognised on the Consolidated Balance Sheet and payments made in relation to these leases are recognised on a straight-line basis in the Consolidated Income Statement.

Effective for the year ending 31 December 2020

No new standards, interpretations and amendments not yet effective are expected to have a material effect on the Group's future financial statements.

2.1. Basis of preparation

The summary financial information set out above does not constitute the Group's statutory Consolidated Financial Statements for the years ended 31 December 2019 or 2018. Statutory Consolidated Financial Statements for the Group for the year ended 31 December 2018, prepared in accordance with adopted IFRS, have been delivered to the Registrar of Companies and those for 2019 will be delivered in due course. The auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of any emphasis without qualifying their opinion and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The summary financial information for the year ended 31 December 2019 has been prepared by the directors based upon the results and position that are reflected in the Consolidated Financial Statements of the Group.

The Consolidated Financial Statements are prepared on the historical cost basis other than derivative financial instruments, which are stated at fair value.

The Consolidated Financial Statements are presented in pound sterling (£) and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

2.2. Basis of consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Parent Company and its subsidiaries as at 31 December each year. The Financial Statements of subsidiaries are prepared for the same reporting year as the Parent Company, using existing GAAP in each country of operation. Adjustments are made on consolidation for differences that may exist between the respective local GAAPs and IFRS.

All intra-Group balances, transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

Subsidiaries are consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which the Group no longer retains control. Non-controlling interests represent the portion of

profit or loss and net assets in subsidiaries that is not held by the Group and is presented separately within equity in the Consolidated Balance Sheet, separately from Parent shareholders' equity.

2.2.1. Foreign currency translation

Each entity in the Group determines its own functional currency and items included in the Financial Statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the Consolidated Balance Sheet date. All differences are taken to the Consolidated Income Statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction.

The functional currencies of the material overseas subsidiaries are euro (€), US dollar ($), South African rand (ZAR) and Swiss franc (CHF). The Group's presentation currency is pound sterling. As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the balance sheet date and their Consolidated Income Statements are translated at the average exchange rates for the year. Exchange differences arising on the retranslation are recognised in the Consolidated Statement of Comprehensive Income. On disposal of a foreign entity, the deferred cumulative amount recognised in the Consolidated Statement of Comprehensive Income relating to that particular foreign operation is recognised in the Consolidated Income Statement.

2.3. Revenue

Revenue is recognised to the extent of the amount which is expected to be received from customers as consideration for the transfer of goods and services to the customer.

In multi-element contracts with customers where more than one good (Technology Sourcing) or service (Professional Services and Managed Services) is provided to the customer, analysis is performed to determine whether the separate promises are distinct performance obligations within the context of the contract. To the extent that this is the case, the transaction price is allocated between the distinct performance obligations based upon relative standalone selling prices. The revenue is then assessed for recognition purposes based upon the nature of the activity and the terms and conditions of the associated customer contract relating to that specific distinct performance obligation.

The following specific recognition criteria must also be met before revenue is recognised:

2.3.1. Technology Sourcing

The Group supplies hardware and software (together as 'goods') to customers that is sourced from and delivered by a number of suppliers.

Technology Sourcing revenue is recognised at a point in time, when control of the goods have passed to the customer, usually on despatch.

Payment for the goods is generally received on industry standard payment terms.

Technology Sourcing principal versus agent recognition

Management is required to exercise its judgement in the classification of certain revenue contracts for Technology Sourcing revenue recognition on either an agent or principal basis.

Because the identification of the principal in a contract is not always clear, Management will make a determination by evaluating the nature of our promise to our customer as to whether it is a performance obligation to provide the specified goods or services ourselves, in that we are the principal, or to arrange for those goods or services to be provided by the other party, where we are the agent. We determine whether we are a principal or an agent for each specified good or service promised to the customer by evaluating the nature of our promise to the customer against a non-exhaustive list of indicators that a performance obligation could involve an agency relationship:

- Evaluating who controls each specified good or service before that good or service is transferred to the customer;
- The vendor retains primary responsibility for fulfilling the sale;
- We take no inventory risk before or after the goods have been ordered, during shipping or on return;
- We do not have discretion to establish pricing for the vendor 's goods limiting the benefit we can receive from the sale of those goods; and
- Our consideration is in the form of a usually predetermined commission.

2.3.2 Professional Services

The Group provides skilled professionals to customers either on a 'resource on demand' basis or operating within a project framework.

For those contracts which are 'resource on demand', where the revenue is billed on a timesheet basis, revenue is recognised based on monthly invoiced amounts as this corresponds to the service delivered to the customer and the satisfaction of the Company's performance obligations.

For contracts operating within a project framework, revenue is recognised based on the transaction price with reference to the costs incurred as a proportion of the total estimated costs (percentage of completion basis) of the contract. Under either basis, Professional Services revenue is recognised over time.

If the total estimated costs and revenues of a contract cannot be reliably estimated, revenue is recognised only to the extent that costs have been incurred and where the Group has an enforceable right to payment as work is being performed.

A provision for forecast excess costs over forecasted revenue is made as soon as a loss is foreseen (see note 2.13.1 to the summary financial information within this announcement for further detail).

Unbilled Professional Services revenue is classified as a contract asset and is included within accrued income in the Consolidated Balance Sheet.

Unearned Professional Services revenue is classified as a contract liability and is included within deferred income in the Consolidated Balance Sheet. Payment for the Services, which are invoiced monthly, are generally on industry standard payment terms.

2.3.3 Managed Services

The Group sells maintenance, support and management of customers' IT infrastructures and operations.

Managed Services revenue is recognised over time, throughout the term of the contract, as services are delivered. The specific performance obligations and invoicing conditions in our Managed Services contracts are typically related to the number of calls, interventions or users that we manage and therefore the customer simultaneously receives and consumes the benefits of the services as they are performed. Revenue is recognised

based on monthly invoiced amounts as this corresponds to the service delivered to the customer and the satisfaction of the Company's performance obligations.

Unbilled Managed Services revenue is classified as a contract asset and is included within accrued income in the Consolidated Balance Sheet.

Unearned Managed Services revenue is classified as a contract liability and is included within deferred income in the Consolidated Balance Sheet.

Amounts invoiced relating to more than one year are deferred and recognised over the relevant period. Payment for the services is generally on industry standard payment terms.

If the total estimated costs and revenues of a contract cannot be reliably estimated, revenue is recognised only to the extent that costs have been incurred and where the Group has an enforceable right to payment as work is being performed. A provision for forecast excess costs over forecasted revenue is made as soon as a loss is foreseen (see note 2.12.1 to the summary financial information within this announcement for further detail). On occasion, the Group may have a limited number of Managed Services contracts where revenue is recognised on a percentage of completion basis, which is determined by reference to the costs incurred as a proportion of the total estimated costs of the contract (see note 3.1.1 to the summary financial information within this announcement for further detail).

Costs of obtaining and fulfilling revenue contracts
The Group operates in a highly competitive environment and is frequently involved in contract bids with multiple competitors, with the outcome usually unknown until the contract is awarded and signed.

When accounting for costs associated with obtaining and fulfilling customer contracts, the Group first considers whether these costs fit within a specific IFRS standard or policy. Any costs associated with obtaining or fulfilling revenue contracts which do not fall into the scope of other IFRS standards or policies are considered under IFRS 15. All such costs are expensed as incurred other than the two types of costs noted below:

1. Win fees - The Group pays 'win fees' to certain employees as bonuses for successfully obtaining customer contracts. As these are incremental costs of obtaining a customer contract, they are capitalised along with any associated payroll tax expense to the extent they are expected to be recovered. These balances are presented within prepayments in the Consolidated Balance Sheet. The win fee balance that will be realised after more than 12 months is disclosed as non-current.

2. Fulfilment costs - The Group often incurs costs upfront relating to the initial set-up phase of an outsourcing contract, which the Group refers to as Entry Into Service. These costs do not relate to a distinct performance obligation in the contract, but rather are accounted for as fulfilment costs under IFRS 15 as they are directly related to the future performance on the contract. They are therefore capitalised to the extent that they are expected to be recovered. These balances are presented within prepayments in the Consolidated Balance Sheet.

Both win fees and Entry Into Service costs are amortised on a straight-line basis over the contract term, as this is materially equivalent to the pattern of transfer of services to the customer over the contract term. The amortisation charges on win fees and Entry Into Service costs are recognised in the Consolidated Income Statement within administration expenses and cost of sales, respectively.

Any bid costs incurred by the Group's Central Bid Management Engines are not capitalised or charged to the contract, but instead directly charged to selling, general and administrative expenses as they are incurred. These

costs associated with bids are not separately identifiable nor can they be measured reliably as the Group's internal bid team's work across multiple bids at any one time.

2.3.4. Finance income
Income is recognised as interest accrues.

2.3.5. Operating lease income
Rental income arising from operating leases is accounted for on a straight-line basis over the lease term.

2.4. Exceptional items
The Group presents those material items of income and expense as exceptional items which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better elements of financial performance in the year, so as to facilitate comparison with prior years and to assess better trends in financial performance.

2.5. Adjusted[1] 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, listed below, assist in providing additional useful information on the underlying trends, performance and position of the Group. The non-GAAP measures also used to enhance the comparability of information between reporting periods by adjusting for nonrecurring or uncontrollable factors which affect IFRS measures, to aid the user in understanding the Group's performance.

Consequently, non-GAAP measures are used by the Directors and management for performance analysis, planning, reporting and incentive-setting purposes and have remained consistent with prior year.

These non-GAAP measures comprise of:

Adjusted operating profit or loss, adjusted profit or loss before tax, adjusted tax, adjusted profit or loss for the year, 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, expenses related to material acquisitions, 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 in the Group Finance Director 's Review which details the impact of exceptional and other adjusting items when comparing to the non-GAAP financial measures in addition to those reported in accordance with IFRS. Further detail is also provided within note 4 to the summary financial information included within this announcement, Segment information.

2.6. Impairment of assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset 's recoverable amount. Where an asset does not have independent cash flows, the recoverable amount is assessed for the cash-generating unit (CGU) to which it belongs. Certain other corporate assets are unable to be allocated against specific CGUs. These assets are tested across an aggregation of CGUs that utilise

the asset. The recoverable amount is the higher of the fair value less costs to sell and the value-in-use of the asset or CGU. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the Consolidated Income Statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset 's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. As the Group has no assets carried at revalued amounts, such reversal is recognised in the Consolidated Income Statement.

2.7. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation, down to residual value, is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- freehold buildings: 25-50 years
- short leasehold improvements: shorter of seven years and period to expiry of lease
- fixtures and fittings
- head office: 5-15 years
- other: shorter of seven years and period to expiry of lease
- office machinery and computer hardware: 2-15 years
- motor vehicles: three years
- Right-of-use assets: over respective lease term

Freehold land is not depreciated. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Consolidated Income Statement in the year the item is derecognised.

2.8. Leases

Group as lessee - from 1 January 2019

Recognition of a lease

The contracts are assessed by the Group, to determine whether a contract is, or contains a lease. In general, arrangements are a lease when all of the following apply:

- it conveys the right to control the use of an identified asset for a certain period in exchange for consideration;
- the Group have substantially all economic benefits from the use of the asset; and
- the Group can direct the use of the identified asset.

The policy is applied to contracts entered into, or changed, on or after 1 January 2019. The Group has elected

to separate the non-lease components and elected to apply several practical expedients as stated above. In cases where the Group acts as an intermediate lessor, it accounts for its interests in the head-lease and the sub-lease separately.

Measurement of a right-of-use asset and lease liability

Right-of-use asset

The Group measures the right-of-use asset at cost, which includes the following:

- the initial amount of the lease liability adjusted for any lease payments made at or before 1 January 2019;
- any lease incentives received; and
- any initial direct costs incurred by the Group as well as an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lease contract. Cost for dismantling, removing or restoring the site on which it is located and/or the underlying asset is only recognised when the Group incurs an obligation to do so.

The right-of-use asset is depreciated over the lease term, using the straight-line method.

Lease liability

The lease liability is initially measured at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease, or if the rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments included in the measurement comprise of fixed payments, variable lease payments that depend on an index or a rate, amounts to be paid under a residual value guarantee and lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option as well as penalties for early termination of a lease, if the Group is reasonably certain to terminate early. If there is a purchase option present, this will be included if the Group is reasonably certain to exercise the option.

Leases of low-value assets and short-term

Leases of low-value assets (<£5,000) and short-term with a term of 12 months or less are not required to be recognised on the Consolidated Balance Sheet and payments made in relation to these leases are recognised on a straight-line basis in the Consolidated Income Statement.

Group as lessee - until 31 December 2018

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Consolidated Income Statement on a straight-line basis over the lease term.

2.9. Intangible assets

2.9.1. Software and software licences

Software and software licences include computer software that is not integral to a related item of hardware. These assets are stated at cost less accumulated amortisation and any impairment in value. Amortisation is calculated on a straight-line basis over the estimated useful life of the asset. Currently software is amortised over four years.

The carrying values of software and software licences are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

2.9.2. Software under development

Costs that are incurred and that can be specifically attributed to the development phase of management information systems for internal use are capitalised and amortised over their useful life, once the asset becomes available for use.

2.9.3. Other intangible assets

Intangible assets acquired as part of a business combination are carried initially at fair value. Following initial recognition intangible assets are carried at cost less accumulated amortisation and any impairment in value. Intangible assets with a finite life have no residual value and are amortised on a straight-line basis over their expected useful lives with charges included in administrative expenses as follows:

- order back log: three months
- existing customer relationships: 10-15 years
- tools and technology: seven years.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

2.9.4. Goodwill

Business combinations are accounted for under IFRS 3 Business Combinations using the acquisition method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the Consolidated Balance Sheet as goodwill and is not amortised. Any goodwill arising on the acquisition of equity accounted entities is included within the cost of those entities.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related CGU monitored by Management, usually at business Segment level or statutory Company level as the case may be. Where the recoverable amount of the CGU is less than its carrying amount, including goodwill, an impairment loss is recognised in the Consolidated Income Statement.

2.10. Inventories

Inventories are carried at the lower of weighted average cost and net realisable value after making allowance for any obsolete or slow-moving items. Costs include those incurred in bringing each product to its present location and condition, on a First-In, First-Out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

2.11. Financial assets

Financial assets are recognised at their fair value, which initially equates to the sum of the consideration given and the directly attributable transaction costs associated with the investment. Subsequently, the financial assets are measured at either amortised cost or fair value depending on their classification under IFRS 9. The Group currently holds only debt instruments. The classification of these debt instruments depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

2.11.1. Trade and other receivables

Trade receivables, which generally have 30- to 90-day credit terms, are initially recognised and carried at their original invoice amount less an allowance for any uncollectable amounts. The Group sometimes uses debt factoring to managing liquidity and, as a result, the business model for Trade receivables is that they are held for the collection of contractual cash flows, which are solely payments of principal and interest, and for selling. As a result, IFRS 9 requires that, subsequent to initial recognition, they are measured at fair value through other comprehensive income (except for the recognition of impairment gains and losses and foreign exchange gains and losses, which are recognised in profit or loss). The trade receivables are derecognised on receipt of cash from the factoring party. Given the short lives of the trade receivables, there are generally no material fair value movements between initial recognition and the derecognition of the receivable.

The Group assesses for doubtful debts (impairment) using the expected credit losses model as required by IFRS 9. For trade receivables, the Group applies the simplified approach which requires expected lifetime losses to be recognised from the initial recognition of the receivables.

2.11.2. Current asset investments

Current asset investments comprise deposits held for a term of greater than three months from the date of deposit and which are not available to the Group on demand. The business model for current asset investments is that they are held for the collection of contractual cash flows, which are not solely payments of principal and interest. As a result, subsequent to initial measurement, current asset investments are measured at fair value with fair value movements recognised in profit and loss.

2.11.3. Cash and cash equivalents

Cash and short-term deposits in the Consolidated Balance Sheet comprise cash at bank and in hand, and short-term deposits with an original maturity of three months or less. Cash is held for the collection of contractual cash flows which are solely payments of principal and interest and therefore is measured at amortised cost subsequent to initial recognition.

For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts, where there is a legal right of set off.

2.12. Financial liabilities

Financial liabilities are initially recognised at their fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The subsequent measurement of financial liabilities is at amortised cost, unless otherwise described below:

2.12.1. Provisions (excluding Restructuring provision)

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Customer contract provisions

A provision for forecast excess costs over forecasted revenue is made as soon as a loss is foreseen.

Management continually monitor the financial performance of contracts, and where there are indicators that a contract could result in a negative margin, the future financial performance of that contract will be reviewed in detail. If, after further financial analysis, the full financial consequence of the contract can be reliably estimated, and it is determined that the contract is potentially loss-making, then the best estimate of the losses expected to be incurred until the end of the contract will be provided for (see note 3.1.1 to the summary financial information within this announcement for further detail).

The Group applies IAS 37 in its assessment of whether contracts are considered onerous and in subsequently estimating the provision. An agenda decision published by the IFRS Interpretations Committee outlined that the current wording of IAS 37 allows for two interpretations of what can constitute 'unavoidable' costs when determining whether a contract is onerous. One of the acceptable interpretations noted by the Committee is in line with our current practice, which is to consider costs such as overhead allocations as 'unavoidable'. The matter has been put on the agenda for future discussion at the IFRS Interpretations Committee, with a view to drafting clarifications to IAS 37. Until there is clarity on this matter, we have concluded that our current approach, that considers total estimated costs (i.e. directly attributable variable costs and fixed allocated costs) as included in the assessment of whether the contract is onerous or not and in the measurement of the provision, remains appropriate.

2.12.2. Restructuring provisions

The Group recognises a 'restructuring' provision when there is a programme planned and controlled by Management that changes materially the scope of the business or the manner in which it is conducted.

Further to the Group's general provision recognition policy, a restructuring provision is only considered when the Group has a detailed formal plan for the restructuring identifying, as a minimum; the business or part of the business concerned; the principal locations affected; the location, function and approximate number of employees who will be compensated for terminating their services; the expenditures that will be under taken and when the plan will be implemented.

The Group will only recognise a specific restructuring provision once a valid expectation in those affected that it will carry out the restructuring by star ting to implement that plan or announcing its main features to those affected by it.

The Group only includes incremental costs associated directly with the restructuring within the restructuring provisions such as employee termination benefits and consulting fees. The Group specifically excludes from recognition in a restructuring provision any costs associated with ongoing activities such as the costs of training or relocating staff that are redeployed within the business and costs for employees who continue to be employed in ongoing operations, regardless of the status of these operations post restructure.

2.12.3. Pensions and other post-employment benefits

The Group operates a defined contribution pension scheme available to all UK employees. Contributions are recognised as an expense in the Consolidated Income Statement as they become payable in accordance with the rules of the scheme. There are no material pension schemes within the Group's overseas operations.

The Group has an obligation to make a one-off payment to French employees upon retirement, the Indemnités de Fin de Carrière (IFC).

French employment law requires that a company pays employees a one-time contribution when, and only when, the employee leaves the Company on retirement at the mandatory age. This is a legal requirement for all businesses who incur the obligation upon departure, due to retirement, of an employee.

Typically, the retirement benefit is based on length of service of the employee and his or her salary at retirement. The amount is set via a legal minimum, but the retirement premiums can be improved by the collective agreement or employment contract in some cases. In Computacenter France, the payment is based on accrued service and ranges from one month of salary after five years of service to 9.4 months of salary after 47 years of service.

If the employee leaves voluntarily at any point before retirement, all liability is extinguished, and any accrued service is not transferred to any new employment.

Management continues to account for this obligation according to IAS 19 (revised).

2.13. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

2.14. Derivative financial instruments and hedge accounting

The Group uses foreign currency forward contracts to hedge its foreign currency risks associated with foreign currency fluctuations affecting cash flows from forecasted transactions and unrecognised firm commitments.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for under taking the hedge. The documentation includes identification of both the hedging instrument and, the hedged item or transaction and then the economic relationship between the two, including whether the hedging instrument is expected to offset changes in cash flow of the hedged item. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows. The Group designates the full change in the fair value of the forward contract (including forward points) as the hedging instrument. Forward contracts are initially

recognised at fair value on the date that the contract is entered into and are subsequently remeasured at fair value at each reporting date. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Forward contracts are recorded as assets when the fair value is positive and as liabilities when the fair value is negative.

For the purposes of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability, a highly probable forecast transaction, or the foreign currency risk in an unrecognised firm commitment.

Cash flow hedges that meet the criteria for hedge accounting are accounted for as follows: the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Consolidated Income Statement in administrative expenses.

Amounts recognised within other comprehensive income are transferred to the Consolidated Income Statement, within administrative expenses, when the hedged transaction affects the Consolidated Income Statement, such as when the hedged financial expense is recognised.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the Consolidated Income Statement within administrative expenses. If the hedging instrument mature or is sold, terminated or exercised without replacement or rollover, any cumulative gain or loss previously recognised within Consolidated Other Comprehensive Income remains within Consolidated Other Comprehensive Income until after the forecast transaction or firm commitment affects the Consolidated Income Statement.

Any other gains or losses arising from changes in fair value on forward contracts are taken directly to administrative expenses in the Consolidated Income Statement.

2.15. Taxation

2.15.1. Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

2.15.2. Deferred income tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or from an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, carried forward tax credits or tax losses, can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are

expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

Income tax is charged or credited directly to the statement of comprehensive income if it relates to items that are credited or charged to the statement of comprehensive income. Otherwise, income tax is recognised in the Consolidated Income Statement.

2.16. Share-based payment transactions

Employees (including Executive Directors) of the Group can receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value of the award at the date at which they are granted. The fair value is determined by utilising an appropriate valuation model. In valuing equity-settled transactions, no account is taken of any performance conditions as none of the conditions set are market-related.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and the Directors' best estimate of the number of equity instruments that will ultimately vest. The Consolidated Income Statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. As the schemes do not include any market-related performance conditions, no expense is recognised for awards that do not ultimately vest.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 8 to the summary financial information included within this announcement).

The Group has an employee share trust for the granting of non-transferable options to Executive Directors and senior management. Shares in the Group held by the employee share trust are treated as investment in own shares and are recorded at cost as a deduction from equity.

2.17. Own shares held

Computacenter plc shares held by the Group are classified in shareholders' equity as 'own shares held' and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

2.18. Fair value measurement

The Group measures certain financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3 Critical accounting estimates and judgements

The preparation of the Consolidated Financial Statements requires Management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses.

Due to the inherent uncertainty in making these critical judgements and estimates, actual outcomes could be different.

During the year, Management set aside time to consider the critical accounting estimates and judgements for the Group. This process included reviewing the last reporting period's disclosures, the key judgements required on the implementation of forthcoming standards such as IFRS 16 and the current period's challenging accounting issues. Where Management deemed an area of accounting to be no longer a critical estimate or judgement, an explanation for this decision is found in the relevant accounting notes to the summary financial information.

3.1. Critical estimates

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the year in which the estimates are revised and in any future years affected. The areas involving significant risk resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

3.1.1. Services revenue recognition and contract provisions

Percentage of completion revenue recognition

On occasion, the Group accounts for certain Services contracts using the percentage of completion method, recognising revenue by reference to the stage of completion of the contract which is determined by actual costs incurred as a proportion of total forecast contract costs. This method places considerable importance on accurate estimates of the extent of progress towards completion of the contract and may involve estimates on the scope of services required for fulfilling the contractually defined obligations. These significant estimates include total contract costs, total contract revenues, contract risks, including technical risks, and other assumptions. Under the percentage of completion method, the changes in these estimates and assumptions may lead to an increase or decrease in revenue recognised at the balance sheet date with the in-year revenue recognition appropriately adjusted as required. When the outcome of the contract cannot be estimated reliably, revenue is recognised only to the extent that expenses incurred are eligible to be recovered. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration.

The key judgements are the extent to which revenue should be recognised and also, where total contract costs are not covered by total contract revenue, the extent to which an adjustment is required.

Contract provisions

During the year, Management held a number of 'difficult' contracts under review that were considered to be performing below expectation.

The number of contracts under review fluctuated during the year between seven and 12 (2018: seven and 12). Each contract was subject to a detailed review to consider the reasons behind the lower than anticipated performance and the potential accounting impacts related effect on revenue recognition estimates and contract provisions.

For a limited number of these 'difficult' contracts, where there was no immediate operational or commercial remedy for the performance, a range of possible outcomes for the estimate of the total contract costs and total contract revenues was considered to determine whether a provision is required and, if so, the best estimate of the provision.

The revenue recognised in the year from these contracts under review was approximately £31.5 million (2018: £30.1 million). The range of potential scenarios considered by management in respect of these specific contracts resulted in a reduction in margins, recognised in 2019 of [£23.7] million (2018: £13.6 million), in the year. At 31 December 2019, based on Management 's best estimate, there was a provision of £7.8 million (2018: £16.4 million) against future losses with the total costs to complete on these contracts estimated at £54.7 million (2018: £76.9 million).

The key judgements are determining which contracts are considered 'difficult' and estimating the provision from the range of possible outcomes.

3.2. Critical judgements

Judgements made by Management in the process of applying the Group's accounting policies, that have the most significant effect on the amounts recognised in the Consolidated Financial Statements, are as follows:

3.2.1. Exceptional items

Exceptional items remain a core focus of Management with the recent Alternative Performance Measure regulations providing further guidance in this area.

Management is required to exercise its judgement in the classification of certain items as exceptional and outside of the Group's adjusted results. The overall goal of Management is to present the Group's underlying performance without distortion from one-off or non-trading events regardless of whether they are favourable or unfavourable to the underlying result.

To achieve this, Management have considered the materiality, infrequency and nature of the various items classified as exceptional this year against the requirements and guidance provided by IAS 1, our Group accounting policies and the recent regulatory interpretations and guidance.

In reaching their conclusions, Management consider not only the effect on the overall underlying Group performance but also where an item is critical in understanding the performance of its component Segments which is of relevance to investors and analysts when assessing the Group result and its future prospects as a whole.

Further details of the individual exceptional items, and the reasons for their disclosure treatment, are set out in note 6 to the summary financial information included within this announcement.

3.2.2. Bill-and-hold

The Group generates some of its revenue through its 'bill-and-hold' arrangement with its customers. This arises when the customer is invoiced but the product is not shipped to the customer until a later date, in accordance with the customer's request in a written agreement. In order to determine the appropriate timing of revenue recognition, it is assessed whether control has transferred to the customer.

A bill-and-hold arrangement is only put in place when customer lacks the physical space to store the product or the product previously ordered is not yet needed in accordance with the customer's schedule, the customer

wants to guarantee supply of identical product. In order to determine the bill-and-hold arrangements, the following criteria must be met;

a) the reason for the bill-and-hold arrangement must be substantive (for example: the customer has requested the arrangement);
b) the product must be identified separately as belonging to the customer;
c) the product currently must be ready for physical transfer to the customer; and
d) the entity cannot have the ability to use the product or to direct it to another customer.

Judgement is required to determine if all of the criteria (a) to (d) has been met to recognise a bill-and-hold sale. This is determined by segregation and readiness of inventory, review of customer requests, test of a sample of orders in order to assess whether the accounting policy had been correctly applied to recognise a bill-and-hold sale.

3.3. Change in critical estimates and critical judgements

During the year, Management reassessed the critical estimates and critical judgements. Technology Sourcing principal versus agent recognition was taken out as the level of judgement involved for this does not elevate to a critical judgement in the current year. Management spent a reduced amount of time on this judgement, after spending a greater amount of time due to the adoption of IFRS 15 in the prior year. Bill-and-hold has been included in the current year within critical judgements due to an increased volume of bill-and-hold transactions and hence is elevated to a critical judgement.

4 Segment information

Due to the acquisitions made in 2018, Management has further reviewed the way it reported Segmental performance to the Board and the Chief Executive Officer, who is the Group's Chief Operating Decision Maker ('CODM'), during the first half of the year. As a result of this analysis the Board has adopted a new Segmental reporting structure for the year ended 31 December 2019.

In accordance with IFRS 8 Operating Segments, the Group has identified five revised operating Segments:

- UK;
- Germany;
- France;
- USA; and
- International.

In the new USA Segment, the Group has now added a fifth operating Segment which comprises the business acquired in 2018 and the existing USA operations which transfer in from the International Segment.

The UK Segment now includes the TeamUltra trading operations from the International Segment reflecting the fact that the majority of the work performed by TeamUltra is either on UK customers or for UK bids. The TeamUltra operations have been absorbed into the UK trading entity, reflecting the importance of the capability to the UK business. This has also resulted in the combination of the previously separate cash-generating units for these businesses as, post-absorption, this is now the level that the ongoing operation is assessed at. The re-acquisition of R.D. Trading Limited has been added to the UK Segment in the year as the business primarily serves our UK customer base.

The International Segment now comprises a core 'Rest of Europe' presence with key trading operations in Belgium, the Netherlands and Switzerland along with the international Global Service Desk locations in South Africa, Spain, Hungary, Mexico, Poland, Malaysia, India and China. During the year, Computacenter Switzerland acquired PathWorks GmbH. ('PathWorks'), a value added reseller, based in Neudorf (Luzern),

Switzerland. This acquisition allows us to add Technology Sourcing to our existing Swiss portfolio completing the Group's Source, Transform and Manage offering. The Global Service Desk locations have limited external revenues, and a cost recovery model that suggests better than breakeven margins to ensure compliance with transfer pricing regulations.

The French and German Segments remain unchanged from that reported at 31 December 2018.

Certain expenses, such as those for the Board and related public company costs; Group Executive members not aligned to a specific geographic trading entity; and the cost of centrally funded strategic corporate initiatives that benefit the whole Group, are not allocated to individual Segments because they are not directly attributable to any single Segment. Accordingly, these expenses continue to be disclosed as a separate column, 'Central Corporate Costs', within the segmental note included within this announcement.

This new segmental reporting structure is the basis on which internal reports are provided to the Chief Executive Officer, as the CODM, for assessing performance and determining the allocation of resources within the Group.

Segmental performance is measured based on external revenues, adjusted[1] gross profit, adjusted[1] operating profit/(loss) and adjusted[1] profit/(loss) before tax.

The change in Segmental reporting has no impact on reported Group numbers.

To enable comparisons with prior year performance, historical Segment information for the year ended 31 December 2018 are restated in accordance with the revised Segmental reporting structure. All discussion within this Annual Report and Accounts on Segmental results reflects this revised structure and the resultant prior period restatements.

Segmental performance for the years ended 31 December 2019 and 31 December 2018 were as follows:

Year ended 31 December 2019

	UK £'000	**Germany £'000**	**France £'000**	**USA £'000**	**International £'000**	**Central Corporate Costs £'000**	**Total £'000**
Revenue							
Technology Sourcing revenue	1,142,746	1,366,392	457,454	732,009	123,626	-	**3,822,227**
Services revenue							
Professional Services	117,685	207,038	23,844	13,512	4,004	-	**366,083**
Managed Services	321,175	370,232	81,633	27,634	63,795	-	**864,469**
Total Services revenue	438,860	577,270	105,477	41,146	67,799	-	**1,230,552**
Total revenue	1,581,606	1,943,662	562,931	773,155	191,425	-	**5,052,779**
Results							

	UK £'000	Germany £'000	France £'000	USA £'000	International £'000	Central Corporate Costs £'000	Total £'000
Adjusted[1] gross profit	221,208	260,677	68,195	69,493	43,541	-	**663,114**
Administrative expenses	(156,673)	(176,199)	(55,884)	(60,369)	(35,358)	(27,139)	**(511,622)**
Adjusted[1] operating profit/(loss)	64,535	84,478	12,311	9,124	8,183	(27,139)	**151,492**
Adjusted[1] net interest	(1,286)	(1,987)	(524)	(871)	(573)	-	**(5,241)**
Adjusted[1] profit/(loss) before tax	63,249	82,491	11,787	8,253	7,610	(27,139)	**146,251**
Exceptional items:							
· unwinding of discount relating to acquisition of a subsidiary							**(825)**
· costs relating to acquisition of a subsidiary							**(94)**
Total exceptional items							**(919)**
Amortisation of acquired intangibles							**(4,374)**
Statutory profit before tax							**140,958**

Year ended 31 December 2019

	Total £'000
Adjusted[1] operating profit	**151,492**
Add back interest on CSF	**-**
Amortisation of acquired intangibles	**(4,374)**
Exceptional items	**(94)**
Statutory operating profit	**147,024**

	UK £'000	Germany £'000	France £'000	USA £'000	International £'000	Central Corporate Costs £'000	Total £'000
Other Segment							

	UK £'000	Germany £'000	France £'000	USA £'000	International £'000	Central Corporate Costs £'000	Total £'000
information							
Property, plant and equipment	57,496	112,074	14,353	12,013	16,389	-	**212,325**
Intangible assets	54,035	16,678	108	93,696	11,153	-	**175,670**
Capital expenditure:							
Property, plant and equipment	13,482	34,891	2,574	5,449	8,707	-	**65,103**
Software	7,903	616	13	-	205	-	**8,737**
Depreciation of property, plant and equipment (excluding right-of-use asset)	9,968	6,356	1,788	748	2,596	-	**21,456**
Depreciation of right-of-use asset	3,056	27,007	4,076	2,224	3,903	-	**40,266**
Amortisation of software	5,616	1,187	45	-	321	-	**7,169**
Share-based payments	5,089	1,417	119	150	-	-	**6,775**

Year ended 31 December 2018

	UK £'000	Germany £'000	France £'000	USA £'000	International £'000	Central Corporate Costs £'000	Total £'000
Revenue							
Technology Sourcing revenue	1,157,916	1,330,616	393,769	238,600	56,680	-	**3,177,581**
Services revenue							
Professional Services	118,900	166,471	18,914	13,763	3,867	-	**321,915**
Managed Services	334,578	375,591	80,568	20,718	41,619	-	**853,074**
Total Services revenue	453,478	542,062	99,482	34,481	45,486	-	**1,174,989**
Total revenue	1,611,394	1,872,678	493,251	273,081	102,166	-	**4,352,570**

	UK £'000	Germany £'000	France £'000	USA £'000	International £'000	Central Corporate Costs £'000	Total £'000
Results							
Adjusted[1] gross profit	205,708	231,191	55,655	27,007	28,697	-	**548,258**
Administrative expenses	(147,467)	(164,332)	(48,601)	(22,666)	(21,238)	(25,188)	**(429,492)**
Adjusted[1] operating profit/(loss)	58,241	66,859	7,054	4,341	7,459	(25,188)	**118,766**
Adjusted[1] net interest	(158)	45	(162)	(200)	(55)	-	**(530)**
Adjusted[1] profit/(loss) before tax	58,083	66,904	6,892	4,141	7,404	(25,188)	**118,236**
Exceptional items:							
· unwinding of discount relating to acquisition of a subsidiary							**(417)**
· costs relating to acquisition of a subsidiary							**(5,240)**
Total exceptional items							**(5,657)**
Amortisation of acquired intangibles							**(4,451)**
Statutory profit before tax							**108,128**

The reconciliation for adjusted[1] operating profit to statutory operating profit as disclosed in the Consolidated Income Statement is as follows:

Year ended 31 December 2018

	Total £'000
Adjusted[1] operating profit	**118,766**
Add back interest on CSF	**293**
Amortisation of acquired intangibles	**(4,451)**
Exceptional items	**(5,240)**
Statutory operating profit	**109,368**

	UK £'000	Germany £'000	France £'000	USA £'000	International £'000	Central Corporate Costs	Total £'000

						£'000	
Other Segment information							
Property, plant and equipment	41,505	50,558	5,612	1,099	7,493	-	**106,267**
Intangible assets	51,730	18,444	148	105,732	8,559	-	**184,613**
Capital expenditure:							
Property, plant and equipment	12,103	30,408	867	60	2,004	-	**45,442**
Software	4,870	730	166	-	169	-	**5,935**
Depreciation of property, plant and equipment (excluding right-of-use asset)	7,910	7,287	1,630	260	2,293	-	**19,380**
Depreciation of right-of-use asset	-	-	-	-	-	-	**-**
Amortisation of software	9,449	1,275	50	-	203	-	**10,669**
Share-based payments	5,034	1,334	57	-	-	-	**10,977**

Charges for the amortisation of acquired intangibles and utilisation of deferred tax assets (where initial recognition was an exceptional item or a fair value adjustment on acquisition) are excluded from the calculation of adjusted[1] operating profit. This is because these charges are based on judgements about their value and economic life, are the result of the application of acquisition accounting rather than core operations, and whilst revenue recognised in the Consolidated Income Statement does benefit from the underlying technology that has been acquired, the amortisation costs bear no relation to the Group's underlying ongoing operational performance. In addition, amortisation of acquired intangibles is not included in the analysis of Segment performance used by the CODM.

Information about major customers
Included in revenues arising from the UK Segment are revenues of approximately £317 million (2018: £277 million) which arose from sales to the Group's largest customer. For the purpose of this disclosure, a single customer is considered to be a group of entities known to be under common control. This customer consists of entities under control of the UK Government.

5 Revenue

Revenue recognised in the Consolidated Income Statement is analysed as follows:

	2019	2018

	£'000	£'000
Revenue by Type		
Technology Sourcing revenue	**3,822,227**	3,177,581
Services revenue		
Professional Services	**366,083**	321,915
Managed Services	**864,469**	853,074
Total Services revenue	**1,230,552**	1,174,989
Total revenue	**5,052,779**	4,352,570

Contract balances

The following table provides the information about contract assets and contract liabilities from contracts with customers.

	31 December 2019 £'000	**1 January 2019 £'000**
Trade and other receivables	**996,462**	**1,180,394**
Contract assets, which are included in 'prepayments'	**5,959**	**6,451**
Contract assets, which are included in 'accrued income'	**94,030**	**101,899**
Contract liabilities, which are included in 'deferred income'	**174,258**	**143,080**

The Group has implemented an expected credit loss impairment model with respect to contract assets using the simplified approach. Contract assets have been grouped on the basis of their shared risk characteristics and a provision matrix has been developed and applied to these balances to generate the loss allowance. The majority of these contract asset balances are with blue chip customers and the incidence of credit loss is low. There has therefore been no material adjustment to the loss allowance under IFRS 9.

Significant changes in contract assets and liabilities

Contract assets are balances due from customers under long-term contracts as work is performed and therefore a contract asset is recognised over the period in which the performance obligation is fulfilled. This represents the Group's right to consideration for the services transferred to date. Amounts are generally reclassified to contract receivables when these have been certified or invoiced to a customer.

Win fees and fulfilment costs are included in prepayments balance above. Refer to 2.3.3 for accounting policy of these costs. The Consolidated Income Statement impact of win fees was a recognition of a net cost in FY2019 of £0.2 million with a corresponding credit to tax of £0.05 for the year. As at 31 December 2019, the win fee balance was £6.0 million. The Consolidated Income Statement impact of fulfilment costs was a recognition of a net cost in FY2019 of £0.05 million with a corresponding credit to tax of £0.05 million for the year. As at 31 December 2019, the fulfilment costs balance was £6.6 million. No impairment loss was recorded for win fees or fulfilment costs during the year.

Revenue recognised in the reporting period from accrued income balance was £2.8 million with a credit to foreign exchange of £5.1 million. No impairment loss was recorded for accrued income during the year.

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was £96.8 million. Revenue recognised in the reporting period from performance obligations satisfied or partially satisfied in previous periods was £nil. Partially satisfied performance obligations continue to incur revenue and costs in the period.

Remaining performance obligations (Work in hand)

Contracts which have remaining performance obligations as at 31 December 2019 and 31 December 2018 are set out in the table below. The table below discloses the aggregate transaction price relating to those unsatisfied or partially unsatisfied performance obligations, excluding both (a) amounts relating to contracts for which revenue is recognised as invoiced and (b) amounts relating to contracts where the expected duration of the ongoing performance obligation is one year or less.

Managed Services

	Within one year £m	**Within two years £m**	**Within three years £m**	**Within four years £m**	**Five years and beyond £m**	**Total £m**
As at 31 December 2019	**588**	**317**	**198**	**70**	**34**	**1,207**
As at 31 December 2018	613	323	216	146	48	1,346

The average duration of contracts is between one to five years, however some contracts will vary from these typical lengths. Revenue is typically earned over these varying timeframes, however more of the revenue noted above is expected to be earned in the short term.

6 Exceptional items

	2019 £'000	**2018 £'000**
Operating profit		
Costs relating to acquisition of a subsidiary	**(94)**	(5,240)
Exceptional operating loss	**(94)**	(5,240)
Interest cost relating to acquisition of a subsidiary	**(825)**	(417)
Loss on exceptional items before taxation	**(919)**	(5,657)
Income tax		
Tax credit on exceptional items	**39**	1,353
Tax credit relating to acquisition of a subsidiary	**839**	3,091
Loss on exceptional items after taxation	**(41)**	(1,213)

2019: Included within the current year are the following exceptional items:

· An exceptional operating loss during the year of £0.1 million resulted from residual costs directly relating

to the acquisition of FusionStorm. These costs were non-operational in nature, material in size and unlikely to recur and have therefore been classified as outside our adjusted[1] results. The current year loss resulted from social charges relating to the severance payment for the FusionStorm Chief Executive Officer and has been treated as an exceptional item for consistency with the disclosure in the year to 31 December 2018. A further £0.8 million relating to the unwinding of the discount on the deferred consideration for the purchase of FusionStorm has been removed from the adjusted[1] net finance expense and classified as exceptional interest costs.

- A credit of £0.04 million arising from the tax benefit on the FusionStorm exceptional acquisition costs has been recognised as tax on the above exceptional item. A further tax credit of £0.8 million was recorded due to post-acquisition activity in FusionStorm, related to the transaction, which has resulted in an in-year tax benefit. This activity was settled by the vendor, out of the consideration paid, via post-acquisition capital contributions to FusionStorm. As this credit was related to the acquisition and not operational activity within FusionStorm, is of a one-off nature and material to the overall tax result, it was classified as an exceptional tax item.

2018: Included within the prior year are the following exceptional items:

- An exceptional loss during the year of £5.2 million resulted from costs directly relating to the acquisition of FusionStorm. These costs include a severance payment for the FusionStorm Chief Executive Officer, agreed as part of the acquisition, advisor fees and a finder's fee that was paid on completion of the transaction. These costs are non-operational in nature, material in size and unlikely to recur and have therefore been classified as outside our adjusted1 results. A further £0.4 million relating to the unwinding of the discount on the deferred consideration for the purchase of FusionStorm has been removed from the adjusted1 net finance expense and classified as exceptional interest costs.
- A credit of £1.4 million arising from the tax benefit on the FusionStorm exceptional acquisition costs has been recognised as tax on the above exceptional items. A further tax credit of £3.1 million was recorded due to post-acquisition activity in FusionStorm, related to the transaction, which has resulted in a material in-year tax benefit. This activity included settlement of phantom stock awards, deal bonus and change of control payments which were settled by the vendor, out of the consideration paid, via post-acquisition capital contributions to FusionStorm. As this credit was related to the acquisition and not operational activity within FusionStorm, is of a one-off nature and material to the overall tax result, it was classified this as an exceptional tax item.

7 Income tax

a) Tax on profit from ordinary activities

	2019 £'000	**2018 £'000**
Tax charged in the Consolidated Income Statement		
Current income tax		
UK corporation tax	**13,213**	12,528
Foreign tax		
- operating results before exceptional items	**26,724**	20,942
- exceptional items	**(878)**	(4,444)
Total foreign tax	**25,846**	16,498

	2019 £'000	2018 £'000
Adjustments in respect of prior years	**(460)**	148
Total current income tax	**38,599**	29,174
Deferred tax		
Operating results before exceptional items:		
- origination and reversal of temporary differences	**311**	(1,830)
- adjustments in respect of prior years	**487**	(145)
Total deferred tax	**798**	(1,975)
Tax charge in the Consolidated Income Statement	**39,397**	27,199

b) Reconciliation of the total tax charge

	2019 £'000	2018 £'000
Accounting profit before income tax	**140,958**	108,128
At the UK standard rate of corporation tax of 19 per cent (2018: 19 per cent)	**26,782**	20,544
Expenses not deductible for tax purposes	**1,474**	987
Non-deductible element of share-based payment charge	**432**	589
Adjustments in respect of current income tax of previous years	**266**	(384)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**8,876**	6,736
Other differences	**32**	(334)
Overseas tax not based on earnings	**1,604**	1,390
Tax effect of income not taxable in determining taxable profit	**(69)**	(2,427)
Deferred tax not recognised on current year losses	**-**	98
At effective income tax rate of 27.9 per cent (2018: 25.2 per cent)	**39,397**	27,199

c) Tax losses

Deferred tax assets of £2.0 million (2018: £4.2 million) have been recognised in respect of losses carried forward.

In addition, at 31 December 2019, there were unused tax losses across the Group of £143.0 million (2018: £152.6 million) for which no deferred tax asset has been recognised. Of these losses, £39.8 million (2018: £40.1 million) arise in Germany and £103.2 million (2018: £112.5 million) arise in France. A significant proportion of the losses arising in Germany have been generated in statutory entities that no longer have significant levels of trade. The remaining unrecognised tax losses relate to other loss-making overseas subsidiaries.

d) Deferred tax

Deferred income tax at 31 December relates to the following:

	Consolidated Balance Sheet		Consolidated Income Statement and Consolidated Statement of Comprehensive Income	
	2019 £'000	**2018 £'000**	**2019 £'000**	**2018 £'000**
Deferred income tax assets				
Relief on share option gains	**5,300**	4,868	**432**	(2,000)
Other temporary differences	**6,575**	4,887	**(285)**	(277)
Revaluations of foreign exchange contracts to fair value	**369**	121	**247**	119
Losses available for offset against future taxable income	**1,343**	4,167	**(2,131)**	1,934
Gross deferred income tax assets	**13,587**	14,043		
Deferred income tax liabilities				
Revaluations of foreign exchange contracts to fair value	**809**	738	**(71)**	(555)
Amortisation of intangibles	**15,272**	16,727	**1,186**	(1,196)
Gross deferred income tax liabilities	**16,081**	17,465		
Deferred income tax charge			**(622)**	(1,975)
Net deferred income tax assets	**(2,494)**	(3,422)		
Disclosed on the Consolidated Balance Sheet				
Deferred income tax assets	**9,204**	9,587		
Deferred income tax liabilities	**(11,698)**	(13,009)		
Net deferred income tax liabilities	**(2,494)**	(3,422)		

At 31 December 2019, there was no recognised or unrecognised deferred income tax liability (2018: £nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group expects that future remittances of earnings from its overseas subsidiaries will continue to be covered by relevant dividend exemptions. Where, following the departure of the UK from the European Union, the Group's European subsidiaries' unremitted earnings are no longer covered by a dividend exemption, appropriate mitigating steps are envisaged that would eliminate the incidence of withholding tax.

e) Impact of rate change

The main rate of UK Corporation tax is 19 per cent from 1 April 2017 and will be reduced to 17 per cent from 1 April 2020, as enacted in the Finance Act 2015. The deferred tax in these Consolidated Financial Statements reflects this.

8 Earnings per share

Earnings per share amounts are calculated by dividing profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year (excluding own shares held).

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 year are considered to be dilutive potential shares.

	2019 £'000	**2018 £'000**
Profit attributable to equity holders of the Parent	**101,655**	80,931

	2019 £'000	**2018 £'000**
Basic weighted average number of shares (excluding own shares held)	**112,514**	113,409
Effect of dilution:		
Share options	**1,655**	1,984
Diluted weighted average number of shares	**114,169**	115,393

	2019 pence	**2018 pence**
Basic earnings per share	**90.3**	71.4
Diluted earnings per share	**89.0**	70.1

9 Analysis of changes in net funds

	At 1 January 2019 £'000	**Implementation of IFRS 16 £'000**	**Cash flows in year £'000**	**Non-cash flow £'000**	**Exchange differences £'000**	**At 31 December 2019 £'000**
Cash and short-term deposits	**200,442**	**-**	**24,388**	**-**	**(6,949)**	**217,881**
Cash and cash equivalents	**200,442**	**-**	**24,388**	**-**	**(6,949)**	**217,881**
Bank loans	**(134,234)**	**-**	**51,755**	**-**	**1,707**	**(80,772)**
Adjusted net funds[3] (excluding CSF and lease liabilities)	**66,208**	**-**	**76,142**	**-**	**(5,241)**	**137,109**
CSF leases	**(8,928)**	**8,928**	**-**	**-**	**-**	**-**
Lease liabilities	**-**	**(120,606)**	**42,346**	**(43,793)**	**5,287**	**(116,766)**
Total lease liabilities	**(8,928)**	**(111,678)**	**42,346**	**(43,793)**	**5,287**	**(116,766)**

	At 1 January 2019 £'000	Implementation of IFRS 16 £'000	Cash flows in year £'000	Non-cash flow £'000	Exchange differences £'000	At 31 December 2019 £'000
Net funds	**57,280**	**(111,678)**	**118,488**	**(43,793)**	**46**	**20,343**

The financing cash flows included in the table above are repayment of bank loans of £51.8 million and lease liabilities of £42.3 million during the year. The repayment of lease liabilities also included interest payment of £3.7 million.

	At 1 January 2018 £'000	Cash flows in year £'000	Non-cash flow £'000	Exchange differences £'000	At 31 December 2018 £'000
Cash and short-term deposits	206,605	(7,743)	-	1,580	200,442
Bank overdraft	(6)	6	-	-	-
Cash and cash equivalents	206,599	(7,737)	-	1,580	200,442
Bank loans	(10,667)	(122,946)	-	(621)	(134,234)
Adjusted net funds[3] (excluding CSF)	195,932	(130,683)	-	959	66,208
CSF leases	(4,745)	(4,322)	433	(294)	(8,928)
Total CSF	(4,745)	(4,322)	433	(294)	(8,928)
Net funds	191,187	(135,005)	433	665	57,280

10 Related party transactions

During the year the Group entered into transactions, in the ordinary course of business, with related parties. Transactions entered into are as described below:

- Biomni provides the Computacenter e-procurement system used by many of Computacenter's major customers. An annual fee has been agreed on a commercial basis for use of the software for each installation. Both PJ Ogden and PW Hulme are Directors of and have a material interest in Biomni Limited

The table below provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

	2019 £'000	2018 £'000
Biomni Limited		
Sales to related parties	**32**	23
Purchase from related parties	**654**	838

	2019 £'000	2018 £'000
Amounts owed to related parties	**6**	-

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's-length transactions. Outstanding balances at the year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. The Group has not recognised any provision for doubtful debts relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel (including Directors)

The Board of Directors is identified as the Group's key management personnel. A summary of the compensation of key management personnel is provided below:

	2019 £'000	2018 £'000
Short-term employee benefits	**2,447**	1,791
Social security costs	**422**	433
Share-based payment transactions	**2,623**	1,367
Pension costs	**40**	65
Total compensation paid to key management personnel	**5,532**	3,656

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

END

FR UARRRRNUOAUR