Computacenter - Final Results 2020

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FOR IMMEDIATE RELEASE

Final results for the year ended 31 December 2020

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 2020.

Financial Highlights	**2020**	**2019**	**Percentage Change Increase/ (Decrease)**
Financial Performance			
Technology Sourcing revenue (£ *million*)	**4,180.1**	3,822.2	9.4
Services revenue (£ *million*)	**1,261.2**	1,230.6	2.5
Revenue *(£ million)*	**5,441.3**	5,052.8	7.7
Adjusted[1] profit before tax *(£ million)*	**200.5**	146.3	37.0
Adjusted[1] diluted earnings per share *(pence)*	**126.4**	92.5	36.6
Dividend per share *(pence)*	**50.7**	10.1	402.0
Profit before tax (£ *million*)	**206.6**	141.0	46.5
Diluted earnings per share (*pence*)	**133.8**	89.0	50.3

Cash Position

Cash and cash equivalents (£ *million*)	**309.8**	217.9	42.2
Adjusted net funds[3] (£ *million*)	**188.6**	137.1	37.6
Net funds (£ *million*)	**51.2**	20.3	152.2
Net cash inflow from operating activities *(£ million)*	**236.8**	198.3	19.4

Reconciliation to Adjusted[1] Measures

Adjusted[1] profit before tax *(£ million)*	**200.5**	146.3
Exceptional and other adjusting items:		
Gain on acquisition of a subsidiary *(£ million)*	**14.0**	-
Costs related to acquisition *(£ million)*	**(0.6)**	(0.9)
Other exceptional items *(£ million)*	**0.1**	-
Amortisation of acquired intangibles (£ *million*)	**(7.4)**	(4.4)
Profit before tax *(£ million)*	**206.6**	141.0

Operational Highlights:

- The Group's revenues increased by 7.7 per cent and were 6.6 per cent higher in constant currency[2]. Significant reductions in expenditure from industrial customers have been offset by new business within the Public Sector and financial services. COVID-19-related cost reductions and improving Services and Technology Sourcing margins has resulted in an increase in adjusted[1] profit before tax of 37.0 per cent during the year.
- The UK saw an increase in revenues of 11.0 per cent as Technology Sourcing revenues surged to cope with the demand generated by the COVID-19 crisis. Strong Services margins, due to increased utilisation and reduced external contractor costs and improving Technology Sourcing margins have resulted in an increase in adjusted[1] operating profit of 40.2 per cent for the year.
- Germany saw overall revenues decline by 2.5 per cent, on a constant currency[2] basis, with falls in Managed Services and Technology Sourcing partially offset by another strong performance in Professional Services. The increase in Professional Services volumes, at higher margins, coupled with overall margin improvements and a fall in administrative expenses have resulted in an increase of 38.1 per cent in adjusted[1] operating profit, on a constant currency[2] basis.

- France has had a difficult year, being more impacted by a slow-down of its large industrial customer base, and a switch to lower margin workplace product, and the downturn in its Services business which resulted in modest revenue growth but decreasing gross profits and a reduction in adjusted[1] operating profit of 27.3 per cent on a constant currency[2] basis.
- North America saw a weaker than expected year with a marked reduction in activity by its higher-margin mid-market customer base which resulted in slightly declining revenues overall in constant currency[2], excluding the impact of the Pivot acquisition. Pivot added $292.7 million of revenue and $6.8 million of adjusted[1] operating profit in the last two months of the year.

The Group has experienced significant operational and financial impacts from the unprecedented effect of the COVID-19 crisis. All results in this announcement include these COVID-19 impacts and no attempt has been made to adjust for or exclude these impacts whether they be positive or negative. Further information on the COVID-19 impacts on the Group, and our response, can be found within the COVID-19 Impact Statement. The continued adoption of the going concern basis by the Directors in the preparation of the Consolidated Financial Statements is within note 2.1 to the summary financial information contained in this announcement.

The result has benefited from £261.0 million of revenue (2019: £26.0 million), and £6.5 million of adjusted[1] profit before tax (2019: £0.2 million), resulting from all acquisitions made since 1 January 2019. Of this, for the entities acquired in 2020, the result has benefited from £232.6 million of revenue, and £3.2 million of adjusted[1] profit before tax. All figures reported throughout this announcement include the results of these acquired entities.

A reconciliation to adjusted[1] 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:

'At the start of last year, our performance in 2019 set us a high bar for 2020. The COVID related lockdowns towards the end of the first quarter made improving on 2019 feel even more challenging.

After multiple upgrades during the year and today's excellent results it is clear that the 2020 performance has exceeded all expectations and 2020 has seen the fastest profit growth Computacenter has achieved in its 22 years as a public company. Clearly, the challenge it gives us is to grow again in 2021.

While Computacenter will always focus on the long term and resist the temptation of short-term actions to maintain growth, we feel the opportunity for progression this year, while not certain, is real. We have come into 2021 with solid momentum and have experienced a very positive start to the year. As always, we will give an update to shareholders in our April statement once we have completed our first quarter at the end of March.

Growth rates are obviously difficult to predict as our geographies will come out of lockdown at different times, but our experiences of the last 12 months has convinced us more than ever that our customers will continue to invest in Information Technology and will require the services of Computacenter to enable them to do so. This, combined with the fact that we are growing in more geographies and across more technology platforms than we have ever done before, makes us even more excited about our long-term growth potential.'

[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 gains 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. A reconciliation to adjusted 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-year local currency financial results using the current year average exchange rates and comparing these recalculated amounts to our current year results or by presenting the results in the equivalent local currency amounts. Wherever the performance of the Group, or its overseas Segments, are presented in constant currency, or equivalent local currency amounts, the equivalent prior-year measure is also presented in the reported pound sterling equivalent using the exchange rates prevailing at the time. 2020 highlights, as shown above, 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. A table reconciling this measure, including the impact of lease liabilities, is provided within note 9 to the summary financial information contained in this announcement.*

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DISCLAIMER - FORWARD LOOKING STATEMENTS

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

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Group's operations and the development of the markets and the industry in which they operate or are likely to operate and their respective operations may differ materially from those described in, or suggested by, the forward-looking statements contained in this announcement. In addition, even if the results of operations and the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, those risks in the risk factor section of the 2019 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.

COVID-19 IMPACT STATEMENT

We are a technology company supporting customers worldwide, at a time when technology has proven critical to mitigating COVID-19's disruption of normal business practices. We have also executed our own business continuity plans to great effect and remained sufficiently agile to deal with issues as they arose.

As we stepped into 2020, we could never have planned for the impact of COVID-19. By mid-March our internal crisis response team, including the Chief Executive Officer (CEO), was meeting daily to implement plans to protect our people and enable them to continue to deliver for our customers, whilst acting for the Company's long-term success.

Looking after our people

The safety and wellbeing of our employees remains our highest priority. As the COVID-19 crisis intensified, we followed all available government and scientific guidance and implemented remote working for all employees where possible, amounting to nearly 90 per cent of our workforce. We used leading technology solutions that we were implementing for our customers to ensure the continued integrity of our working environment, whilst ensuring that our people's health and safety was paramount in our decision-making, including setting up response teams to support their physical and mental wellbeing.

Throughout 2020, we provided extensive communication and support to all employees, including working from home assistance, mental health support and training, and global employee assistance programmes. In addition, we ran seven separate 'spotlight surveys' across the Group, to gain insight into how supported employees were feeling and to check their engagement. The feedback suggested very high levels of satisfaction amongst participants. Remote working has been an unqualified success but we believe that, when the time is right, employees will return to our offices part-time.

Approximately 10 per cent of our staff remained working at customer locations, providing critical on-site support services, and also at our key Integration Centers, in line with applicable guidelines. This ensured that we could provide laptops and other essential technology to enable our customers, including key parts of government, to respond to COVID-19. We implemented enhanced cleaning and safety procedures for these key locations and expressly thank all those who provided this vital service for our customers. The challenge was immense and we were pleased to accomplish it with minimal disruption. Additionally, we have redeployed field engineers to support our Hatfield Integration Center, which has seen a surge in activity and moved, for a period, to 24/7 shift working to meet demand.

Supporting our customers

The resilience of our Services and infrastructure was demonstrated during 2020 as never before. Within four weeks of the start of the pandemic we were able to move 95 per cent of our 12,600 service delivery team members to homeworking. We achieved this without any impact on customer service, despite an increase of 40 per cent in incident volumes. Our people showed enormous resilience and commitment in responding to customer challenges, often supporting critical government pandemic response initiatives and helping customers to Source, Transform and support new digital initiatives in weeks, rather than the months that may normally have been planned for such projects.

The deep relationships we have developed with customers enabled us to connect quickly with them and respond to their requests. Understanding how they operated and how we could best assist them made the difference, as we positioned ourselves as an extension of their own IT teams. During the early months, we quickly developed new Services to enable our customers to serve their businesses effectively, such as our 'Home Swap Service' and 'Virtual Tech Bar'. This demonstrated both our agility and our innovative approach to meeting the needs of customers during the pandemic.

We have also offered our customers a variety of bespoke support during the crisis, including the flexibility in enabling them to scale their services consumption up or down, as their own business demands shifted. This flexibility has enabled us to secure new business, build relationships for the future and encourage customers to commit to contract renewals.

The 'near-shore' location strategy for our internal service providers and Service Centers has proven successful, with regional workforces able to support customers in the correct time zone with the right capacity. Locating these Centers in areas with pervasive internet connectivity, both in our offices and at home, has meant little to no disruption to our Services. Further, our Service Centers' single worldwide telecommunications system and unified software toolsets have allowed seamless capacity flows between Service Centers, enabling us to rapidly adapt to short-term spikes in utilisation from our customer base.

In addition, our scale and breadth of service meant that we were a natural choice as an aggregator of technology, which positioned us as a strong contender for mass rollouts for large customers. Our ability to quickly scale up volumes through our vendor partnerships and our flexibility in creating solutions for mass rollout to multiple locations helped us to secure significant new business. Customer surveys conducted during the year, and feedback from business leaders across our portfolio, demonstrated that we have strengthened relationships and built credibility through our agility and speed to serve.

The Chief Information Officers (CIOs) of our customers have had an incredibly busy year, leading their organisations through the challenges presented by COVID-19 to transform quickly their IT architecture and ways of working. In partnership with these leaders, Computacenter has provided the solutions to these challenges. The performance in the year, with growing revenues, improving margins and a reduced cost base, reflects both the demand seen by the IT sector and the quality of our support for our customers.

As the crisis intensified, we became a critical partner for governments across Europe and the UK in particular. Computacenter responded at short notice to significant requests for tender from the UK Government on a range of projects. We proved that we were the only reseller with the scalable infrastructure in the country that could deliver large projects in a timely and low-cost manner, and have been added to the UK Government's list of 36 Strategic Suppliers across local and central government. We supported the UK Government in standing up the infrastructure for a variety of emergency NHS projects, including the NHS Nightingale hospital sites, as well as delivering over a million laptops to disadvantaged children for home schooling.

Protecting employment

At the start of the pandemic, the Group decided to participate in various national employee retention schemes. The schemes primarily supported our operations in the UK, Germany and France, with minor participation in smaller markets including Spain, Belgium, Switzerland and the Netherlands. We are clear that this allowed us to avoid otherwise necessary redundancies in late March and early April, in the face of an unfolding and unpredictable crisis. Approximately 1,300 employees across the Group were initially supported by wage-subsidy programmes, utilising various government initiatives and Company schemes, although this reduced to an average of circa 150 staff on any scheme over the second half of the year. We enhanced the government supported schemes, for which the rate was different in each country, as a result of works councils, employee forums and local legislation.

At the same time Computacenter's CEO, Mike Norris, and FD, Tony Conophy, volunteered to forego their base salary for the second quarter, alongside the Founder Non-Executive Directors, Peter Ogden and Philip Hulme, who waived their Directors' fees for the remainder of the year.

The financial impact of COVID-19

The Group has experienced significant operational and financial impacts from the unprecedented effect of the COVID-19 crisis. All results in this Annual Report and Accounts include these COVID-19 impacts and no adjustments have been made to exclude these impacts, whether they be positive or negative.

Overall, we estimate that the COVID-19 crisis has had a net positive impact in the year of approximately £30 million of adjusted[1] profit before tax, primarily comprised of the key components highlighted below.

During 2020, the cost to the Group of furloughed employees' remuneration was approximately £19.5 million. Against this, the Group has received approximately £6.4 million in direct grants from European governments, excluding the UK. The Group also benefited from £3.9 million in indirect savings, such as reduced social charges, and a reduction of £2.1 million in furloughed employee remuneration. Against a normal year, this has had a net negative impact of approximately £7.1 million of adjusted[1] profit before tax. All of these grants and costs are included in our adjusted[1] results within administrative expenses.

The Company received £1.1 million from the UK Government, for the April 2020 claim for furloughed employee costs on the Job Retention Scheme. However, we repaid this during the second half of 2020, once the Board was assured of the Company's ongoing resilience in the face of the pandemic. We have committed to making no claims under the Job Retention Bonus scheme. As at 31 December 2020 a very small number of UK employees remain furloughed at enhanced rates and entirely at the Group's expense, and a minority of Belgian employees were on part-time working arrangements. All other employees across the Group have fully returned to work regardless of the availability of local government employment support schemes.

Offsetting the cost of furloughed staff, we have had significant COVID-19-related cost savings, resulting from less travel and using fewer contractors, although some of this was due to lower Services activity, as a result of being unable to work on some customer sites. We estimate these savings to be approximately £45 million of adjusted[1] profit before tax. We have also seen benefits in utilisation, with previously on-site or mobile employees able to use time they would have spent travelling to solve issues remotely for our customers, increasing their billable hours. This has had a material impact on our Services margins.

Whilst difficult to measure, we estimate that the loss of business from COVID-impacted customers materially outweighed incremental COVID-specific business in the year, with a net decrease in adjusted[1] profit before tax of £15 million.

Cash flow and adjusted net funds[3]
There have been certain COVID-19-related one-off benefits included in the 2020 full year cash flow and end of year cash positions. This includes extended free-of-charge supplier credit with a major vendor of approximately £15 million as at 31 December 2020. Temporary tax payment timing benefits from various governments that were utilised during the year were fully repaid as at 31 December 2020.

Adjusted net funds[3] of £188.6 million as at 31 December 2020, including £309.8 million of cash and cash equivalents, give us a robust platform to manage the business in support of our customers through challenging market conditions.

Looking forward
Today, the long-term impact of the COVID-19 crisis remains unknown. However, we are

more certain that the ongoing volatility within our markets and worldwide locations will begin to settle, with vaccination programmes begun globally and the continued application of science and technology to meet the medical and societal challenges that the crisis has brought.

Continued customer investment in technology has provided short-term growth opportunities and proven the strength of our business model. Longer term, the crisis has accelerated the drive to digital across industries, customers and governments worldwide. We continue to monitor the impact on the Group and maintain our focus on controlling costs, in order to position the Company for long-term success.

CHAIRMAN'S STATEMENT

Many words have been used to describe 2020 - unprecedented, challenging, chaotic. The global pandemic has had a significant impact on all countries and communities in which we do business. Our customers, our partners and our employees and their families, have all been impacted. We have provided support for our employees' wellbeing throughout the many challenges, which have varied country by country. This has been a continuous priority, recognising the mental health pressure that the confined, and sometimes isolated, environment can bring. We have, very sadly, lost employees to COVID and colleagues have also lost loved ones. We send our thoughts and condolences to their families, friends and colleagues.

Amidst the crisis that has engulfed much of the world, many small and large demonstrations of the power of the human spirit became evident - individuals, groups and whole communities finding ways to persevere. This has been similar in our business lives. We have adapted to a changed way of working, whether digitally at home or socially distanced and COVID-secure in factories, offices, warehouses, shops and hospitality venues.

Computacenter's employees around the world adapted very quickly to the evolving reality in our markets. The way they adopted new methods of working, to help our customers and partners meet their own challenges, was admirable. This focus on doing what was needed for our customers, in both the private and Public Sectors, was very well received and significantly strengthened many of our relationships for the long term.

There was significant uncertainty and unpredictability in trading, from the beginning of the pandemic until the end of our financial year. In many ways, 2020 was a most severe test of the strategy, operational execution and resilience of our business. By the end of the year, we had seen both a strong financial performance and the acceleration of our strategy, with the acquisitions of Pivot Technology Solutions, Inc. ('Pivot') and BT Services France SAS ('BT Services France'), which we have renamed Computacenter NS.

Enabling success

This has been an incredible year of progress for Computacenter, as we have adapted to the challenges and supported our customers. Revenues again surpassed £5 billion, with the acquisitions made in early November 2020 contributing £232.6 million of the £388.5 million of revenue growth. The overall progress across the Group in the year was very pleasing, with an increase in profit before tax of 46.5 per cent to £206.6 million (2019:

£141.0 million), following revenue growth of 7.7 per cent to £5,441.3 million (2019: £5,052.8 million). The Group's adjusted[1] profit before tax increased by 37.0 per cent to £200.5 million (2019: £146.3 million) and by 35.5 per cent in constant currency[2].

Diluted earnings per share ('EPS') increased by 50.3 per cent to 133.8 pence for the year (2019: 89.0 pence). Adjusted[1] diluted EPS grew 36.6 per cent to 126.4 pence (2019: 92.5 pence).

Following the resumption of our dividend payments in October 2020, and in line with our policy of paying a dividend that is covered between 2.0 and 2.5 times by adjusted[1] diluted EPS, we propose to pay a final dividend of 38.4 pence per share, bringing our full year dividend to 50.7 pence per share. This represents an increase of 37.0 per cent over the 37.0 pence proposed for the 2019 full year dividend, including the 26.9 pence final 2019 dividend proposed, but not paid, and an increase of 402.0 per cent over the 10.1 pence actually paid for the 2019 full year dividend.

We continue to monitor our growing adjusted net funds[3], which reached £188.6 million (2019: £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, as seen with the acquisition of Pivot and BT Services France, and, if none are suitable, will look to return excess capital to shareholders at the appropriate time.

Climate change and sustainability
The Board has continued to address a number of areas of the Group's approach to climate change and sustainability. We hope to make a difference to the overall impact of the IT industry, by continuing to focus on and improve our environmental impact in our part of the supply chain. The Board agrees that it is both the right thing to do morally and a business imperative, so we can support our customers' increasing efforts to improve the sustainability of their businesses.

This includes focusing on how we continue to evolve our own offices and Integration Center infrastructure, to reduce our carbon footprint. Our initiatives have included solar power provision and reducing the use of plastic and unnecessary packaging in our facilities and solutions. In addition, we play a key role in refurbishing, recycling and end-of-life disposal of technology products.

We believe that having a company and board that is diverse in both representation and thought is key to our continued success. We will continue to focus on this at Board level. We are making steady progress against our targets for gender diversity across all levels of the organisation and set the Executive Directors and senior Management specific and measurable objectives in this area.

The year ahead
We remain focused on strengthening Computacenter to enable the success of all of our stakeholders, and I thank them for their continued trust and support.

As we look to 2021, we do so with the COVID-19 situation still uncertain across all of our markets. There is much hope associated with the rollout of the various vaccine programmes around the world that, at some point in 2021, we may see a more stable and predictable trading environment.

That said, we have considered, and will continue to monitor closely, the impact of the COVID-19 virus on our business, global trade and the macro-economic outlook. The Company's Principal Risks and Uncertainties reflect the Board's view. 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 COVID-19.

This year has presented many challenges but our response and financial results have been strong. One thing is ever-more clear in these uncertain times - digital technology, solutions and services are key enablers to help governments and businesses respond to their challenges, disruption and necessary transformations. This, allied to our business momentum and our US acquisition, makes us believe that 2021 can be a year of continued progress for Computacenter.

Peter Ryan
Chairman
15 March 2021

OUR PERFORMANCE IN 2020

Financial performance
The results for 2020 demonstrate the resilience of the Computacenter business model, which is built on the three primary business lines of Technology Sourcing, Professional Services and Managed Services.

The Group's revenues increased by 7.7 per cent to £5,441.3 million (2019: £5,052.8 million million) and were 6.6 per cent higher in constant currency[2].

Whilst it took 36 years for the Group to reach £100 million of adjusted[1] profit before tax, we are very pleased that it only took another three years to reach £200 million. The Group made a profit before tax of £206.6 million, an increase of 46.5 per cent (2019: £141.0 million). The Group's adjusted[1] profit before tax increased by 37.0 per cent to £200.5 million (2019: £146.3 million) and by 35.5 per cent in constant currency[2].

The difference between profit before tax and adjusted[1] profit before tax relates to the Group's net gain of £6.1 million (2019: charge of £5.3 million) from exceptional and other adjusting items. These relate principally to the gain on acquisition of the BT Services France subsidiary, partially offset by the amortisation of the acquired intangible assets resulting from the Group's recent North American acquisitions.

With the increase in the Group's profit after tax, the diluted EPS increased by 50.3 per cent to 133.8 pence for the year (2019: 89.0 pence). Adjusted[1] diluted EPS, the Group's primary EPS measure, increased by 36.6 per cent to 126.4 pence for 2020 (2019: 92.5 pence).

The result has benefited from £261.0 million of revenue (2019: £26.0 million), and £6.5 million of adjusted[1] profit before tax (2019: £0.2 million), resulting from all acquisitions made since 1 January 2019. Of this, for the entities acquired in 2020, the result has benefited from £232.6 million of revenue, and £3.2 million of adjusted[1] profit before tax. All figures reported throughout this Annual Report and Accounts include the results of these acquired entities.

Revenues from Public Sector customers, such as local and central government, increased by approximately 37 per cent, offsetting material falls in revenues from, primarily, our industrial customers. Public Sector now accounts for 32 per cent of our revenues (2019: 25 per cent). Whilst significant volumes of this Public Sector business were at lower than normal margins, particularly through the second half of the year, we are pleased that we maintained efficiencies and reduced costs within the business delivery areas, such that margins showed a slight rise overall. Where we had significant Public Sector relationships within our Segments, the local businesses have quickly switched focus to supporting them, particularly in our core established geographies of the UK, Germany and France. Our other European operations, with a much greater share of private sector revenue, were not able to respond in the same manner and suffered revenue attrition as a result.

Excluding the impact of the acquisitions made since 1 January 2019, revenues grew organically by 2.0 per cent on a constant currency[2] basis. This modest growth understated the Group's underlying performance. With a large number of very significant industrial customers rapidly reducing their IT spend on both equipment and services, there was considerable difficulty in forecasting how the business would perform throughout the year, as the COVID-19 crisis escalated. We are pleased with the overall result and, with 5.0 per cent organic revenue growth in the second half of the year excluding the impact of acquisitions, are confident that further growth and market share remain on offer, as many customers' activities return to normal. In markets where we operate at scale, notably the UK and Germany, we have been able to leverage our world-class Integration Centers beyond normal operating capacities, thereby proving ourselves one of the few resellers that could rapidly react to serve customers' needs, as they transformed from office-based working to remote working.

The UK, in particular, has seen very strong demand within Public Sector and financial services, as organisations relied heavily on the Group to urgently support their Technology Sourcing needs, to enable working from home, other emergency IT responses and a small number of very large national infrastructure projects. Professional Services in Germany has grown spectacularly against a very strong comparative period, as the business supported customers transitioning to remote working. This business remains one of the key drivers for the Group as a whole and continues its growth trajectory year after year. In the US business, some customers materially reduced spend during the year, whilst large data center-based customers increased spend, with an overall satisfactory revenue and profit performance. The French business had a significantly better second half of 2020, with improving Technology Sourcing performance partially offsetting the impact of the previously announced loss of our large Managed Services contract.

The International Segment was the only part of the business that was disappointing throughout the year. Technology Sourcing revenues were impacted as industrial customers reduced expenditure, whilst Services revenues also fell, driven by lower volumes. In Belgium in particular, the business suffered from not having sufficient scale in the market to replace quickly volumes with new customers or look to Public Sector customers for growth. Expenditures to grow the business, with additional sales capacity in Switzerland and new organic sales capacity in Spain, continued as planned, which also contributed to reduced profitability in the year within the International Segment.

Whilst overall revenues held up in the challenging environment, margins and profits increased as costs reduced across the Group. Overall Group gross margins increased slightly by 12 basis points to 13.2 per cent of revenues during the year (2019: 13.1 per cent) and administrative expenses decreased by 0.5 per cent in constant currency[2], when compared to the prior year. A combination of good quality Technology Sourcing deals supporting pricing, and a reduction in costs to serve our customers across the Services business, as we moved to a remote working environment, all contributed. As the business moves to a more normal operational footing we expect costs to return, but at a potentially permanently lower level than before the COVID-19 crisis. We therefore continue to analyse and review individual cost reductions, to ensure that we only incur costs truly necessary for the performance of the Group.

As a UK-headquartered IT company, we are pleased to have been added as a Strategic Supplier to the UK Government's list of the 36 most-important cross-government vendors, reflecting our growth in Public Sector over the past seven years, but accelerated due to our support for a number of critical infrastructure IT projects during the pandemic. The most visible of these projects was our successful support for the Department for Education, as its primary partner on its programme to roll out more than a million laptops to disadvantaged children. The list encompasses Whitehall's largest and most important suppliers, with whom relationships are managed on a Government-wide basis by a named 'Crown Representative'.

Technology Sourcing performance
The Group's Technology Sourcing revenue increased by 9.4 per cent to £4,180.1 million (2019: £3,822.2 million) and by 8.3 per cent on a constant currency[2] basis.

The overall Technology Sourcing result benefited from £239.8 million of revenue resulting from the acquisitions made since 1 January 2019 (2019: £24.6 million) with £209.5 million of this as a result of the Pivot acquisition.

The UK Technology Sourcing business saw exceptional growth, driven by workplace contracts to support our customers' emergency transition to homeworking in the first half of the year and significant Public Sector critical national infrastructure support to the UK Government in the second half of the year. A small number of massive projects has materially assisted the business over the course of the year. The strength and scale of our Integration Center capabilities have enabled us to efficiently address this growth, as we have proven ourselves to be the only reseller in the country that can handle the volumes driven through these contracts.

In Germany, Technology Sourcing revenue declined, in particular as automotive and other industrial customers reduced spend through large framework agreements, given the COVID-19-related business challenges. This was partially offset by successfully directing more sales activity towards the Public Sector and healthcare sectors, which saw good growth through the period.

The French Technology Sourcing revenue saw excellent growth in the second half of the year, following a stable first six months. A number of new and expanded Public Sector framework contracts drove higher than anticipated volumes through the business. We saw significant growth in workplace within the product mix which, whilst reducing the average margin rates achieved, helped lift the contribution overall.

The North American Technology Sourcing business saw revenues decline, excluding the impact of the Pivot acquisition. Whilst hyperscalers remained largely unaffected by the pandemic, the mid-market core of the business slowed significantly. The acquisition of Pivot adds substantial volumes to the business, with opportunities to reach a wider addressable market and more US locations and through complementary business lines with the existing business.

Overall Group Technology Sourcing margins increased by 15 basis points during the year, when compared to the prior year, partially due to customer and product mix changes. Significant volume growth of low-margin workplace product sold through to the Public Sector has been offset by the decline in some large low-margin industrial customers.

Services performance

The Group's Services revenue increased by 2.5 per cent to £1,261.2 million (2019: £1,230.6 million) and by 1.4 per cent on a constant currency[2] basis. Within this, Group Professional Services revenue increased by 16.2 per cent to £425.4 million (2019: £366.1 million), and by 14.8 per cent on a constant currency[2] basis, whilst Group Managed Services revenue decreased by 3.3 per cent to £835.8 million (2019: £864.5 million), and by 4.3 per cent on a constant currency[2] basis.

The overall Services result benefited from £21.2 million of revenue from the acquisitions made since 1 January 2019 (2019: £1.3 million).

UK Services revenue reduced slightly, primarily due to a decline in Managed Services volumes, which was attributable to contract attrition and COVID-19 impacts. The pipeline for new opportunities remains healthy with several significant wins in the second half of the year increasing the optimism in the business. Professional Services revenues were up strongly in the second half of the year, even with the constraints on face-to-face working, as customers undertook a number of business continuity projects to assist with their migration to remote working or brought forward planned investments in their IT estates.

German Services revenues have followed a similar but more pronounced pattern to the UK business. Managed Services has declined slightly as customer volumes have decreased due to COVID-19. Significant reductions have been seen, particularly in industrial customers, which experienced full manufacturing site closures and had little to no opportunity to transition to remote working. Demand from these customers remains depressed, reflecting subdued demand for their products. The Professional Services business has seen extraordinarily strong growth, with all existing contracted commitments met by our teams working remotely and with significant increases in utilisation, driven by time saved not travelling to customer sites. Further demand for our Professional Services skills emerged during the crisis, to support new and existing customers with their transition to remote working. This included an increasing emphasis on material Public Sector framework contracts, which provides stability to revenue flows and utilisation rates.

Our French Services business saw sharp falls in Professional Services, with nearly half of our deployable specialists placed on government job retention schemes, as demand fell away due to the COVID-19 crisis in the first half of the year. The French Professional Services business is more reliant on on-site activity than the equivalent businesses in the UK or Germany. These staff have now returned to work, and whilst the order book for consultancy returns to a more sustainable footing, revenues remain below expectations. The Managed Services business performed better than expected, following the loss of a large global outsourcing contract at the end of last year, the impact of which was partially seen during the first half. The business has done well to make up some of the volumes by winning several significant global contracts, which have been successfully transitioned during the COVID-19 crisis. Other contract extensions and additions have also materially assisted the recovery in the Managed Services business.

In North America, Professional Services revenue fell as COVID-19 led to project delays or cancellations. Mid-market customers, which generate much of the Professional Services revenue in the USA, were the weakest business area. Unlike the core geographies, the North American business has very little Public Sector business to support a downturn in the private sector. The new Integration Center, however, has had early success at expanding higher-end data center project work and looks to continue to grow this area, as overall project levels return to normal.

Overall Group Services margins increased by 65 basis points during the year, when compared to the prior year. The reduction of travel costs, lower subcontractor costs and improved Professional Services utilisation all contributed to this increase.

Outlook

At the start of last year, our performance in 2019 set us a high bar for 2020. The COVID related lockdowns towards the end of the first quarter made improving on 2019 feel even more challenging.

After multiple upgrades during the year and today's excellent results it is clear that the 2020 performance has exceeded all expectations and 2020 has seen the fastest profit growth Computacenter has achieved in its 22 years as a public company. Clearly, the challenge it gives us is to grow again in 2021.

While Computacenter will always focus on the long term and resist the temptation of short-term actions to maintain growth, we feel the opportunity for progression this year, while not certain, is real. We have come into 2021 with solid momentum and have experienced a very positive start to the year. As always, we will give an update to shareholders in our April statement once we have completed our first quarter at the end of March.

Growth rates are obviously difficult to predict as our geographies will come out of lockdown at different times, but our experiences of the last 12 months has convinced us more than ever that our customers will continue to invest in Information Technology and will require the services of Computacenter to enable them to do so. This, combined with the fact that we are growing in more geographies and across more technology platforms than we have ever done before, makes us even more excited about our long-term growth potential.

UNITED KINGDOM

Financial performance

Revenues in the UK business increased by 11.0 per cent to £1,773.4 million (2019: £1,597.0 million).

The UK business reported increased revenues in Technology Sourcing, with modest declines in Services. The restrictive measures arising from COVID-19 affected all of our core markets, and we saw materially increased demand for Technology Sourcing and integration services, to facilitate remote working for employees. Some customer digital transformation plans accelerated, whilst other programmes were deferred due to the pandemic, as a result of restricted access to customer sites. Some customers redirected resources to support their business continuity activities, following a material decline in their revenues, with others needing to reduce their costs.

Our commitment to long-term partnerships with our customers required us to be flexible about contract delivery and terms, including agreeing service levels to reflect COVID-19 requirements, which impacted the fees to support our customers and the cost of delivery. Critical National Infrastructure organisations in the Public Sector and across all verticals increased their demand for technologies and Services during this period, whilst other industries saw a material decline in their own markets, resulting in reduced requirements for our Services.

The investment in our front-end sales and services management teams in 2019 gave us the capacity to take on more new customers during 2020, which balanced some of the impact to markets affected by the virus.
We have established new, longer-term contracts, which secure a more predictable future for our customers and for Computacenter.

Overall gross margins in the UK increased by 20 basis points, with total adjusted[1] gross profit increasing from 13.9 per cent to 14.1 per cent of revenues. Adjusted[1] gross profit grew by 12.7 per cent to £249.2 million (2019: £221.2 million).

Administrative expenses increased by 1.3 per cent to £158.8 million (2019: £156.7 million), with reduced travel and expenses being offset by increased variable pay outcomes related to the performance of the business.

This resulted in adjusted[1] operating profit growing by 40.2 per cent to £90.4 million (2019: £64.5 million).

Resource utilisation was better than expected for both our consulting and engineering teams, as we adapted our ways of working to cope with the national lockdown. Our investment in new and emerging skills has helped to build a strong pipeline of multi-cloud related demand.

Technology Sourcing performance
Technology Sourcing revenue increased by 16.2 per cent to £1,328.0 million (2019: £1,142.7 million).

The Technology Sourcing revenue mix was dominated by workplace business in 2020, with a small decline in enterprise business. This was due to our customers' materially higher demand for homeworking capabilities and reduced focus on core infrastructure transformation during the year.

Technology Sourcing margins grew by 43 basis points compared to the prior year.

Given the growth in 2020, we expect moderate growth in Technology Sourcing in 2021, with our customers continuing to invest in workplace technologies under a number of private and Public Sector frameworks. We also expect higher demand for enterprise technologies, reflecting the growth potential we see in our existing clients.

The Pivot acquisition in the US supports our strategy to meet the international needs of our existing customers and may see reciprocal benefit for the UK, as we gain access to sell into the UK subsidiaries of Pivot's North American customer base.

Services performance
Services revenue declined by 2.0 per cent to £445.4 million (2019: £454.3 million). Professional Services grew 9.7 per cent to £129.1 million (2019: £117.7 million) despite a decline in cabling projects due to the COVID-19 crisis. Managed Services declined by 6.0 per cent to £316.3 million (2019: £336.6 million).

Given the global context, we were pleased to increase Professional Services revenues in 2020. Alongside accelerated digital workplace transformation, we rapidly designed, contracted and transitioned new Services to address directly our customers' challenges in ensuring their business continuity, including new solutions to equip remote workforces directly. We closed the year with an increased Professional Services order book again, particularly with respect to multi-cloud consultancy demand. This reflects our investment in people and technology partnerships throughout 2020.

Despite the decline in Managed Services revenue in 2020, which resulted from challenges in core industries such as manufacturing, travel and tourism and high street retail, we were pleased to recently be awarded a large contract in the telecoms sector. We remain confident in the pipeline of opportunities for Managed Services, which relate to and build on our workplace credentials, alongside managed security and cloud adoption.

Services margins increased by 153 basis points over the year. This was the result of the efficiency gains we realised through new service solutions and changes to ways of working enabling lower use of sub-contractors, along with our continued attention to driving quality through our Services, as we transition between on,
near or offshore delivery models.

GERMANY

Computacenter Germany finished 2020 significantly above target and the previous year. This was the result of a strong Professional Services business, a Managed Services business delivering above expectations, a slightly weaker performance in Technology Sourcing due to the COVID-19 pandemic, and lower indirect costs.

The pandemic made 2020 the most extraordinary and challenging year in the history of Computacenter Germany. After starting the year well, we were confronted, like all other companies, with a crisis of unprecedented proportions. Concerns about the health of employees, a looming shutdown of the global economy and the resulting potential loss of business for Computacenter, as well as the personal fears of many employees, had to be taken into account at very short notice.

From a business point of view, what particularly distinguished us were the sustained high motivation of all employees and our excellent and resilient relationships with our existing customers. Working closely with customers during the crisis to overcome the challenges together has tended to strengthen these relationships even further.

While business with existing customers has held up well so far in the crisis, new customer acquisition has proved very challenging.

We benefited from the high share of Public Sector and healthcare customers in our customer base and were able to expand the business significantly. By contrast, business suffered with customers in the automotive industry and the retail sector.

Even though it is not currently possible to assess fully the future course of the pandemic, and some cost-saving benefits from 2020 can only be repeated to a limited extent, we expect a positive business performance in 2021, characterised by growth.

Financial performance
Total revenue decreased by 2.5 per cent to €2,108.2 million (2019: €2,161.9 million) and by 0.6 per cent in reported pound sterling equivalents[2].

The top line benefited in 2020 from the Professional Services business, which performed well above expectations. After strong growth in the previous year, Professional Services growth in 2020 was just under 20 per cent. In our Managed Services business, despite COVID-19-related revenue shortfalls in the middle of the year, we almost achieved our minimum target of maintaining revenue at the prior-year level. Only in our Technology Sourcing business, which has seen sustained growth for years, did business decline. This was mainly due to the pandemic and to lower revenues from a few large customers which were strongly impacted by the pandemic.

Overall margins in Germany increased by 150 basis points, with adjusted[1] gross profit increasing from 13.4 per cent to 14.9 per cent of revenues. Adjusted[1] gross profit grew by 8.2 per cent to €313.8 million (2019: €290.1 million) and by 10.5 per cent in reported pound sterling equivalents[2].

Although revenue was down slightly on the previous year's level, we were pleased with the significant adjusted[1] gross profit growth achieved. Product margins were maintained at the high level of the previous year, while margins in both service lines increased significantly. This was particularly pleasing for our Managed Services business, as improved performance in this area was one of our goals for 2020. In addition, we benefited from COVID-19-related cost savings in all delivery units and especially in consultancy delivery. Increased remote working also improved both efficiency and margins. The largest profit growth was achieved in Professional Services, resulting from its strong top line growth, the increased margin and efficiency effects.

Administrative expenses decreased by 5.5 per cent to €188.1 million (2019: €199.1 million), and by 3.7 per cent in reported pound sterling equivalents[2].

Indirect costs were below the previous year and our target. This was due to savings in travel costs and events and to a significantly lower headcount increase than originally planned. However, in order to ensure future growth, further investments in the sales force are required, which were suspended in 2020 due to COVID-19.

Adjusted[1] operating profit for the German business increased by 38.1 per cent to €125.7 million (2019: €91.0 million) and by 41.6 per cent in reported pound sterling equivalents[2].

For 2021, it is important to continue to develop the Services business, to use market trends to grow the product business and to limit the increase in indirect costs. Another year of earnings growth is therefore achievable.

Technology Sourcing performance

Technology Sourcing revenue reduced by 5.4 per cent to €1,457.4 million (2019: €1,541.3 million) and by 3.5 per cent in reported pound sterling equivalents[2].

The product business was characterised by some good growth in 2020 in the Public Sector and healthcare, partly due to COVID-19. However, we also had pandemic-related counteracting effects, especially with customers from the automotive industries. As these are among our major customers, it was not possible to compensate fully for these effects.

We recorded slight growth in workplace, a stable network and security business and a declining data center business. In the latter area, the decline was also driven, among other things, by significantly fewer procurements from a German hyperscaler customer.

Technology Sourcing margins increased by 20 basis points over last year and remained at a high level. Margins remained at a good level in all areas, with slight improvements in workplace and slight deteriorations on the data center side.

Services performance

Services revenue grew by 4.9 per cent to €650.8 million (2019: €620.6 million) and by 6.6 per cent in reported pound sterling equivalents[2]. This included Professional Services growth of 19.8 per cent to €262.8 million (2019: €219.4 million), an increase of 21.8 per cent in reported pound sterling equivalents[2], and a reduction in Managed Services of 3.3 per cent to €388.0 million (2019: €401.2 million), a decline of 1.7 per cent in reported pound sterling equivalents[2].

While revenue in Managed Services reduced slightly, we were able to achieve significant double-digit growth in the Professional Services project and consulting businesses. This is particularly remarkable because, in a pandemic such as we are currently experiencing, customers might have been expected to reduce their investments significantly. Instead, customers made additional investments in expanding infrastructure to quickly support remote working and projects already planned were continued under new framework conditions. This mainly concerned the areas of network, security, workplace enablement and identity and access management.

We successfully concluded many contract extensions but were unable to retain three existing contracts. In addition, we succeeded in concluding a major new contract, which secures additional business for the next five years. The pipeline is strong and shows additional growth potential.

Overall, the Services margin was 380 basis points higher than last year.

One of our goals for 2020 was to continue to stabilise service quality in our Managed Services business. We took a more proactive approach to managing quality in deals, with less need to react to issues that have previously had a negative impact on business performance. Further progress is expected in 2021, as the service quality management framework which underpins the way we work expands and matures, with the potential to increase significantly both performance and delivery quality, especially in the area of problem contracts. This is due in particular to the measures we implemented in 2019. For all contracts, we achieved or even exceeded our target. Only one new contract had implementation problems and exceeded the transition budget. However, this contract was stabilised in the course of the year. Overall, we are very satisfied with this improvement in performance.

FRANCE

On 2 November 2020, the Group acquired BT Services France, now known as Computacenter NS. The acquisition contributed €15.0 million of revenue and an adjusted[1] operating loss of €1.6 million in the two months of trading to 31 December 2020 and all results below reflect this contribution.

Financial performance

Total revenue increased by 5.3 per cent to €753.9 million (2019: €715.8 million). In reported pound sterling equivalents[2], total revenue was up 7.6 per cent.

Although revenues in the first half of 2020 were flat compared to 2019, we were pleased that business volumes accelerated significantly in the second half of the year. This resulted in a good performance for the year as a whole, which was particularly pleasing given the challenges we faced in 2020. We saw the expected impact of a large international contract that was not renewed in 2019, whilst the COVID-19 crisis had a severe effect on many customers, which resulted in reduced business volumes.

Our two business sectors showed different performance patterns. The Public Sector continued to deliver excellent growth with existing customers, with more and more organisations consolidating their infrastructure services and solutions requirements into large framework tenders. We have grown our market share by winning several of these large framework contracts. Winning these contracts is important, but it is essential that we then create a good account team to define the best solutions for our customers, with specialised sales and technical experts supported by our delivery organisations and our Technology Partners.

Our private sector business had a reasonable year but the COVID-19 crisis made it impossible to reach the same volumes as 2019. At the start of the pandemic, multiple customers in the private sector put a stop on investments. Some of these investment decisions were finally approved during the summer but there are still numerous large organisations that remain very cautious about their IT spending, as COVID-19 continues to have a severe impact on their core businesses. It was encouraging that we successfully transitioned a new large Managed Services contract for an international transport company, in the first half of the year.

On 2 November 2020 we reached an important milestone for our French business, as we completed the acquisition of BT's domestic Services operations in France and welcomed over 540 new people to our French operations. This subsidiary has been renamed Computacenter NS. The acquisition is a step change for our French business, significantly increasing our capabilities, especially in networking design, IT and networking operations and support. Whilst much remains to be done, we have made good progress with integrating our teams and processes and we are encouraged by our first business successes as one sales team, with our joint customers.

The Computacenter NS business contributed to revenue for the last two months of 2020 and therefore had only a limited impact on our overall financial performance in France. The business was loss making at acquisition, and will remain so for some time, which will reduce reported profits in 2021. However, we are able to utilise the spare capacity in the business as we sell the capability to our Computacenter France customers, which will improve the performance.

As the French business continues to grow, we are focused on reviewing and improving our quality processes. These should help us to maintain a high level of customer satisfaction and improve the consistency and certainty of our business performance. This improvement process is expected to continue in 2021, as we introduce the 'improvement and lessons learned' components of our service quality management framework, which have already proven beneficial in the UK and Germany.

Overall, margins in France decreased by 105 basis points, with adjusted[1] gross profit decreasing from 12.1 per cent to 11.1 per cent of revenues.

Overall adjusted[1] gross profit reduced by 3.9 per cent to €83.3 million (2019: €86.7 million) and by 1.7 per cent in reported pound sterling equivalents[2].

Administrative expenses increased by 3.0 per cent to €68.9 million (2019: €66.9 million), and by 5.1 per cent in reported pound sterling equivalents[2] as we have continued to invest to support long-term growth.

Adjusted[1] operating profit for the French business decreased by 27.3 per cent to €14.4 million (2019: €19.8 million), and by 24.9 per cent in reported pound sterling equivalents[2].

Technology Sourcing performance

Technology Sourcing revenue increased by 7.4 per cent to €590.0 million (2019: €549.2 million) and by 9.8 per cent in reported pound sterling equivalents[2].

We grew our Technology Sourcing volumes in 2020, thanks to winning some significant framework contracts, our continued investment in presales resources and our excellent relationships with our Technology Partners.

The COVID-19 crisis had several impacts on the Technology Sourcing business. In particular, the workplace business has become a greater part of our product mix, as large end-user communities needed to move rapidly to a new working environment that enabled them to work from home or remotely. This resulted in a significant increase in demand for our Digital Me proposition, mainly through the sale of workplace and mobility solutions.

We have worked hard throughout the year to maintain and grow our vendor certifications. We are proud to have obtained both the Apple Authorized Enterprise Reseller and Apple Authorized Education Specialist certifications.

Overall, Technology Sourcing margins reduced by 61 basis points, primarily due to the shift towards the lower margin workplace business within the product mix.

Services performance

Services revenue decreased by 1.6 per cent to €163.9 million (2019: €166.6 million) and increased by 0.5 per cent in reported pound sterling equivalents[2]. Professional Services revenue decreased by 10.3 per cent to €40.0 million (2019: €44.6 million), which was a decrease of 8.5 per cent in reported pound sterling equivalents[2]. Managed Services revenues increased by 1.6 per cent to €123.9 million (2019: €122.0 million), an increase of 3.8 per cent in reported pound sterling equivalents[2].

Despite the COVID-19 situation, the Services business in France continued to deliver strong results. We knew that our revenues in 2020 would be affected by the loss of a large international contract that was not renewed in 2019, but we have largely overcome this challenge by improving overall service margins.

We started the year with a good pipeline of Managed Services opportunities. The COVID-19 crisis caused many organisations to stop their tender processes or to put their decisions on hold. Despite this difficult situation, we were pleased to win and successfully transition several international Managed Services contracts. Additionally, we have been able to extend our Services scope at three of our largest existing support contracts.

Based on the existing Contract Base, the pipeline and the fact that some of the campaigns that were put on hold in 2020 will restart, we are looking forward to further growth in our Managed Services business in 2021.

Our Professional Services business faced a challenging year with a decline in revenues, mainly due to the COVID-19 situation. As our Professional Services business in France is relatively small compared to the capabilities in the Group, the impact on the overall result was modest. Moreover, we were able to minimise the contribution loss, as we benefited from Government temporary unemployment support programmes in the second quarter, to compensate for the reduced utilisation of resources during lockdown. The Computacenter NS team has significantly strengthened our Services capabilities in France and we are looking forward to significant improvement in our Professional Services market share and profitability in 2021.

Services margins decreased by 247 basis points over last year.

NORTH AMERICA

During the second half of 2020, the Group completed the material acquisition of Pivot. This business was combined with our existing US Segment to create the North America Segment from 2 November 2020. The acquisition contributed $292.7 million of revenue and an adjusted[1] operating profit of $6.8 million in the two months of trading to 31 December 2020 and all results below reflect this result.

With the acquisition of Pivot, North America will further scale our technical capabilities to enhance our value to customers and deploy our expanding portfolio framework to enable our customers' success.

Financial performance
Total revenue increased by 27.8 per cent to $1,223.8 million (2019: $957.8 million). In reported pound sterling equivalents[2], total revenue was up 25.8 per cent.

Growth in North America was driven by the acquisition of Pivot, which contributed $292.7 million in revenue. Organically, North American revenue was down 2.8 per cent due to reduced spending by our mid-market customers, primarily because of the COVID-19 pandemic, partially offset by the strength of hyperscale data center customers. Overall, revenue was slightly ahead of forecast for the year, on an organic basis, in both Technology Sourcing and Services.

Overall, margins in North America decreased by 12 basis points, with adjusted[1] gross profit decreasing from 9.3 per cent to 9.1 per cent of revenues.

The Technology Sourcing business increased its margin due to the acquisition of Pivot. Pivot's technology sourcing margins are approximately 1 per cent higher than the FusionStorm business, as its customer mix is not as focused on hyperscale customers, who tend to drive lower margins. Excluding Pivot, Technology Sourcing margins rose by 44 basis points, primarily due to improved vendor rebate performance through a change in the mix of vendors towards those with higher rebate structures, more in line with our European businesses. Investments in the partner management function in the prior year also resulted in improved Technology Sourcing margins.

Professional Services margins were down compared to the prior year, as customer projects were deferred due to COVID-19, which resulted in lower staff utilisation. The Managed Services business reported higher margins year-on-year due to improved mix, currency benefits and leveraging lower-cost regions for some of its work. Reported margins were below expectations overall.

Overall adjusted[1] gross profit grew by 26.6 per cent to $112.2 million (2019: $88.6 million) and by 24.2 per cent in reported pound sterling equivalents[2].

Administrative expenses increased by 21.8 per cent to $93.8 million (2019: $77.0 million), and by 19.7 per cent in reported pound sterling equivalents[2]. This was due to the acquisition of Pivot, which added $23.0 million of administrative expenses for the period after acquisition. Excluding the impact of acquisition, administrative expenses were reduced year-on-year. Reduced travel costs due to COVID-19 were partially offset by other increases in administrative expenses, which were driven by higher variable remuneration, continued long-term investments in our new Livermore Integration Center and the deployment of our Group ERP system, which will underpin our future systems strategy in the region.

Adjusted[1] operating profit for the North America business increased by 58.6 per cent to $18.4 million (2019: $11.6 million), and by 53.8 per cent in reported pound sterling equivalents[2].

The increase in operating profit was largely due to the acquisition of Pivot, which contributed $6.8 million of operating profit since it was acquired. December was by far Pivot's most profitable month of the year and this level of performance should not be extrapolated. Excluding Pivot, North America adjusted[1] operating profit was largely flat, despite the impacts of COVID-19, as hyperscale customers continued to purchase in volume. The Integration Center continued to perform well in the second half of 2020, while operating expenses were reduced due primarily to the inability to travel as a result of COVID-19.

Technology Sourcing performance
Technology Sourcing revenue increased by 27.3 per cent to $1,189.2 million (2019: $934.1 million) and by 25.4 per cent in reported pound sterling equivalents[2].

The addition of Pivot results in significant growth in our Technology Sourcing business. Pivot contributed $280.0 million of Technology Sourcing revenue since acquisition. Excluding Pivot, Technology Sourcing revenue declined by 2.7 per cent, as mid-market customers reduced their spending as a result of COVID-19, while hyperscale customers were not significantly impacted. 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 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. By adding the Pivot volume, driving consistent supply chain via consolidation and process integration remain powerful value propositions to our target market customers.

North America Technology Sourcing margins improved 65 basis points over last year, as a result of a number of activities to improve the underlying efficiency and effectiveness of the business. The addition of Pivot improved margins by 20 basis points, while the implementation of the partner management organisation provided margin improvement that was partially offset by customer mix, as large hyperscale customers comprised a larger portion of revenue than the prior year.

Services performance

Services revenue increased by 46.0 per cent to $34.6 million (2019: $23.7 million) and by 44.1 per cent in reported pound sterling equivalents[2]. Professional Services increased by 48.8 per cent to $25.6 million (2019: $17.2 million), which was an increase of 45.2 per cent in reported pound sterling equivalents[2]. Managed Services increased by 38.5 per cent to $9.0 million (2019: 6.5 million), an increase of 41.2 per cent in reported pound sterling equivalents[2].

Excluding Pivot, Services revenues decreased by 7.9 per cent as project activity slowed, with customers either delaying expected spend or cancelling projects while they responded to COVID-19.

The overall Services performance was mixed. Our pre-acquisition Professional Services business decreased, driven by COVID-19-related project delays or cancellations. The majority of the Professional Services business is with our mid-market customers and that segment was most affected by COVID-19. A bright spot remains our rack fabrication business, which is delivered from our new Integration Center and experienced a strong year. We continue to see significant growth for our Integration Center projects, including complex distributed branch rollouts, as well as global data center build-out projects for our hyperscale customers.

Services margins decreased and are now 431 basis points below the overall combined Group Services margin. While we saw reduced spending on Services, we were not able to reduce costs as much as revenue was impacted. Managed Services improved its gross margin, due to certain higher-margin non-recurring activities.

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. As of January 2020, we started to develop a sales and trading entity in Spain, with offices in Madrid and Barcelona.

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 decreased by 9.7 per cent to £174.3 million (2019: £193.0 million) and by 11.5 per cent in constant currency[2].

2020 was challenging for our trading entities in the International Segment, especially at the start of the year. Due to the COVID-19 crisis, the business saw a significant decline in both revenues and profitability during the first six months of the year. However, in the second half we saw a remarkable recovery of business volumes and profitability. This positive trend and the promising pipeline at the beginning of 2021 make us confident about our growth ambitions for the coming years.

Adjusted[1] gross profit decreased by 29.4 per cent to £30.7 million (2019: £43.5 million), and by 29.6 per cent in constant currency[2].

Administrative expenses decreased by 23.2 per cent to £27.1 million (2019: £35.3 million) and by 23.9 per cent in constant currency[2].

Overall adjusted[1] operating profit decreased by 56.1 per cent to £3.6 million (2019: £8.2 million), and by 55.0 per cent in constant currency[2].

In 2019 we invested significantly to increase our sales capabilities in Belgium, the Netherlands and Switzerland. Due to the COVID-19 crisis, we did not see immediate returns on these investments.

The Belgian business saw a small decline in profitability in 2020, mainly because of a reduction in contribution in Technology Sourcing. This was due to its focus on customers in the private sector, which we believe has suffered more from the COVID-19 crisis than Public Sector customers. Our Managed Services contribution has grown year-on-year as key private customers continue to count on Computacenter to support the business with the new normal: users working from home.

The Swiss business was also affected by the pandemic. However, a more important reason for the profitability decline in 2020 was the significant scope change in our two major Managed Services contracts. As we anticipated that this could happen, we invested in 2019 and early 2020 in additional sales capacity and Technology Sourcing capabilities. We are pleased that we have been able to offset part of the Managed Services profitability decline with these new capabilities.

Our business in the Netherlands had a difficult first half but its performance improved in the last five months of the year. Whilst Public Sector spending was very slow at the start of the year, we have been able to win and develop significant contracts that started to become very active towards the end of the year. Additionally, we are encouraged by the win of an international procurement and services contract with a large petrochemical company. This is particularly pleasing as this is an international contract where we will be able to leverage our worldwide capabilities, either through our own operations or through strategic partners.

In early 2020, we started to build a sales team in Spain. This business has currently onboarded a team of around 15 account managers and specialist salespeople. Whilst it was difficult to gain market share during the pandemic, the Spanish team has progressed well in developing a local sales pipeline and leveraging some existing international contracts. Furthermore, the team has been concentrating on achieving vendor certifications with

Cisco and the ISO 9001 and 14001 quality accreditations.

Technology Sourcing performance
Technology Sourcing revenue decreased by 10.7 per cent to £110.5 million (2019: £123.7 million) and by 12.4 per cent in constant currency[2].

During the early months of the COVID-19 crisis clients reduced spend, particularly in the private sector. Investments around the workplace remained important, as organisations were required to enable their end users with new ways of working. We struggled, however, to maintain the same volumes as previous years in the data center, networking and security business lines.

As we want to build a business for the long term, we have continued to work with organisations to identify their future requirements, even when they were not clear that investment decisions could be made. As it was difficult to meet customers in the traditional way, we have been creative in developing new ways of presenting our offering, discussing their needs and creating proposals. For example, in Belgium we have developed virtual 'meet-the-expert' information sessions, where we share insights such as how organisations can better anticipate new challenges like those we all faced in 2020 or discuss new technology trends.

Towards the end of the year, Technology Sourcing business volumes returned to normal, as some organisations decided to push ahead with infrastructure projects that were put on hold earlier in the year. Additionally, the workplace business remained very busy throughout the year. We could have had an even stronger end to the year in this business line, but we were confronted by reduced availability of systems from all of our main vendors. On the other hand, this has resulted in a strong order book to start 2021. We are confident that in the coming years we will continue to reap the benefits of the investments we have made to increase our sales capacity in the entire International Segment.

Services performance
Services revenue decreased by 7.9 per cent to £63.8 million (2019: £69.3 million) and by 10.0 per cent in constant currency[2]. Professional Services revenue increased by 80 per cent to £7.2 million (2019: £4.0 million), and by 75.6 per cent in constant currency[2] whilst Managed Services decreased 13.3 per cent to £56.6 million (2019: £65.3 million), and by 15.3 per cent in constant currency[2].

In general, we were pleased with the performance of our Managed Services business. All major contract renewals were concluded successfully and we have been able to increase our Contract Base slightly. As mentioned, our Swiss business was affected by the revised service scope for two of its major contracts, but we are committed to continuing to help our customers succeed and look forward to new extension opportunities in the future.

Our Professional Services business suffered from the COVID-19 crisis, as many customers were forced to reduce projects due to financial pressure or for practical site access reasons.

Whilst 2020 was a difficult year for the International Segment, we are encouraged by the way we returned to good business levels towards the end of the year. Additionally, we have a continued opportunity to gain further market share in each of our operations, mainly by leveraging the offering we have developed as a Group and by using our strength on an international level.

GROUP FINANCE DIRECTOR'S REVIEW

In 2020, the Group benefited from Technology Sourcing growth in the UK, particularly in the Public Sector, and the continuing strong growth of Professional Services volumes in Germany. This offset revenue slowdowns in some other businesses across the Group, principally due to the COVID-19 crisis.

The Group's return to organic revenue growth in the second half of the year, which excludes the impact of acquisitions, was pleasing, given the significant reduction of spend seen in a number of key industrial customers, as they focused on other priorities. Across the business, we had more customer accounts with declining revenues than those with growth. However, a small number of accounts performed very strongly, which more than offset the weakness elsewhere. The business remained agile and innovative, enabling us to adapt and support our customers in both the private and Public Sectors, as they migrated to a remote-working IT environment in the first half of the year and then faced the ongoing challenges brought by the continued COVID-19 crisis. We are immensely proud of the way that our people have responded to our customers' challenges, generating innovative solutions to ensure the business remains a key partner for customers through this period.

The revenue performance was driven by our biggest markets, the UK and Germany, and was supported by increases in gross margins across all business lines. This margin performance was due to a changed customer mix within Technology Sourcing and a reduction of expenses within costs of goods sold, benefiting both Technology Sourcing and the Services businesses. Whilst some of these costs, such as travel, fleet and contractors, will partially return as the Group goes back to its pre-COVID-19 mode of operation, we aim to manage this carefully within certain cost categories and therefore permanently lower the overall cost base.

The Group result saw significant double-digit increases in adjusted[1] operating profit across the UK and Germany, more than compensating for reductions in the French and International Segments. North America saw significant growth in profitability, against a weak comparative year.

Professional Services revenue continued its very strong and sustained growth pattern in Germany, with continuing high demand for our highly skilled people to work on digital transformation, cloud and security projects for customers. The German business is clearly the leader in this area for the Group and has seen demand increase through the COVID-19 crisis. There remains significant appetite to expand our Professional Services capacity in Germany, whilst rolling out this capability across the Group. The UK Professional Services revenue saw a significant rebound in the second half of the year, as customers re-engaged on projects that were temporarily paused by the COVID-19 crisis in the first half, whilst modest decreases were seen in France, mainly due to the inability to access customer sites.

Managed Services saw revenue reductions across the UK and Germany, continuing the deflationary trend over recent years, but the top line was affected by a number of contracts which are based on price times quantity, rather than a fixed periodic fee. As call volumes to our Service Centers surged at the beginning of the crisis, the field engineer workforce saw significant reductions in activity, due to customer sites being closed. Despite this revenue reduction, margins improved due to significantly increased utilisation of our now remote-working engineers, who no longer have to spend otherwise billable time travelling to customer sites, and a significant reduction in the use of external contractors.

The acquisition of Pivot and BT Services France on 2 November 2020 was very pleasing, being achieved in the middle of the pandemic and during a series of rolling national lockdowns. Pivot increases the scale and breadth of our North American business, allowing us to serve a wider range of customers in more locations in the United States. BT Services France will, over time, enhance the network Services offering of our existing French business, improving our go-to-market propositions and aligning the business with our capabilities in Germany, albeit on a smaller scale. Much remains to be done to transform the business and bring it back to break-even and beyond. Combined, these acquisitions added £232.6 million of revenue and £3.2 million of adjusted[1] profit before tax to the Group's 2020 results.

A reconciliation to key adjusted[1] measures is provided on 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 to adjusted[1] measures for the year ended 2020

		Adjustments			
	Full-year results £'000	Amortisation of acquired intangibles £'000	Utilisation of deferred tax £'000	Exceptionals and others £'000	Adjusted[1] full-year results £'000
Revenue	**5,441,258**	-	-	-	**5,441,258**
Cost of sales	**(4,720,717)**	-	-	-	**(4,720,717)**
Gross profit	**720,541**	-	-	-	**720,541**
Administrative expenses	**(522,054)**	7,434	-	540	**(514,080)**
Operating profit	**198,487**	7,434	-	540	**206,461**
Gain on acquisition of subsidiary	**14,030**	-	-	(14,030)	-
Finance income	**475**	-	-	-	**475**
Finance costs	**(6,421)**	-	-	-	**(6,421)**
Profit before tax	**206,571**	7,434	-	(13,490)	**200,515**
Income tax expense	**(52,415)**	(1,695)	-	(715)	**(54,825)**
Profit for the year	**154,156**	5,739	-	(14,205)	**145,690**

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

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

Profit before tax

The Group's profit before tax increased by 46.5 per cent to £206.6 million (2019: £141.0 million). Adjusted[1] profit before tax increased by 37.0 per cent to £200.5 million (2019: £146.3 million) and by 35.5 per cent in constant currency[2].

The difference between profit before tax and adjusted[1] profit before tax primarily relates to the Group's reported net gain of £6.1 million (2019: net costs of £5.3 million) from exceptional and other adjusting items. This is principally the gain on acquisition of BT Services France, partially offset by the amortisation of acquired intangibles as a result of the acquisition of FusionStorm on 30 September 2018 and Pivot on 2 November 2020.

The Group adopted IFRS 16 'Leases' from 1 January 2019, which has resulted in changes in accounting policies and adjustments to the amounts recognised in the Financial Statements, as disclosed in the 2019 Annual Report and Accounts. The current year results include an overall decrease in profit before tax of £2.0 million, including on an adjusted[1] basis, due to the impact of IFRS 16 (2019: £1.7 million).

Net finance charge

The net finance charge in the year amounted to £5.9 million (2019: £6.1 million). The charge includes £4.5 million of interest on lease liabilities recognised following the adoption of IFRS 16 on 1 January 2019 (2019: £3.7 million). A further £0.8 million of cost relates to interest on the term loan drawn down for the FusionStorm acquisition (2019: £1.8 million), along with a £0.3 million cost on the term loan for the Kerpen facility (2019: £0.4 million) and £0.4 million of cost related to the Pivot facility. Interest costs of £0.1 million related to the French retirement benefit obligation were incurred in the year (2019: nil). The prior year net finance charge also included exceptional interest costs of £0.8 million relating to the unwind of the discount on the deferred consideration for the purchase of FusionStorm and a further £0.1 million cost for the unwind of the discount on the deferred consideration for acquisitions, the former of which was excluded on an adjusted[1] basis.

Outside of the specific items above, net finance income of £0.2 million was recorded (2019: £0.7 million). On an adjusted[1] basis, the net finance cost was £5.9 million during the year (2019: £5.2 million).

Taxation

The tax charge was £52.4 million (2019: £39.4 million) on profit before tax of £206.6 million (2019: £141.0 million). This represents a tax rate of 25.4 per cent (2019: 27.9 per cent). The tax rate has fallen primarily due to the inclusion of the gain on acquisition of BT Services France of £14.0 million, recognised on consolidation of the acquired entity. This is not taxable, as no chargeable gain has been realised in any legal entity. Further, the Group's adjusted[1] tax rate has previously benefited from the historical tax losses in Germany, the final part of which was utilised during the previous year. The utilisation of the asset of £0.7 million in 2019 increased the tax rate by 0.5 per cent but was considered to be outside of our adjusted[1] tax measure.

During 2020, a tax credit of £0.7 million (2019: £0.8 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 a one-off and material to the overall tax result, we have classified this as an exceptional tax item, consistent with the treatment in 2018 and 2019.

The tax credit related to the amortisation of acquired intangibles was £1.7 million (2019: £1.1 million). The £7.4 million of amortisation of intangible assets is nearly entirely a result of the recent North American acquisitions (2019: £4.4 million). As the amortisation is recognised outside of our adjusted[1] profitability, the tax benefit on the amortisation is also reported outside of our adjusted[1] tax charge.

The adjusted[1] tax charge for the year was £54.8 million (2019: £40.7 million), on an adjusted[1] profit before tax for the year of £200.5 million (2019: £146.3 million). The effective tax rate (ETR) was therefore 27.3 per cent (2019: 27.8 per cent) on an adjusted[1] basis. The ETR during the year was lower than the previous year due to the large increase in profitability in the UK, which has lower tax rates than the Group average, particularly Germany and the US. The ETR is within the full-year range that we indicated in our 2020 Interim Results, which showed an ETR of 28.1 per cent (H1 2019: 26.6 per cent).

We expect that the ETR in 2021 will remain under upwards pressure, due to an increasing reweighting of the geographic split of adjusted[1] profit before tax away from the UK to Germany and the US, where tax rates are substantially higher, and also as governments across our primary jurisdictions come under fiscal and political pressure to increase corporation tax rates.

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 tax charge in 2020 was incurred in either the UK, German or US tax jurisdictions, as it was in 2019, with Computacenter France, excluding the BT Services France acquisition, now also moving into a taxpaying position.

There are no material tax risks across the Group. 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. For 2020, the Group Transfer Pricing policy implemented in 2013 resulted in a licence fee of £27.9 million (2019: £25.6 million), charged by Computacenter UK to Computacenter Germany, Computacenter France and Computacenter Belgium. The licence fee is equivalent to 1.0 per cent of revenue and 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 summary financial information within this announcement, Segment information, which analyses Segmental results down to adjusted[1] operating profit.

The table below reconciles the tax charge to the adjusted[1] tax charge for the years ended 31 December 2020 and 31 December 2019.

	2020 £'000	2019 £'000
Tax charge	**52,415**	39,397
Adjustments to exclude:		
Exceptional tax items	**715**	839
Tax on amortisation of acquired intangibles	**1,695**	1,149
Utilisation of German deferred tax assets	**-**	(733)
Tax on exceptional items	**-**	39
Adjusted[1] tax charge	**54,825**	40,691
ETR	**25.4%**	27.9%
Adjusted[1] ETR	**27.3%**	27.8%

Profit for the year

The profit for the year increased by 51.8 per cent to £154.2 million (2019: £101.6 million). The adjusted[1] profit for the year increased by 38.0 per cent to £145.7 million (2019: £105.6 million) and by 36.7 per cent in constant currency[2].

Exceptional and other adjusting items

The net gain from exceptional and other adjusting items in the year was £8.5 million (2019: loss of £4.0 million). Excluding the tax items noted above, which resulted in a gain of £2.4 million (2019: gain of £1.3 million), the profit before tax impact was a net gain from exceptional and other adjusting items of £6.1 million (2019: loss of £5.3 million).

The acquisition of BT Services France resulted in an exceptional gain of £14.0 million, which was recognised on consolidation of the subsidiary. The gain arose because the net assets acquired for consideration of €1 totalled £14.0 million after fair value adjustments, including £27.6 million of cash. The business acquired comprised BT's domestic French services operations which, on acquisition, was loss making on a stand-alone basis. The Company considers that the exceptional gain reflects the future losses that the acquired business will incur over the medium term, as it is brought onto a sustainable footing through a combination of upskilling employees, cross-selling into the Group's customers, alignment with Group processes and systems, and the general improvement of its operating activities. Where possible, future charges relating to this reconfiguration of the business will be disclosed separately to the Group's adjusted[1] results. This will mean that, over time, the future costs incurred can be attributed against the exceptional gain on acquisition recognised in the current year.

An exceptional loss during the year of £0.7 million resulted from the acquisition of Pivot and primarily related to fees paid to the Company's advisors. This cost is non-operational, unlikely to recur and is consistent with our prior-year treatment of acquisition costs on material transactions as exceptional items. It has therefore been classified as outside our adjusted[1] results.

An exceptional gain of £0.1 million related to the release of accrued costs for the French Social Plan. Whilst not material, this has been classified outside our adjusted[1] results to be consistent with where the cost was recognised in 2016, as an additional provision for the effect of winding-down the Social Plan.

In the prior year, an exceptional loss of £0.1 million was recognised, comprising costs directly relating to the acquisition of FusionStorm. A further £0.8 million was also removed from the adjusted[1] net finance expense and classified as exceptional interest costs in 2019. This related to the unwinding of the discount on the deferred consideration for the purchase of FusionStorm.

We have continued to exclude the amortisation of acquired intangible assets in calculating our adjusted[1] results. Amortisation of intangible assets is non-cash, does not relate to the operational performance of the business, 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 £7.4 million (2019: £4.4 million), primarily relating to the amortisation of the intangibles acquired as part of the recent North American acquisitions. The current year value includes the write-off of a number of short-term acquired intangibles relating to the valuation of Pivot order backlogs, due to the expiration of the valued assets.

Other items within adjusted[1] profit before tax

The two items below have been absorbed by the Group within its adjusted[1] profit before tax result and, whilst not exceptional, are one-off in nature.

Group EPS target achievement bonus

Since 2013, the Company has had an internal ambition to exceed adjusted[1] EPS of £1. The Company has grown, developing its capability, reach and reputation to the extent that the goal was achieved during 2020. The Company decided to mark the achievement with a one-off bonus, to recognise those who have been with the Company along this journey. The bonus was given to approximately 80 per cent of employees globally. Senior managers and those with commission-based rewards were excluded, with the focus on those longest serving. For those eligible, the award was £200 or equivalent for an employee who had completed their first year of service, rising to £500 for those with more than seven years of service.

The Company does not intend to make similar payments on a regular basis but reserves the right to share the rewards of success with its employees, if another long-term goal is achieved. The total cost to the Group of the bonus was £5.2 million, which was paid from cash reserves prior to 31 December 2020.

North American restructuring costs

Following the acquisition of Pivot, the senior Management was amalgamated with that of the existing businesses in the US. Whilst a formal restructuring programme is not expected to start until the rollout of the Group's ERP systems and processes is complete throughout the North American operation, several positions were left with an overlap of senior employees. As a result, the Company has agreed with certain senior employees that their positions are in excess of the business's needs and exit packages totalling $1.7 million have been accrued as at 31 December 2020.

Earnings per share

Diluted EPS increased by 50.3 per cent to 133.8 pence per share (2019: 89.0 pence per share). Adjusted[1] diluted EPS increased by 36.6 per cent to 126.4 pence per share (2019: 92.5 pence per share).

	2020	**2019**
Basic weighted average number of shares (excluding own shares held) (no.'000)	**112,894**	112,514
Effect of dilution:		
Share options	**2,005**	1,655
Diluted weighted average number of shares	**114,899**	114,169
Profit for the year attributable to equity holders of the Parent (£'000)	**153,750**	101,655
Basic EPS (pence)	**136.2**	90.3
Diluted EPS (pence)	**133.8**	89.0

	2020	2019
Adjusted[1] profit for the year attributable to equity holders of the Parent (£'000)	**145,284**	105,654
Adjusted[1] basic EPS (pence)	**128.7**	93.9
Adjusted[1] diluted EPS (pence)	**126.4**	92.5

Dividend

The Board recognises the importance of dividends to shareholders and the Group prides itself on a long track record of paying dividends and other special one-off cash returns. However, the Group announced on 23 April 2020 that, as a result of the COVID-19 crisis, the previously proposed 2019 final dividend would not be paid.

Whilst the Group's cash position at the time was strong and trading was in line with our expectations, we continued to explore all opportunities to maintain cash flow and preserve cash balances, in light of the heightening uncertainty about the scale and duration of the pandemic. The Group has approved a number of requests from customers, immaterial in aggregate, for extended payment terms and continues to look for ways to support the short-term cash flow of smaller customers or those that have been materially affected by the impact of COVID-19. Accordingly, the Board believed at the time of the announcement that it was prudent not to pay a final dividend in respect of 2019. Resolution 4 set out in the Notice of Annual General Meeting 2020 was therefore not put to a vote at the AGM and the 2019 final dividend was not paid.

The Group continues to monitor the COVID-19 crisis and the resultant cash flow implications. With the strong results for the period to 30 June 2020 and the corresponding cash flow performance, the Board considered it appropriate to resume distributing cash to shareholders by returning to the Group's normal interim and full-year dividend cycle. The Board was therefore pleased to announce the interim dividend of 12.3 pence per share, which was paid on Friday 23 October 2020.

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. The Group remains highly cash generative and adjusted net funds[3] continue to regenerate on the Consolidated Balance Sheet, which allows acquisitions such as FusionStorm in 2018 and Pivot in 2020, alongside a number of other small acquisitions.

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 last did in February 2018.

Dividends are paid from the standalone balance sheet of the Parent Company and, as at 31 December 2020, the distributable reserves were approximately £268 million (2019: £165 million).

The Board is pleased to propose a final dividend for 2020 of 38.4 pence per share. Together with the interim dividend, this brings the total ordinary dividend for 2020 to 50.7 pence per share, representing a 37.0 per cent increase on the 2019 total proposed dividend per share of 37.0 pence, including the final 2019 dividend of 26.9 pence per share that was proposed but not paid as described above.

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 EPS. In 2020, the cover was 2.5 times (2019: 2.5 times).

Subject to the approval of shareholders at our Annual General Meeting on 20 May 2021, the proposed dividend will be paid on Friday 2 July 2021. The dividend record date is set as Friday 4 June 2021 and the shares will be marked ex-dividend on Thursday 3 June 2021.

Segmental reporting structure changes

During the first half of the year, Management reviewed the way it reported Segmental performance to the Board and the CEO, who is the Group's Chief Operating Decision Maker ('CODM'). Subsequently, from 1 January 2020 the Group has revised where the results of certain Managed Services contracts are reported within its operating Segments. The operating Segments remain unchanged in all other respects from those reported at 31 December 2019. The change in Segmental reporting has no impact on reported Group results.

Operational responsibility for a significant European customer was transferred from the German to the French business from 1 January 2020. The French Senior Management targets now include the results from this customer. We have therefore restated the results for the French and German Segments for the year ended 31 December 2019, to assist with understanding the growth in each business and to ensure year-on-year results are comparable.

Computacenter USA performs Managed Services work for other Computacenter entities, on behalf of several key European contracts. These revenues were originally recorded in the USA Segment, where the associated underlying subsidiary recognises the revenues in its statutory accounts. However, to be consistent with practices across the Group, Management has reallocated these revenues to the UK, German, French and International Segments which have responsibility for the customer contracts. This reflects better where the portfolio co-ordination and operational responsibility lies and, therefore, where the benefits should accrue on a Segmental basis. This treatment also means that for the Segmental analysis, Computacenter USA, within the USA Segment, is now treated similarly to the remainder of our offshore internal service provider entities that are grouped within the International Segment. We have, therefore, restated the Managed Services revenues for the year ended 31 December 2019 to assist with understanding the growth in each business and to ensure year-on-year comparisons reflect true underlying growth. This has no impact on Segmental profitability, as the margins were previously shared on the same basis that the revenue now reflects. Further, with the acquisition of Pivot on 2 November 2020, which includes a material business in Canada, the USA Segment has been renamed as the North American Segment and is referred to as such throughout this Annual Report and Accounts.

This new Segmental reporting structure is the basis on which internal reports are provided to the CEO, as the CODM, for assessing performance and determining the allocation of resources within the Group, in accordance with IFRS 8.25. Segmental performance is measured based on external revenues, adjusted[1] gross profit, adjusted[1] operating profit and adjusted[1] profit before tax. As noted below, Central Corporate Costs continue to be disclosed as a separate column within the Segmental note to the summary financial information within this announcement.

Further details of the Segmental changes and the associated restatement of 2019 Segment information can be found in note 4 to the summary financial information within this announcement. All discussion within this Annual Report and Accounts of Segmental results reflects this revised structure and the resultant prior-year restatements.

Central Corporate Costs
Certain expenses are not allocated to individual Segments because they are not directly attributable to any single Segment. These include costs 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 initiatives that benefit the whole Group.

Accordingly, these expenses are disclosed as a separate column, 'Central Corporate Costs', within the Segmental note included in the summary financial information included within this announcement. 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 steady at £27.1 million (2019: £27.1 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 down at £6.8 million (2019: £7.1 million);
- share-based payment charges associated with the Group Executive members identified above, including the Group Executive Directors, increased from £3.0 million in 2019 to £3.2 million in 2020, due primarily to the increased value of Computacenter plc ordinary shares; and
- strategic corporate initiatives were flat at £17.1 million (2019: £17.1 million), with spend primarily focused on projects designed to increase capability, enhance productivity or strengthen systems which underpin the Group.

Cash flow
The Group delivered an operating cash inflow of £236.8 million for the year to 31 December 2020 (2019: £198.3 million inflow).

Certain COVID-related one-off benefits were included in the 2020 full-year cash flow and net cash positions. This includes extended free-of-charge supplier credit with a major vendor of approximately £15.0 million as at 31 December 2020. Temporary tax payment timing benefits utilised during the year were fully repaid as at 31 December 2020.

Our usual strong year-end net funds position was strengthened further, as a number of our customers paid ahead of normal payment cycles, partly, we believe, where overseas customers looked to avoid sometimes negative interest rates. This has been exacerbated by a shift towards government customers during the year, resulting in improvements in cash collection as governments, particularly in Europe, have been settling debts as quickly as possible and well ahead of industry standard payment terms. The Group, in turn, paid a number of its suppliers early, to reduce the temporary excess cash on the balance sheet at the year end. However, the volume of early payments from customers received in the final days of the year was unprecedented. The Company estimates, broadly, that unforeseen receipts from customer payments in advance of the due date exceeded the Company's ability to pay its own suppliers early by roughly £50 million.

Capital expenditure in the year was £27.5 million (2019: £38.9 million), with the decrease primarily relating to the prior-year investment in the final elements of the German facility and establishing a new Integration Center in Livermore, California. The spend in 2020 primarily comprises other investments in IT equipment and software tools, to enable us to deliver improved service to our customers.

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 typically receive funds 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, either directly or indirectly, enabling 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 2020 was £38.9 million (31 December 2019: £33.8 million).

Cash and cash equivalents and net funds

Cash and cash equivalents as at 31 December 2020 were £309.8 million, compared to £217.9 million at 31 December 2019. Net funds[3] as at 31 December 2020 were £51.2 million (31 December 2019: £20.3 million). Adjusted net funds[3] as at 31 December 2020 were £188.6 million, compared to adjusted net funds[3] of £137.1 million as at 31 December 2019.

Net funds as at 31 December 2020 and 31 December 2019 were as follows:

	2020 £'000	**2019 £'000**
Cash and cash equivalents	**309,844**	217,881
Bank loans and credit facility	**(121,194)**	(80,772)
Adjusted net funds[3] (excluding lease liabilities)	**188,650**	137,109
Lease liabilities	**(137,474)**	(116,766)
Net funds	**51,176**	20,343

For a full reconciliation of net funds and adjusted net funds[3], see note 9 to the summary financial information within this announcement.

The Group had three specific credit facilities in place during 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 loan facility due on 30 September 2021. The Group had intended to take advantage of stronger than anticipated cash generation to make an unplanned repayment of £20 million of this loan during the year, in addition to the unplanned repayment of £30 million in the second half of 2019. However, the Group elected to retain the balance as cash, as part of a wider cash-preservation strategy in the light of the COVID-19 pandemic. As at 31 December 2020, £41.6 million remained of the loan (31 December 2019: £56.0 million). Pivot has a $225.0 million senior secured asset-based revolving credit facility, from a lending group represented by JPMorgan Chase Bank, N.A. This can be used for revolving loans, letters of credit, protective advances, over advances, and swing line loans, and £58.4 million was drawn on the facility as at 31 December 2020. The Group also has a specific term loan for the build and purchase of our German office headquarters and fit out of the Integration Center in Kerpen, which stood at £20.9 million at 31 December 2020 (31 December 2019: £24.8 million).

The Group excludes 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 IFRS 16 accounting standard. There were no interest-bearing trade payables as at 31 December 2020 (31 December 2019: nil). The Group's adjusted net funds[3] position contains no current asset investments (31 December 2019: nil).

Revenue

	Half 1 £m	**Half 2** £m	**Total** £m
2018	2,008.9	2,343.7	4,352.6
2019	2,427.0	2,625.8	5,052.8
2020	**2,462.2**	**2,979.1**	**5,441.3**
2020/19	1.5%	13.5%	7.7%

Adjusted[1] profit before tax

	Half 1		**Half 2**		**Total**	
	£m	**% Revenue**	**£m**	**% Revenue**	**£m**	**% Revenue**
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%
2020	**74.6**	**3.0%**	**125.9**	**4.2%**	**200.5**	**3.7%**
2020/19	39.4%		35.7%		37.0%	

Revenue by Segment

	2020			2019 (restated)		
	Half 1 £m	**Half 2 £m**	**Total £m**	**Half 1 £m**	**Half 2 £m**	**Total £m**
UK	**858.8**	**914.6**	**1,773.4**	800.8	796.2	1,597.0
Germany	**843.7**	**1,032.6**	**1,876.3**	862.9	1,024.3	1,887.2
France	**304.3**	**368.5**	**672.8**	300.2	324.8	625.0
North America	**378.2**	**566.3**	**944.5**	369.9	380.7	750.6
International	**77.2**	**97.1**	**174.3**	93.2	99.8	193.0
Total	**2,462.2**	**2,979.1**	**5,441.3**	2,427.0	2,625.8	5,052.8

Adjusted[1] operating profit by Segment

	2020					
	Half 1		**Half 2**		**Total**	
	£m	**% Revenue**	**£m**	**% Revenue**	**£m**	**% Revenue**
UK	**45.9**	**5.3%**	**44.5**	**4.9%**	**90.4**	**5.1%**
Germany	**35.6**	**4.2%**	**77.0**	**7.5%**	**112.6**	**6.0%**
France	**3.8**	**1.2%**	**9.2**	**2.5%**	**13.0**	**1.9%**
North America	**4.7**	**1.2%**	**9.3**	**1.6%**	**14.0**	**1.5%**
International	**0.2**	**0.3%**	**3.4**	**3.5%**	**3.6**	**2.1%**
Central Corporate Costs	**(12.9)**	**(0.5%)**	**(14.2)**	**(0.5%)**	**(27.1)**	
Total	**77.3**	**3.1%**	**129.2**	**4.3%**	**206.5**	**3.8%**

	2019 (restated)					
	Half 1		**Half 2**		**Total**	
	£m	**% Revenue**	**£m**	**% Revenue**	**£m**	**% Revenue**
UK	23.5	2.9%	41.0	5.1%	64.5	4.0%
Germany	30.4	3.5%	49.1	4.8%	79.5	4.2%
France	8.3	2.8%	9.0	2.8%	17.3	2.8%
North America	1.2	0.3%	7.9	2.1%	9.1	1.2%
International	4.6	4.9%	3.6	3.6%	8.2	4.2%
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%

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 other 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 these facilities.

Financial instruments
The Group's financial instruments comprise borrowings, cash and liquid resources, and various items that arise directly from its operations. The Group's policy is not to undertake speculative trading in financial instruments.

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 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 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 2020 and at the year end was £309.8 million, with net funds[3] of £51.2 million after including the Group's three specific borrowing facilities and lease liabilities recognised under IFRS 16. Excluding lease liabilities, adjusted net funds[3] was £188.6 million at the year end.

Due to strong cash generation over many 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. The Group has a committed facility of £60.0 million, which was extended in September 2020 and now has an expiry date of 7

September 2023. 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, Canada, 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 pounds 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 2020, the Group recognised a loss of £1.9 million (2019: loss of £0.9 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 pounds sterling. The ongoing weakness in the value of sterling against most currencies during 2020, 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 2020 were not materially dissimilar to those seen in 2019. The impact of restating 2019 results at 2020 exchange rates would be an increase of approximately £49.5 million in 2019 revenue and an increase of £1.8 million in 2019 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, using credit rating agencies as a guide, 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 summary financial information within this announcement, 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.

Brexit update

In the 2019 Annual Report and Accounts and the 2020 Interim Report and Accounts, we provided a detailed update on our positioning from a Brexit risk and preparation perspective. In summary, we explained that we were in a low-risk category and that we had made considerable efforts to reduce the risk to our business as much as possible.

Since 1 January 2021, we believe that our risk position and preparation has served us well.

The Brexit deal announced on 24 December 2020 was helpful for the UK generally and removed the cliff edge risk position, especially the avoidance of customs tariffs on most goods shipped to and from the EU, depending on the country of origin. We have not yet seen, since 1 January 2021, very long queues of lorries at UK or French ports. There clearly have been some issues arising on customs tariffs on UK exports to the EU generally, where the goods are not of British origin. However, this issue has little impact on Computacenter as most of the products that we sell are zero rated under WTO terms.

There are still issues unresolved from a UK perspective, such as services and euro denominated trading which negatively impacts the City of London. However, we operate in all major cities in the principal EU countries that will benefit from this and should be able to offset any impact.

Imports into the UK

We have seen short delays arising from issues relating to customs checks and customs documentation for goods coming from the EU, which are typically one or two days and a week with one large supplier. These have not materially impacted our business to date.

A small number of our suppliers operate under International Commercial Terms similar to Carriage and Insurance Paid, which requires Computacenter to operate as the importer of record when they export from the EU. This has increased the administrative burden for us on these deliveries, although this has limited financial impact on the UK business as a whole.

Exports from the UK to the EU

A major part of our Brexit preparation was to move circa 90 per cent of the business for UK customers requiring deliveries in the EU from Computacenter UK to Computacenter Germany, thereby avoiding the need for export documentation and potential border delays. This has been very successful. We have also implanted some export-specific software on our Group ERP system, to ease the administration of exports, production of customs invoices etc. Despite this, there have been some challenges on the remaining 10 per cent of this business in terms of service level achievement, problems with documentation and couriers for EU countries. Some courier operations are not as well prepared as they should be, which has caused some confusion and delay. However, we are addressing these issues and do not expect any material impact.

Whilst Northern Ireland is part of the UK, the invisible border in the Irish Sea, and initial lack of clarity on how to export there, has resulted in some issues on shipments from Great Britain to Northern Ireland. These issues are quite small and have largely been resolved.

People

As noted in the 2019 Annual Report and Accounts, we do not have many EU nationals working in our UK business or UK nationals in our EU businesses. We were well prepared for this and have had no material issues.

Whilst there is limited travel expected in 2021, we are aware that UK nationals who need to visit EU countries to work on specific projects will require a work visa. We will be able to make arrangements to minimise the impact of this issue.

Data transfer regulation

As noted in our 2019 Annual Report and Accounts we are well prepared to meet data transfer regulations, having adopted EU-approved standard contractual clauses concerning data adequacy into our intra-Group agreements in 2018 and 2019. The Brexit deal included a form of data adequacy clause for four months, which can be extended by a further two months, whilst negotiations take place on longer-term arrangements.

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, and as set out in note 2 to the summary financial information within this announcement, 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 2020. 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;
- the continuing macro-economic, diplomatic and trade environment, following the departure of the UK from the European Union, introduces greater uncertainty into a forecasting period longer than three years; and
- the prolonged impact of COVID-19, and in particular the effect on certain of our customers from the worsening global economic outlook, and the current increasing pace of change of technology adoption as a result.

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 Services and Managed Services businesses, and Management is responsible for ensuring 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. The Group has seen significant business growth in the UK throughout the COVID-19 pandemic, due to the end-to-end Technology Sourcing capability that it can deliver from its UK Integration Center, which is a significant differentiating factor in this market.

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 at the December Board meeting.

On a rolling annual basis, the Board considers a three-year business plan (the 'Plan') consisting of the detailed bottom-up financial target for the following year (2021) and forecast information for two further years (2022 and 2023), 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 2021 was considered and approved by the Board on 10 December 2020, with amendments and enhancements to the target as part of the full Plan considered and approved by the Board on 9 March 2021.

Impact of risks and assessment of viability
The Plan is subject to rigorous downside sensitivity analysis, which involves flexing a number of the main assumptions underlying the forecasts within the Plan. The forecast

cash flows from the 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. The analysis considers access to available committed and uncommitted finance facilities, the ability to raise new finance in most foreseeable market conditions and the ability to restrict dividend payments.

The potential impact of the principal risks and uncertainties is then applied to the 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 Plan, to assess whether the business will be able to continue in operation.

For the current period, the primary downside sensitivity relates to a modelled, but not predicted, severe downturn in Group revenues, beginning in 2021, due to a worsening impact on our customers from the COVID-19 crisis. This sensitivity analysis models a continued market downturn scenario for some of our customers whose businesses have been affected by COVID-19 and a similar downturn occurring for the remainder of our customer base.

Additionally, the risks related to continued disruption from the departure of the UK from the EU on 31 December 2020 have been reflected within our underlying business plans.

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 meet its liabilities, as they fall due, over the three-year period to 31 December 2023.

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 15 March 2021 and was signed on its behalf by:

MJ Norris
Chief Executive Officer

FA Conophy
Group Finance Director

Consolidated Income Statement
For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue	4,5	**5,441,258**	5,052,779
Cost of sales		**(4,720,717)**	(4,389,665)
Gross profit		**720,541**	663,114
Administrative expenses		**(522,054)**	(516,090)
Operating profit		**198,487**	147,024
Gain on acquisition of a subsidiary		**14,030**	-
Finance income		**475**	980
Finance costs		**(6,421)**	(7,046)
Profit before tax		**206,571**	140,958
Income tax expense	7	**(52,415)**	(39,397)
Profit for the year		**154,156**	101,561
Attributable to:			
Equity holders of the Parent		**153,750**	101,655
Non-controlling interests		**406**	(94)
Profit for the year		**154,156**	101,561
Earnings per share:			
- basic	8	**136.2p**	90.3p
- diluted	8	**133.8p**	89.0p

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2020

		2020 £'000	2019 £'000
Profit for the year		**154,156**	101,561

		2020 £'000	2019 £'000
Items that may be reclassified to the Consolidated Income Statement:			
Loss arising on cash flow hedge		**(1,894)**	(915)
Income tax effect		**369**	176
		(1,525)	(739)
Exchange differences on translation of foreign operations		**3,217**	(18,175)
		1,692	(18,914)
Items not to be reclassified to the Consolidated Income Statement:			
Remeasurement of defined benefit plan		**(4,329)**	(786)
Other comprehensive expense for the year, net of tax		**(2,637)**	(19,700)
Total comprehensive income for the year		**151,519**	81,861
Attributable to:			
Equity holders of the Parent		**151,113**	81,956
Non-controlling interests		**406**	(95)
Total comprehensive income for the year		**151,519**	81,861

Consolidated Balance Sheet
As at 31 December 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Property, plant and equipment		**106,974**	101,443
Right-of-use assets		**129,622**	110,882
Intangible assets		**274,732**	175,670
Investment in associate		**57**	54
Deferred income tax assets	7d	**10,081**	9,204
Prepayments		**23,605**	3,520
		545,071	400,773
Current assets			
Inventories		**211,279**	122,189
Trade and other receivables		**1,095,875**	979,917

	Note	2020 £'000	2019 £'000
Income tax receivable		**9,978**	11,288
Prepayments		**102,745**	82,315
Accrued income	5	**125,433**	96,971
Derivative financial instruments		**1,643**	3,218
Cash and short-term deposits		**309,844**	217,881
		1,856,797	1,513,779
Total assets		**2,401,868**	1,914,552
Current liabilities			
Trade and other payables		**1,116,741**	975,904
Deferred income	5	**273,947**	174,258
Financial liabilities		**105,475**	20,032
Lease liabilities		**41,683**	36,574
Derivative financial instruments		**5,066**	1,707
Income tax payable		**39,158**	39,278
Provisions		**4,132**	7,703
		1,586,202	1,255,456
Non-current liabilities			
Financial liabilities		**15,719**	60,740
Lease liabilities		**95,791**	80,192
Deferred income	5	**18,630**	-
Provisions		**35,730**	13,982
Deferred income tax liabilities	7d	**18,873**	11,698
		184,743	166,612
Total liabilities		**1,770,945**	1,422,068
Net assets		**630,923**	492,484
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		**(111,613)**	(113,563)
Translation and hedging reserve		**15,720**	14,028
Retained earnings		**635,523**	503,928
Shareholders' equity		**627,799**	492,562

	Note	2020 £'000	2019 £'000
Non-controlling interests		**3,124**	(78)
Total equity		**630,923**	492,484

Approved by the Board on 15 March 2021.

MJ Norris
Chief Executive Officer

FA Conophy
Group Finance Director

Consolidated Statement of Changes in Equity
For the year ended 31 December 2020

	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	Share-holder's equity £'000	Non-controlling interests £'000	Total equity £'000
At 1 January 2020	**9,270**	**3,942**	**74,957**	**(113,563)**	**14,028**	**503,928**	**492,562**	**(78)**	**492,484**
Relating to acquisition of subsidiary	-	-	-	-	-	-	-	**2,796**	**2,796**
Profit for the year	-	-	-	-	-	**153,750**	**153,750**	**406**	**154,156**
Other comprehensive income/(expense)	-	-	-	-	**1,692**	**(4,329)**	**(2,637)**	-	**(2,637)**
Total comprehensive income	-	-	-	-	**1,692**	**149,421**	**151,113**	**406**	**151,519**
Cost of share-based payments	-	-	-	-	-	**7,954**	**7,954**	-	**7,954**
Tax on share-based payments	-	-	-	-	-	**3,390**	**3,390**	-	**3,390**
Exercise of options	-	-	-	**20,901**	-	**(15,227)**	**5,674**	-	**5,674**
Purchase of own shares	-	-	-	**(18,951)**	-	-	**(18,951)**	-	**(18,951)**
Equity dividends	-	-	-	-	-	**(13,943)**	**(13,943)**	-	**(13,943)**
At 31 December 2020	**9,270**	**3,942**	**74,957**	**(111,613)**	**15,720**	**635,523**	**627,799**	**3,124**	**630,923**
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 expense	-	-	-	-	(18,913)	(786)	(19,699)	(1)	(19,700)

	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	Share-holder's equity £'000	Non-controlling interests £'000	Total equity £'000
Total comprehensive income/(expense)	-	-	-	-	(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
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

Consolidated Cash Flow Statement
For the year ended 31 December 2020

	Note	2020 £'000	2019* £'000
Operating activities			
Profit before taxation		**206,571**	140,958
Net finance cost		**5,946**	6,066
Depreciation of property, plant and equipment		**24,033**	21,456
Depreciation of right-of-use assets		**45,154**	40,266
Amortisation of intangible assets		**14,635**	11,543
Share-based payments		**7,954**	6,775
Loss on disposal of intangibles		**321**	116
Loss on disposal of property, plant and equipment		**200**	347
Net cash flow from inventories		**(50,448)**	(27,422)
Net cash flow from trade and other receivables (including contract assets)		**48,276**	136,682
Net cash flow from trade and other payables (including contract liabilities)		**(26,169)**	(108,799)
Gain on acquisition of a subsidiary		**(14,030)**	-
Net cash flow from provisions		**1,919**	10,670
Other adjustments*		**85**	(6,142)
Cash generated from operations		**264,447**	232,516

	Note	2020 £'000	2019* £'000
Income taxes paid		**(27,645)**	(34,231)
Net cash flow from operating activities		**236,802**	198,285
Investing activities			
Interest received		**475**	980
Acquisition of subsidiaries, net of cash acquired		**(30,095)**	6,116
Purchases of property, plant and equipment		**(23,141)**	(30,132)
Purchases of intangible assets		**(4,360)**	(8,737)
Proceeds from disposal of property, plant and equipment		**1,652**	1,009
Net cash flow from investing activities		**(55,469)**	(30,764)
Financing activities			
Interest paid		**(1,942)**	(3,318)
Interest paid on lease liabilities		**(4,479)**	(3,728)
Dividends paid to equity shareholders of the Parent		**(13,943)**	(35,764)
Asset reunification		**-**	210
Proceeds from share issues		**5,674**	5,727
Purchase of own shares		**(18,951)**	(15,887)
Repayment of loans and credit facility		**(20,021)**	(51,755)
Payment of capital element of lease liabilities*		**(43,200)**	(38,618)
New Borrowings - bank loan		**289**	-
Net cash flow from financing activities		**(96,573)**	(143,133)
Increase in cash and cash equivalents		**84,760**	24,388
Effect of exchange rates on cash and cash equivalents		**7,203**	(6,949)
Cash and cash equivalents at the beginning of the year		**217,881**	200,442
Cash and cash equivalents at the year end		**309,844**	217,881

* Interest paid on lease liabilities of £3.7 million was included as part of 'Payment of Capital element of lease liabilities' in the prior year. The prior year comparative has been re-presented for this amount. This has also resulted in an adjustment to 'Other adjustments' of £3.7 million.

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 2020 were authorised for issue in accordance with a resolution of the Directors on 15 March 2021. 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 Consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB'), in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ('IFRSs as adopted by the EU').

2 Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year as disclosed in the 2019 Annual Report and Accounts except for IAS 20 - Accounting for government grants and disclosure of government assistance.

IAS 20 - Accounting for government grants and disclosure of government assistance

IAS 20 defines government grants as assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. If the conditions are met, then a company recognises government grants in profit or loss within administration expenses in line with its recognition of the expenses that the grants are intended to compensate.

The Group has recognised unconditional government grants relating to short-term schemes introduced by governments within Europe, including Germany, France and the Netherlands as a result of COVID-19 crisis for the purpose of protecting employment. These grants compensate the Group for expenses incurred and are recognised in the Consolidated Income Statement on a systematic basis in the periods in which the expenses are recognised.

Effective for the year ending 31 December 2021

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 2020 or 2019. Statutory Consolidated Financial Statements for the Group for the year ended 31 December 2019, prepared in accordance with adopted IFRS, have been delivered to the Registrar of Companies and those for 2020 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 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.

In determining whether it is appropriate to prepare the Financial Statements on a 'going concern' basis, the Group prepares a three-year Plan (the 'Plan') annually by aggregating top down expectations of business performance across the Group in the second and third year of the Plan with a detailed 12-month 'bottom-up' budget for the first year, which were approved by the Board. The Plan is subject to rigorous downside sensitivity analysis which involves flexing a number of the main assumptions underlying the forecasts within the Plan. The forecast cash flows from the 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, the ability to raise new finance in most foreseeable market conditions and the ability to restrict dividend payments.

The directors have identified a period of not less than 12 months as the appropriate period for the going concern assessment and have based their assessment on the relevant forecasts from the Plan for that period.

The potential impact of the principal risks and uncertainties is then applied to the 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.

For the current period, the primary downside sensitivity relates to a modelled, but not predicted, severe downturn in Group revenues, beginning in 2021, due to a worsening impact on our customers from the COVID-19 crisis. This sensitivity analysis models a continued market downturn scenario for some of our customers whose businesses have been affected by COVID-19 and a similar downturn occurring for the remainder of our customer base.

Our cash and borrowing capacity provides sufficient funds to meet the foreseeable needs of the Group. At 31 December 2020, the Group had cash and cash equivalents of £309.8 million and bank debt, primarily related to the recent North American acquisitions and the headquarters in Germany, of £121.2 million. In addition, the Group has in place a three-year committed facility of £60.0 million that was originally entered into during 2013 for a value of £40.0 million and has never been drawn upon.

The Group has a resilient balance sheet position, with net assets of £630.9 million as at 31 December 2020. The Group made a profit after tax of £154.2 million, and delivered net cash flows from operating activities of £236.8 million, for the year ended 31 December 2020.

As the analysis continues to show a strong forecast cash position, even under the severe economic conditions modelled in the sensitivity scenarios, the Directors continue to consider that the Group is well placed to manage business and financial risks in the current economic environment. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of not less than 12 months from the date of this announcement and therefore have prepared the Financial Statements on a going concern basis.

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 are sourced from and delivered by a number of suppliers.

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

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

Technology Sourcing principal versus agent recognition

Management assesses 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, albeit the level of judgement required is low, Management 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 Group'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 2.12.1 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 Group'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 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 teams 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, set out below, assist in providing additional useful information on the underlying trends, performance and position of the Group. The non-GAAP measures are also used to enhance the comparability of information between reporting periods by adjusting for non-recurring 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.

A reconciliation to adjusted 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: five-15 years
    - other: shorter of seven years and period to expiry of lease
- office machinery and computer hardware: two-15 years
- motor vehicles: three years

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

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 elects 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.

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: within 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 business model for trade receivables is that they are held for the collection of contractual cash flows, therefore are subsequently measured at amortised cost. The trade receivables are derecognised on receipt of cash from the customer. The Group sometimes uses debt factoring to manage liquidity and, as a result, the business model for factored trade receivables is that they are not held for the collection of contractual cash flows. As a result, 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). Factored 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.

For impairment assessment of other receivables, refer to Note 2.6 to the summary financial information included within this announcement, Impairment of assets, which details the impairment approach adopted where an asset considered to be impaired would be written down to its recoverable amount which, given the nature of the assets, would most likely be its fair value less costs to sell.

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 (including credit facility), 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 outflow 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 monitor continually 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.

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 undertaken; 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 starting 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 and similar schemes are operating, as appropriate for the jurisdiction, for North America and Germany. 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

2.13.1 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.

2.13.2 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 forecast 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 undertaking 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 the Consolidated Statement of 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 matures or is sold, terminated or exercised without replacement or rollover, any cumulative gain or loss previously recognised within the Consolidated Statement of Comprehensive Income remains within the Consolidated Statement of 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 Consolidated Statement of Comprehensive Income if it relates to items that are credited or charged to the Consolidated 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 reconsidered 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 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 note 3.3 to the summary financial information included within this announcement.

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.

3.1.2 Accounting for business combinations and valuation of intangibles

Pivot acquisition

Business combinations are accounted for at fair value. The valuation of goodwill and acquired intangibles is calculated separately on each individual acquisition. In attributing value to intangible assets arising on acquisition, management has made certain assumptions in relation to the expected growth rates, attrition rates and the appropriate weighted average cost of capital ('WACC').

The value attributable to the intangible assets acquired on acquisitions also impacts the deferred tax provision relating to these items.

The total carrying value of acquired intangible - Customer relationship arising from Pivot acquisition amounted to $67.0 million for the USA cash generating unit (CGU) and $4.7 million for the Canada CGU.

In order to assess the impact of the key assumptions on the values disclosed in the accounts for customer relationship intangible asset, the Directors have applied the following sensitivities to the acquisitions;

Intangible asset - Customer Relationship - US CGU

Key assumption	Rate applied in the financial statements	Sensitivity tested	Value of intangible assets $'000
Long-term growth rate	2.0%	1.0%	(3,100)
WACC	11.9%	12.9%	(4,200)
Attrition rate	5.0%	7.0%	(7,900)

Growth rates are estimated based on the current conditions at the date of each acquisition with reference to inflation adjusted terms.

The attrition rates are estimated based on a review of recent historic attrition levels across the customer portfolio alongside management views on longer-term attrition expectations.

At the date of acquisition, the resulting valuation provides a reasonable approximation as to the value of the intangibles acquired and that any reasonably possible change in any one of the estimations in isolation would not have a material impact on the financial statements.

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[1] 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 a 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 and the customer wants to guarantee supply of the 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 and the review and approval of all customer requests 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. The assessment of contract provisions was removed as a critical estimate as the 'difficult' contracts that Management held under review and included within the contract provision have reduced such that Management no longer consider that the outcomes of any of these 'difficult' contracts identified and provided for as at 31 December 2020 contained assumptions that were sufficiently sensitive to affect the provision materially. Accordingly, Management has concluded that the 'difficult' contract provisions should not be included as a critical estimate, as defined under IAS 1.125 as a 'major source of estimation uncertainty.'

Accounting for business combinations and valuation of intangibles has been included as a critical estimate during the current year as the material nature of the Pivot acquisition means that a number of the estimates used in determining the value attributable to the intangible assets acquired on acquisition contain assumptions that are sensitive enough to affect the valuations materially.

4 Segment information

During the first half of the year, 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'). As a result, from 1 January 2020 the Group has revised where the results of certain Managed Services contracts are reported within its operating Segments. The operating Segments remain unchanged in all other respects from those reported at 31 December 2019. The change in Segmental reporting has no impact on reported Group results.

Operational responsibility for a significant European customer was transferred from the German to the French business from 1 January 2020. The French Senior Management targets now include the results from this customer. We have therefore restated the results for the French and German Segments for the year ended 31 December 2019, to assist with understanding the growth in each business and to ensure year-on-year results are comparable.

Computacenter USA performs Managed Services work for other Computacenter entities, on behalf of several key European contracts. These revenues were originally recorded in the USA Segment, where the associated underlying subsidiary recognises the revenues in its statutory accounts. However, to be consistent with practices across the Group, Management has reallocated these revenues to the UK, German, French and International Segments which have responsibility for the customer contracts. This reflects better where the portfolio coordination and operational responsibility lies and therefore where the benefits should accrue on a Segmental basis. This treatment also means that for the Segmental analysis, Computacenter USA, within the USA Segment, is now treated similarly to the remainder of our offshore internal service provider entities that are grouped within the International Segment. We have, therefore, restated the Managed Services revenues for the year ended 31 December 2019 to assist with understanding the growth in each business and to ensure year-on-year comparisons reflect true underlying growth. This has no impact on Segmental profitability, as the margins were previously shared on the same basis that the revenue now reflects. Further, with the acquisition of Pivot Technology Solutions, Inc. on 2 November 2020, which includes a material business in Canada, the USA Segment has been renamed as the North American Segment and is referred to as such throughout this Annual Report and Accounts.

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, in accordance with IFRS 8.25. Segmental performance is measured based on external revenues, adjusted[1] gross profit, adjusted[1] operating profit and adjusted[1] profit before tax. As noted on Group Finance Directors' review included within this announcement, Central Corporate Costs continue to be disclosed as a separate column within the Segmental note.

To enable comparisons with prior year performance, historical Segment information for the year ended 31 December 2019 has been restated in accordance with the revised Segmental reporting structure.

Segmental performance for the years ended 31 December 2020 and 31 December 2019 were as follows:

Year ended 31 December 2020

	UK £'000	Germany £'000	France £'000	North America	International £'000	Central Corporate	Total £'000

				£'000		Costs £'000	
Revenue							
Technology Sourcing revenue	1,328,049	1,297,444	526,436	917,654	110,501	-	**4,180,084**
Services revenue							
Professional Services	129,058	233,817	35,698	19,645	7,185	-	**425,403**
Managed Services	316,291	345,001	110,688	7,146	56,645	-	**835,771**
Total Services revenue	445,349	578,818	146,386	26,791	63,830	-	**1,261,174**
Total revenue	1,773,398	1,876,262	672,822	944,445	174,331	-	**5,441,258**
Results							
Adjusted[1] gross profit	249,258	279,889	74,380	86,333	30,681	-	**720,541**
Administrative expenses	(158,889)	(167,308)	(61,394)	(72,295)	(27,117)	(27,077)	**(514,080)**
Adjusted[1] operating profit/(loss)	90,369	112,581	12,986	14,038	3,564	(27,077)	**206,461**
Adjusted[1] net interest	(1,194)	(2,158)	(575)	(909)	(1,110)	-	**(5,946)**
Adjusted[1] profit/(loss) before tax	89,175	110,423	12,411	13,129	2,454	(27,077)	**200,515**
Exceptional items:							
- costs relating to acquisition of a subsidiary							**(684)**
- redundancy and other restructuring credit							**144**
- gain on acquisition of a subsidiary							**14,030**
Total exceptional items							**13,490**
Amortisation of acquired intangibles							**(7,434)**
Profit before tax							**206,571**

Year ended 31 December 2020

	Total £'000
Adjusted[1] operating profit	**206,461**
Amortisation of acquired intangibles	**(7,434)**
Exceptional items	**(540)**
Operating profit	**198,487**

	UK £'000	**Germany £'000**	**France £'000**	**North America £'000**	**International £'000**	**Central Corporate Costs £'000**	**Total £'000**

	UK £'000	Germany £'000	France £'000	North America £'000	International £'000	Central Corporate Costs £'000	Total £'000
Other Segment information							
Property, plant and equipment	40,872	42,575	7,991	9,020	6,516	-	**106,974**
Right-of-use assets	12,757	61,500	18,856	15,495	21,014	-	**129,622**
Intangible assets	51,629	17,061	1,954	192,491	11,597	-	**274,732**
Capital expenditure:							
Property, plant and equipment	8,404	5,909	2,943	4,476	1,409	-	**23,141**
Right-of-use assets	3,774	16,670	10,445	-	17,629	-	**48,518**
Software	3,683	428	5	-	244	-	**4,360**
Depreciation of property, plant and equipment	11,065	6,565	2,244	1,513	2,646	-	**24,033**
Depreciation of right-of-use assets	4,566	29,514	4,163	2,170	4,741	-	**45,154**
Amortisation of software	5,799	917	41	103	341	-	**7,201**
Share-based payments	5,601	1,708	221	424	-	-	**7,954**

Year ended 31 December 2019

	UK (restated) £'000	Germany (restated) £'000	France (restated) £'000	North America (restated) £'000	International (restated) £'000	Central Corporate Costs £'000	Total £'000
Revenue							
Technology Sourcing revenue	1,142,746	1,344,423	479,423	732,009	123,626	-	**3,822,227**
Services revenue							
Professional Services	117,685	191,866	39,016	13,512	4,004	-	**366,083**
Managed Services	336,595	350,885	106,586	5,074	65,329	-	**864,469**
Total Services revenue	454,280	542,751	145,602	18,586	69,333	-	**1,230,552**
Total revenue	1,597,026	1,887,174	625,025	750,595	192,959	-	**5,052,779**
Results							
Adjusted[1] gross profit	221,208	253,222	75,650	69,493	43,541	-	**663,114**
Administrative expenses	(156,673)	(173,721)	(58,362)	(60,369)	(35,358)	(27,139)	**(511,622)**

	UK (restated) £'000	Germany (restated) £'000	France (restated) £'000	North America (restated) £'000	International (restated) £'000	Central Corporate Costs £'000	Total £'000
Adjusted[1] operating profit/(loss)	64,535	79,501	17,288	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	77,514	16,764	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)**
Profit before tax							**140,958**

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

Year ended 31 December 2019

	Total £'000
Adjusted[1] operating profit	**151,492**
Amortisation of acquired intangibles	**(4,374)**
Exceptional items	**(94)**
Operating profit	**147,024**

	UK £'000	Germany £'000	France £'000	North America £'000	International £'000	Central Corporate Costs £'000	Total £'000
Other Segment information							
Property, plant and equipment	43,734	41,347	4,558	4,060	7,744	-	**101,443**
Right-of-use assets	13,762	70,727	9,795	7,953	8,645	-	**110,882**
Intangible assets	54,035	16,678	108	93,696	11,153	-	**175,670**

	UK £'000	Germany £'000	France £'000	North America £'000	International £'000	Central Corporate Costs £'000	Total £'000
Capital expenditure:							
Property, plant and equipment	11,632	9,277	1,126	3,921	4,176		**30,132**
Right-of-use assets	1,850	25,614	1,448	1,528	4,531		**34,971**
Software	7,903	616	13	-	205	-	**8,737**
Depreciation of property, plant and equipment	9,968	6,356	1,788	748	2,596	-	**21,456**
Depreciation of right-of-use assets	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**

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 asset 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 £556.3 million (2019: £317.0 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:

	2020 £'000	2019 £'000
Revenue by type		

	2020 £'000	2019 £'000
Technology Sourcing revenue	**4,180,084**	3,822,227
Services revenue		
Professional Services	**425,403**	366,083
Managed Services	**835,771**	864,469
Total Services revenue	**1,261,174**	1,230,552
Total revenue	**5,441,258**	5,052,779

A revenue amount of £231.3 million for the year ended 2020 (2019: £191.0 million) is represented by items still 'held' by the Group for 'Bill and hold' transactions at the balance sheet date.

Contract balances

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

	31 December 2020 £'000	31 December 2019 £'000
Trade receivables	**1,065,061**	948,334
Contract assets, which are included in prepayments	**27,725**	5,959
Contract assets, which are included in accrued income	**125,433**	96,971
Contract liabilities, which are included in deferred income	**292,577**	174,258

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 trade and other receivables when these have been certified or invoiced to a customer.

Trade receivables balance increased during the year by £156.0 million due to acquisition of subsidiaries during the year (2019: nil)

Win fees, deferred contract costs and fulfilment costs are included in the prepayments balance above. The Consolidated Income Statement impact of the win fees was a recognition of a net income in 2020 of £1.8 million with a corresponding cost to tax of £0.3 million for the year. As at 31 December 2020, the win fee balance was £8.6 million.

The Consolidated Income Statement impact of fulfilment costs was a recognition of a net cost in 2020 of £1.4 million with a corresponding credit to tax of £0.3 million for the year.

As at 31 December 2020, the fulfilment costs balance was £5.6 million. Contract assets, which are included in prepayments, increased by £39.2 million due to acquisition of a subsidiary during the year. No impairment loss was recorded for win fees or fulfilment costs during the year.

As at 31 December 2020, deferred contract costs of £19.1 million were included within prepayments following the acquisition of subsidiaries during the year.

Revenue was accrued in the reporting period amounting to £1.6 million with a debit to foreign exchange of £3.1 million. Accrued income balance also increased by £18.4 million due to acquisition of subsidiaries during the year (2019: nil). 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 £89.4 million. Contract liabilities, which are included in deferred income, increased by £42.3 million due to the acquisition of subsidiaries during the year. 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 2020 and 31 December 2019 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

	Less than one year £m	**One to two years £m**	**Two to three years £m**	**Three to four years £m**	**Four years and beyond £m**	**Total £m**
As at 31 December 2020	**540**	**343**	**211**	**170**	**93**	**1,357**
As at 31 December 2019	588	317	198	70	34	1,207

6 Exceptional items

	2020 £'000	**2019 £'000**
Operating profit		
Costs relating to acquisition of a subsidiary	**(684)**	(94)
Gain on release of French Social Plan provision	**144**	-
Gain on acquisition of a subsidiary	**14,030**	-
Exceptional operating profit/(loss)	**13,490**	(94)

	2020 £'000	2019 £'000
Interest cost relating to acquisition of a subsidiary	**-**	(825)
Profit/(loss) on exceptional items before taxation	**13,490**	(919)
Income tax		
Tax credit on exceptional items	**-**	39
Tax credit relating to acquisition of a subsidiary	**715**	839
Profit/(loss) on exceptional items after taxation	**14,205**	(41)

2020: Included within the current year are the following exceptional items:

- An exceptional cost during the year of £0.7 million resulted from the acquisition of Pivot and primarily related to fees paid to the Company's advisors. This cost is non-operational, unlikely to recur and is consistent with our prior-year treatment of acquisition costs on material transactions as exceptional items.
- A credit of £0.1 million arising on an expense previously put in exceptional costs within the financial statements of 2016 in relation to the 2014 French Social plan.
- The acquisition of BT Services France resulted in an exceptional gain of £14.0 million, which was recognised on consolidation of the subsidiary. The gain arose because the net assets acquired for consideration of €1 totalled £14.0 million after fair value adjustments, including £27.6 million of cash. The business acquired comprised BT's domestic French services operations which, on acquisition, were making considerable losses on a stand-alone basis. The Company considers that the exceptional gain reflects the future losses that the acquired business will incur over the medium term, as it is brought onto a sustainable footing through a combination of upskilling employees, cross-selling into the Group's customers, alignment with Group processes and systems, and the general improvement of its operating activities. These costs are non-operational in nature, material in size and unlikely to recur and have therefore been classified as exceptional.
- A further tax credit of £0.7 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 a one-off and material to the overall tax result, we have classified this as an exceptional tax item, consistent with the treatment in 2018 and 2019.

2019: Included within the prior 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.

7 Income tax

a) Tax on profit from ordinary activities

	2020 £'000	2019 £'000
Tax charged in the Consolidated Income Statement		
Current income tax		
UK corporation tax	**18,176**	13,213
Foreign tax:		
- operating results before exceptional items	**36,375**	26,724
- exceptional items	**(715)**	(878)
Total foreign tax	**35,660**	25,846
Adjustments in respect of prior years	**350**	(460)
Total current income tax	**54,186**	38,599
Deferred tax		
Operating results before exceptional items:		
- origination and reversal of temporary differences	**(710)**	311
- change in tax rates	**(522)**	-
- adjustments in respect of prior years	**(539)**	487
Total deferred tax	**(1,771)**	798
Tax charge in the Consolidated Income Statement	**52,415**	39,397

b) Reconciliation of the total tax charge

	2020 £'000	2019 £'000
Profit before income tax	**206,571**	140,958
At the UK standard rate of corporation tax of 19 per cent (2019: 19 per cent)	**39,249**	26,782

	2020 £'000	2019 £'000
Expenses not deductible for tax purposes	**(34)**	1,474
Non-deductible element of share-based payment charge	**69**	432
Adjustments in respect of prior years	**(189)**	266
Effect of different tax rates of subsidiaries operating in other jurisdictions	**14,305**	8,876
Change in tax rate	**(522)**	-
Other differences	**1,246**	32
Overseas tax not based on earnings	**1,427**	1,604
Tax effect of income not taxable in determining taxable profit	**(3,136)**	(69)
At effective income tax rate of 25.4 per cent (2019: 27.9 per cent)	**52,415**	39,397

c) Tax losses

Deferred tax assets of £0.4 million (2019: £2.0 million) have been recognised in respect of losses carried forward.

In addition, at 31 December 2020, there were unused tax losses across the Group of £307.6 million (2019: £143.0 million) for which no deferred tax asset has been recognised. Of these losses, £24.7 million (2019: £39.8million) arise in Germany and £282.9 million (2019: £103.2 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 2020 and 31 December 2019 relates to the following:

	Consolidated Balance Sheet		Consolidated Income Statement and Consolidated Statement of Comprehensive Income	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Deferred income tax assets				
Relief on share option gains	**7,012**	5,300	**1,712**	432
Other temporary differences	**10,310**	6,575	**547**	(285)
Revaluations of foreign exchange contracts to fair value	**987**	369	**619**	247
Losses available for offset against future taxable income	**341**	1,343	**(994)**	(2,131)
Gross deferred income tax assets	**18,650**	13,587		
Deferred income tax liabilities				
Revaluations of foreign exchange contracts to fair value	**1,058**	809	**(250)**	(71)
Amortisation of intangibles	**26,384**	15,272	**1,705**	1,186

	Consolidated Balance Sheet		Consolidated Income Statement and Consolidated Statement of Comprehensive Income	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Gross deferred income tax liabilities	**27,442**	16,081		
Deferred income tax charge			**3,339**	(622)
Net deferred income tax liabilities	**(8,792)**	(2,494)		
Disclosed on the Consolidated Balance Sheet				
Deferred income tax assets	**10,081**	9,204		
Deferred income tax liabilities	**(18,873)**	(11,698)		
Net deferred income tax liabilities	**(8,792)**	(2,494)		

At 31 December 2020, there was no recognised or unrecognised deferred income tax liability (2019: £nil) for taxes that could 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 for financial year 2020 is 19 per cent, as enacted in the Finance Act 2020. 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.

	2020 £'000	2019 £'000
Profit attributable to equity holders of the Parent	**153,750**	101,655

	2020 £'000	2019 £'000

	2020 £'000	2019 £'000
Basic weighted average number of shares (excluding own shares held)	**112,894**	112,514
Effect of dilution:		
Share options	**2,005**	1,655
Diluted weighted average number of shares	**114,899**	114,169

	2020 pence	2019 pence
Basic earnings per share	**136.2**	90.3
Diluted earnings per share	**133.8**	89.0

9 Analysis of changes in net funds

	At 1 January 2020 £'000	Cash flows in year £'000	Non-cash flow £'000	Exchange differences £'000	At 31 December 2020 £'000
Cash and cash equivalents	**217,881**	**84,760**	**-**	**7,203**	**309,844**
Bank loans and credit facility	**(80,772)**	**(42,493)**	**-**	**2,071**	**(121,194)**
Adjusted net funds[3] (excluding lease liabilities)	**137,109**	**42,267**	**-**	**9,274**	**188,650**
Lease liabilities	**(116,766)**	**47,679**	**(65,338)**	**(3,049)**	**(137,474)**
Net funds	**20,343**	**89,946**	**(65,338)**	**6,225**	**51,176**

	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 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	-	76,143	-	(5,242)	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)
Net funds	57,280	(111,678)	118,489	(43,793)	45	20,343

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:

	2020 £'000	2019 £'000
Biomni Limited		
Sales to related parties	**64**	32
Purchase from related parties	**648**	654
Receivables from related parties	**18**	-
Amounts owed to related parties	**6**	6

Terms and conditions of transactions with related parties
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:

	2020 £'000	2019 £'000
Short-term employee benefits	**2,237**	2,447
Social security costs	**435**	422
Share-based payment transactions	**2,275**	2,623
Pension costs	**41**	40
Total compensation paid to key management personnel	**4,988**	5,532

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