



Computacenter - Final Results 2021

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Computacenter plc

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Computacenter plc

Final results for the year ended 31 December 2021

Computacenter plc ("**Computacenter**" or the "**Group**"), a leading independent technology partner trusted by large corporate and public sector organisations, today announces unaudited results for the year ended 31 December 2021.

Financial Highlights	2021	2020	Percentage Change Increase/ (Decrease)
<u>Financial Performance</u>			
Technology Sourcing revenue (£ <i>million</i>)	5,274.9	4,180.1	26.2
Services revenue (£ <i>million</i>)	1,450.9	1,261.2	15.0
Revenue (£ <i>million</i>)	6,725.8	5,441.3	23.6
Adjusted ¹ profit before tax (£ <i>million</i>)	255.6	200.5	27.5
Adjusted ¹ diluted earnings per share (<i>pence</i>)	165.6	126.4	31.0

Dividend per share (<i>pence</i>)	66.3	50.7	30.8
Profit before tax (<i>£ million</i>)	248.0	206.6	20.0
Diluted earnings per share (<i>pence</i>)	160.9	133.8	20.3

Cash Position

Cash and cash equivalents (<i>£ million</i>)	273.2	309.8
Adjusted net funds ³ (<i>£ million</i>)	241.4	188.6
Net funds (<i>£ million</i>)	95.3	51.1
Net cash inflow from operating activities (<i>£ million</i>)	224.3	236.9

Reconciliation to Adjusted¹ Measures

Adjusted ¹ profit before tax (<i>£ million</i>)	255.6	200.5
<i>Exceptional and other adjusting items:</i>		
Amortisation of acquired intangibles (<i>£ million</i>)	(7.6)	(7.4)
Gain on acquisition of a subsidiary (<i>£ million</i>)	-	14.0
Costs related to acquisition (<i>£ million</i>)	-	(0.7)
Other exceptional items (<i>£ million</i>)	-	0.2
Profit before tax (<i>£ million</i>)	248.0	206.6

Our strong financial and operational performance in 2021 has been facilitated by the consistent implementation of our strategy. It has also been underpinned by our focus on the long-term consequences of our decision-making across the organisation, and the actions we have taken to understand the needs, views and interests of our stakeholders.

Following 16 consecutive years of growth in adjusted¹ diluted earnings per share, we increased our adjusted¹ profit before tax by over 30 per cent in constant currency² during 2021, and have more than doubled it over the last three years. Our adjusted¹ profit before tax results for both the first and second halves of the year are individually greater than any full-year adjusted¹ profit before tax we achieved prior to 2019.

We have achieved improvement across each of the four key metrics that the Board uses to measure performance against our strategic priorities.

We have seen progress in the delivery of our Sustainability Strategy, winning together for our people and our planet. Our Scope 1 and 2 carbon emissions have fallen by 62 per cent in 2021, from 13,856 metric tonnes of CO₂e in 2020 to 5,210 metric tonnes, we were certified as a Top Employer across a number of our major operating geographies, and we were recognised at the CRN Women in Channel Awards 2021 for our community outreach programme.

We continue to work diligently to enable the consistent delivery of value for our stakeholders, and make decisions to ensure the long-term sustainable success of our organisation and the achievement of our Purpose.

Operational Highlights:

- The Group's total revenues grew by 23.6 per cent during the year, by 26.9 per cent in constant currency², and by 10.9 per cent in constant currency² organically, without the impact of acquisitions made since 1 January 2020. Significant increases in expenditure from industrial customers and hyperscale technology customers have complemented continuing business within the public and financial services sectors. Ongoing, but reducing, COVID-19 related cost reductions and further improved Services margins and stable Technology Sourcing margins has resulted in an increase in adjusted¹ profit before tax of 31.5 per cent in constant currency² during the year to £255.6 million. The doubling in adjusted¹ profit before tax in the three years since our 2018 results is the first time that we have achieved such an increase since we have been a public company.
- The UK saw an increase in revenues of 9.9 per cent balanced between Technology Sourcing and Services. Enterprise orders more than offset the decline in workplace as the short-term demand from COVID-19 dissipated. Professional Services revenues saw very strong growth as customers looked to their longer-term IT transformation programmes. Strong Services margins, due to increased utilisation and reduced external contractor costs and stable Technology Sourcing margins have resulted in an increase in adjusted¹ operating profit of 14.0 per cent during the year.
- Germany saw overall revenues increase by 11.6 per cent on a constant currency² basis with growth in Managed Services supporting a very strong performance in both Technology Sourcing and Professional Services. The increase in Professional Services volumes, at higher margins, coupled with overall Services margin improvements and secure Technology Sourcing margins have resulted in an increase of 27.8 per cent in adjusted¹ operating profit on a constant currency² basis.
- France had a slightly disappointing year, being impacted by the slower than anticipated return of volumes from its large industrial private sector customer base, lower than expected orders from its largest Technology Sourcing customer and the expected downturn in its Services business due to the cessation of the Group's largest Managed Services contract which impacted from H2 2020. This has resulted in a 6.6 per cent decrease in organic revenues on a constant currency²

basis, decreasing gross profits and a 70.8 per cent reduction in overall adjusted¹ operating profit to €4.2 million including the results of the Computacenter NS acquisition.

- North America has seen strong organic revenue growth of 27.9 per cent increasing to 114.3 per cent including the Pivot acquisition, both on a constant currency² basis. The combined growth has meant that the North American business now has the largest Technology Sourcing revenues of any Segment within the Group with \$2.5 billion of Technology Sourcing sales, up from virtually nil in H1 2018. The hyperscale FusionStorm customers saw a good return to growth in the year. Services revenue saw 27.5 per cent organic growth, including the first major North American Managed Services customer won by the local team, with the Pivot acquisition contributing a further \$104.5 million of Services revenue in the year. Adjusted¹ operating profit, including the impact of Pivot, has increased by 131.5 per cent to \$42.6 million.

Mike Norris, Chief Executive of Computacenter plc, commented:

'The more than doubling of profits that Computacenter has achieved over the last three years has been the result of deliberate actions that we have previously taken to enable growth. Our acquisitions in North America and Western Europe have materially increased our total addressable market. The organic investments we have made, including the expansion of our sales force, recruiting technical expertise and investing in systems to enhance our productivity, have been substantial. Collectively, these have put us in a position to take advantage of the ongoing buoyant market conditions, as our customers invest in digitalising their businesses. While we live in uncertain times and much work remains to be done, these investments and current market conditions make us confident that 2022 will be a year of further progress. Given the profile of our profitability in 2021, we have a more challenging comparison in the first half of 2022 compared to the second, due to the fact that an abnormally high percentage of our profits came in the first half of the year. As a business, we feel as confident as we have ever been about our target market, competitive position and investment strategy, and we look forward to the future in 2022 and beyond with enthusiasm and excitement.'

The result for the year benefited from £1,105.1 million of revenue (2020: £232.6 million), and £13.9 million of adjusted¹ profit before tax (2020: £3.3 million), resulting from all acquisitions made since 1 January 2020. All figures reported throughout this Annual Report and Accounts include the results of these acquired entities. The results of these acquisitions are excluded where narrative discussion refers to 'organic' growth in this Annual Report and Accounts. A reconciliation between key adjusted¹ and statutory measures is provided within the Group Finance Director's review contained in this announcement.

¹ *Adjusted administrative expense, adjusted operating profit or loss, 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.

² *We evaluate the long-term performance and trends within our strategic priorities on a constant currency basis. The performance of the Group and its overseas Segments are also 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. 2021 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 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 8 to the summary financial information contained in this announcement.*

⁴ *Gross invoiced income is based on the value of invoices raised to customers, net of the impact of credit notes. This reflects the cash movements from revenue, to assist Management and the users of the Annual Report and Accounts in understanding revenue growth on a 'Principal' basis and to assist in their assessment of working capital movements in the Consolidated Statement of Financial Position and Consolidated Cashflow Statement. This measure allows an alternative view of growth in adjusted gross profit, based on the product mix differences and the accounting treatment thereon. Gross invoiced income includes all items recognised on an 'Agency' basis within revenue, on a gross income billed to customers basis, as adjusted for deferred and accrued revenue. A reconciliation of revenue to gross invoiced income is provided within note 4 to the summary financial information contained in this announcement.*

The term Group refers to Computacenter plc and its subsidiaries.

Enquiries:

Computacenter plc

Mike Norris, Chief Executive 01707 631601

Tony Conophy, Finance 01707 631515
Director

Tulchan Communications

James Macey White 020 7353 4200

Matt Low

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 2020 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.

Chair's statement

We are extremely concerned and saddened by the ongoing situation in Ukraine following the invasion by Russia. We offer our deepest sympathies and support to Ukraine. Computacenter will be launching a campaign page for its employees to donate to Disaster Emergency Committee (DEC) - Ukraine Humanitarian Appeal. Computacenter will make a corporate donation and also match funds raised by our employees.

Sanctions have been widely imposed by a number of national governments and the European Union on the Russian Federation, related organisations and individuals ('Sanctioned Parties'). We have undertaken, as a consequence, a review of our operations to ensure that we are not directly or indirectly conducting business activities with Sanctioned Parties, supplying sanctioned or restricted goods or software services, or conducting business activities with individuals and organisations

who are known to be closely related to Sanctioned Parties. We have also implemented review processes to ensure that we modify our activities to adhere to any future changes in sanctions requirements.

Whilst the scope of our business in Russia and the Ukraine is extremely limited, we recognise the likely short- to medium-term impact of the situation on the global macro-economic environment, including an exacerbation of supply chain issues currently being experienced.

Computacenter in 2021

The Computacenter team continued to execute incredibly well in 2021 and delivered our 17th consecutive year of adjusted¹ earnings per share ('EPS') growth, which was fitting as the Company celebrated its 40th anniversary.

Across the 40 years Computacenter has navigated many trends in technology, adapted to be able to deliver what customers valued, evolved a culture that attracted great talent and sustained an environment that persuaded a significant number of our people to build their careers here. During this journey, the Company has significantly expanded its technology partner base, services portfolio, geographic markets and customers it serves. This has created the foundation for the sustained growth we delivered in 2021. We are also pleased with the performance of the acquired American businesses and the addressable market potential that it highlights.

The continuing Covid-19 pandemic

The global pandemic has continued to weigh heavily on our people, customers, partners and communities around the world and we send our thoughts and best wishes to all those who have been affected. The leadership team has resolutely focused on both the human and business aspects of this crisis, and the results from our recent employee survey indicate that this difficult balance was achieved.

Financial performance and dividend

Revenue for the full-year increased to £6,725.8 million (2020: £5,441.3 million), with the Group generating adjusted¹ profit before tax of £255.6 million (2020: £200.5 million), and adjusted¹ diluted EPS of 165.6 pence (2020: 126.4 pence).

We are proposing an increase in the final dividend to 49.4 pence per share, reflecting both our performance and confidence in the outlook for the Group. If approved by shareholders at Computacenter's 2022 Annual General Meeting, this will bring the full-year dividend for 2021 to 66.3 pence per share. This represents an increase of 30.8 per cent over that paid for 2020. This remains in line with our stated long-term dividend policy of paying a dividend that is covered between 2.0 and 2.5 times by adjusted¹ diluted EPS.

The Group's cash position finished strongly at the end of the year, with adjusted net funds³ of £241.4 million as at 31 December 2021. The Board continues to review our approach to capital allocation, so that it ensures balance sheet efficiency and appropriate returns for shareholders. Whilst our use of cash continues to prioritise the organic growth and development of our business, and merger and acquisitions activity

which aligns with our strategy, where available opportunities to invest in this way are limited, the Board will consider returning value to shareholders.

The Board in 2021

During 2021, there was one significant change to the Board. Minnow Powell decided to retire from his roles as Chair of the Audit Committee and Non-Executive Director.

We followed a robust process to identify his successor, led by the Nomination Committee and assisted by an external search firm. This produced an impressive and diverse list of candidates and we were delighted to be able to announce the appointment of Pauline Campbell as his successor as Audit Committee Chair. Pauline had recently retired from a long and successful career in the audit profession with PwC.

Pauline's appointment results in at least half the Board (excluding the Chair) remaining as Independent Non-Executive Directors. It also means we have just over 33 per cent female representation on the Board, in line with the recommendations from the Hampton-Alexander review.

Environmental, social and governance

The Board has continued its focus on sustainability, diversity and inclusion and ensuring our governance practices evolve. These subjects are regarded as very important by both the Board and the people across Computacenter.

In terms of concrete commitments, we aim to be Carbon Neutral in 2022 for Scope 1 & 2 emissions. Scope 1 & 2 emissions include all of our direct emissions, such as our facilities and some of our indirect emissions such as electricity purchased. This will be achieved by a combination of increases in our own renewable energy generation, continued investment in energy-efficient lighting and equipment, the purchase of electricity generated by renewable sources and the purchase of carbon offsetting credits.

The Board has also agreed a target of being Net Zero for Scopes 1, 2 and 3 emissions by 2040, ten years ahead of our previous target. Scope 3 emissions include all other indirect emissions, including our business travel and transportation, as well as those from sources that we do not own or directly control, including our supply chain.

The year ahead

We are unwavering in our focus on continuing to strengthen and grow Computacenter to enable the success of all our stakeholders. I thank them all for their continued trust and support.

The demand drivers for our business look strong as we enter 2022. Many market commentators have noted a global acceleration in the efforts of governments and businesses to take advantage of the opportunities afforded by digital transformation. This is true across all areas of how organisations run their internal operations effectively and how they engage with their customers and broader stakeholder communities. In concrete terms, there is more demand for technology and services to support the vast array of transformation projects and this, combined with our business

momentum, makes us believe that 2022 will be another year of continued progress.

Peter Ryan
Chair
15 March 2022

Chief Executive's strategic review

2021 was an excellent year for Computacenter. Our relentless focus on understanding and addressing the needs of our customers, and taking decisions that prioritise the long-term success of our Company, has again served us well. Our strong in-year growth has been underpinned by recent investments we have made. These have spread the business geographically, increased our productivity, broadened the range of offerings we deliver for our customers, and positioned us well to take advantage of buoyant market conditions during the year.

Our focus remains on consistent financial performance and the delivery of value for our stakeholders. Following the very strong growth of adjusted¹ diluted earnings per share that the Company achieved in 2020, we grew again by over 30 per cent in constant currency² during the year. The Group has now doubled its profit over the past three years, a feat we last achieved in the middle of the 1990s, prior to becoming a public company.

Our financial success can only be achieved through the delivery of superb quality to our customers. I would like to take this opportunity to thank all of our people for their hard work and dedication, which is reflected in our financial outcome for 2021, as well as a recent independent survey of client satisfaction carried out by Whitelane Research.

There has been high demand for Professional Services skills across the Group, as many of our customers have continued to roll out new digital solutions to their users and their own customers. Our ability to recruit and retain employees in this area is therefore crucial to our success. At a Group level, Computacenter recruited 3,200 new people into our business in 2021, bringing our total number of employees to over 18,000.

While Professional Services was the main driver of Services growth during the year, we also saw improved performance from our Managed Services business. We have strengthened our offerings to the marketplace, grown our off-shore capability and increased the use of automation to deliver solutions to customers. These measures have both improved service to our customers and resulted in the highest gross margins we have ever achieved in this area of the business.

Technology Sourcing saw significant demand for software and hardware across all of our main operating geographies, as customers invested in new technology to support their businesses. While supply chain shortages were an issue, these gave us an opportunity to outperform our competition through the performance of our well-developed supply chain. Many of our larger customers are highly reliant on

deploying new technology and they have taken to ordering much further in advance. While this gives us greater visibility, it has also meant an increase in the inventory we are carrying. We do expect our inventory to return to more normal levels as supply chain constraints ease. We have continued to invest in our Integration Centers to increase service quality and throughput volumes, as we expect demand to continue to grow.

Our German business had an outstanding year and continues to go from strength to strength, particularly in Professional Services and Technology Sourcing. We performed solidly in the UK, with some major renewals and an outstanding performance from Technology Sourcing. In France, although our performance was slightly disappointing, we successfully integrated the acquisition we made in late 2020. The financial performance of the acquisition was in line with expectations, and we are confident we will turn this around in the coming years. We saw a significant upturn in performance from our Belgian business, as well as better performances from our businesses in the Netherlands and Switzerland.

In North America, we have brought together the acquisitions made in 2018 and 2020. Although there remains work to do on integrating back-office systems, the Management teams are now highly integrated. We are extremely excited by the opportunity for future organic and inorganic growth in North America and very pleased with the 2021 performance there.

Throughout 2021, we continued to invest in our operations, particularly in India, Romania, Poland and South Africa. We now have a total workforce in near-shore and off-shore operations of approximately 3,000 people.

The strong cash generation we have achieved over many years continued last year, despite the increase in inventory. The strength of our balance sheet gives us strategic options as we move forward, either through further acquisitions or the return of cash to our shareholders.

Our Management team remained unchanged throughout 2021. Kevin James, who first started at Computacenter in 1990 and has been our Chief Commercial Officer for the last four years, has decided to retire at the end of the first quarter in 2022. I would like to thank Kevin for his loyal and dedicated service to Computacenter and congratulate John Beard, who steps up into Kevin's role. John joined Computacenter as a graduate trainee back in 1995 and is a great example of our strength in depth. Computacenter's continued investment in people over many years has enabled this smooth transition, along with many others, and holds us in good stead for the future.

As always, I would like to thank our customers for the faith they continue to show in us. We will always remember that they have a choice. Our job is to make sure that their decision to place business with Computacenter above the competition is the right one.

We look forward to the challenge of 2022 and continuing our success.

Mike Norris

Chief Executive Officer

15 March 2022

Our Performance in 2021

Group

Financial performance

Our strong financial and operational performance in 2021 saw the Company deliver its 17th consecutive year of earnings per share growth. This continues to demonstrate the resilience of our business model, and reinforces our motivation to have the largest Services business of any value-added reseller, as well as the largest value-added reseller capability of any Services business worldwide.

The Group's revenues increased by 23.6 per cent to £6,725.8 million (2020: £5,441.3 million) and were 26.9 per cent higher in constant currency². This is the first time that the Group has exceeded £6 billion of revenues in a year, and it saw revenues in the second half of the year higher than any of the annual revenues recorded by the Group up to and including 2016. Gross invoiced income⁴ increased by 21.1 per cent to £6,923.5 million (2020: £5,715.0 million).

The Group has more than doubled its adjusted¹ profit before tax over the last three years. This is the first time that we have achieved such an increase since we have been a public company. The Group made a profit before tax of £248.0 million, an increase of 20.0 per cent (2020: £206.6 million). The Group's adjusted¹ profit before tax increased by 27.5 per cent to £255.6 million (2020: £200.5 million) and by 31.5 per cent in constant currency². The adjusted¹ profit before tax results for both the first and second halves of the year are individually greater than any full-year adjusted¹ profit before tax we achieved prior to 2019 and each would be the third-largest annual profit in the Group's history.

The difference between profit before tax and adjusted¹ profit before tax relates to the net charge of £7.6 million (2020: gain of £6.1 million) from exceptional and other adjusting items. In the current year, this comprises the amortisation of the acquired intangible assets resulting from the Group's 2018 acquisition of FusionStorm and the 2020 acquisition of Pivot.

With the increase in the Group's profit after tax, the diluted earnings per share ('EPS') increased by 20.3 per cent to 160.9 pence for the year (2020: 133.8 pence). Adjusted¹ diluted EPS, the Group's primary EPS measure, increased by 31.0 per cent to 165.6 pence (2020: 126.4 pence) in 2021.

The result has benefited from £1,105.1 million of revenue (2020: £232.6 million), and £13.9 million of adjusted¹ profit before tax (2020: £3.3 million), from all acquisitions made since 1 January 2020. All figures reported throughout this announcement include the results of these acquired entities. Excluding the impact of the acquisitions made since 1 January 2020, revenues grew organically by 10.9 per cent on a constant

currency² basis.

Trading across all of our major geographies, apart from France, was pleasing throughout the year, with particular strength at the end of the second quarter, and in our traditionally strongest month of December.

The Group only received €0.2 million of government employment-related assistance during the year, which was entirely related to the Group's Belgian operations and ceased in May 2021. A further \$1.3 million was recognised as a credit to the income statement in North America during the year due to funds received relating to a payroll protection programme in Pivot that was applied for prior to acquisition. This has subsequently been converted to a permanent grant by the US Federal Government. The year saw continuing, but reduced, challenges from Covid-19, with most of our major geographies experiencing lockdowns or restrictions on office-based working during the year. The vast majority of our staff worked from home for significant periods during the year, although we were generally able to perform services on customer sites as required. We thank all of our people for the flexibility and dedication they have shown to cope with the continually changing external environment and acknowledge their successes, as they have driven the Company to new heights of performance.

The Group has seen business with key industrial customers return to near pre-pandemic levels, after this spend was largely suppressed during 2020. Combined with strong public sector activity, this has continued to create organic revenue growth opportunities for the Group. As in 2020, we benefited from some Covid-19 related cost savings, but to a much lower extent. Additionally, there was no further pandemic-related surge in spend on Technology Sourcing, compared to the prior year. Whilst demand has remained high, the driver has shifted from short-term pandemic responses to more medium-term re-engineering of IT structures, as organisations employ digital transformation to cope with the ever-evolving technology landscape and increasing cyber threats.

Revenues from public sector customers, such as local and central government, increased by 10.1 per cent, against growth with non-public sector customers of 29.9 per cent. Public sector accounts have grown less than last year, whereas demand from other customer sectors has recovered strongly as the marketplace normalises towards pre-Covid-19 patterns. The public sector now accounts for 28.2 per cent of our revenues (2020: 32.0 per cent). While significant volumes of this Public Sector business were at lower than normal gross margins, particularly through the first quarter of the year, we maintained efficiencies and reduced costs within business delivery areas, so that margins remained very close to the record levels seen in 2020.

Throughout the year, product shortages have materially impacted the supply of key equipment for our customers, with some orders being materially delayed or only partly fulfilled. Whilst product availability increased during December, the unexpected impact on working capital through the year was significant. Inventory levels have increased across the business, as a result of carrying stock for orders that we cannot deliver without a critical part or, increasingly through the year and particularly in North America where customers have ordered early and subsequently

delayed delivery, as data center facilities are not ready. We do not expect inventory to return to normal levels until there is a longer-term supply improvement.

The Group had £341.3 million of inventory as at 31 December 2021, an increase of 61.5 per cent on the balance sheet as at 31 December 2020 of £211.3 million. Over three quarters of this increase was attributable to our North American Segment, which had closing inventory of £212.5 million (2020: £103.2 million).

While supply has been restricted, demand has continued to rise, with our product order backlogs across all geographies at all-time highs and considerably larger than at the end of 2020. This gives us a high degree of confidence that the Technology Sourcing business will be well placed to benefit in the year ahead.

The Group has seen significant currency translation headwinds as the pound sterling has strengthened against other currencies, particularly the US dollar and the euro. This has reduced profitability in the year. Had exchange rates in 2021 been equivalent to the average rates seen in 2020, adjusted¹ profit before tax would be £7.6 million higher, with revenues £234.0 million higher in 2021. Further information on currency impacts is available in the Group Finance Director's review.

We remain alert to ongoing product shortages, and further strengthening of the pound would create a stronger FX translation headwind.

Looking at our performance by geography, the UK in particular has seen very strong demand continue from both public and private sector customers, with increased software sourcing and Enterprise technology orders driving growth. Professional Services growth has surged, as customers have restarted delayed projects and invested in the ongoing transformation of their IT environments.

The German business has seen similar growth patterns to the UK. Technology Sourcing delivered good growth as large industrial customers, particularly in automotive, have returned to normal trading patterns with less disruption from Covid-19. We were pleased to sign a new supply framework agreement with our largest customer in Germany, ensuring that the partnership remains central to the success of both businesses.

In North America, the mid-market customers who materially reduced spend during 2020 continued to return and complemented our ongoing and growing success with hyperscale (data center-based) customers, driving good overall organic revenue and profit performance. The addition of the Pivot acquisition in the second half of 2020 has further contributed to the Segment, with a full-year of performance and complementary capabilities that support our overall North American growth ambitions.

The French business had a slightly disappointing 2021, with reductions in Technology Sourcing performance compounding the impact of the previously announced non-renewal of the Group's largest Managed Services contract. The integration of Computacenter NS remains on track, with the transition to our Group ERP system successfully completed. Computacenter NS performed in line with our forecasts and

contributed an adjusted¹ loss before tax of £3.8 million, which also worsened the overall French Segment result. As we have noted previously, we recognised an exceptional gain of £14.0 million on consolidation of the subsidiary in the 2020 Annual Report and Accounts, following the acquisition of the business. This gain arose from cash maintained by the vendor within the acquired balance sheet that was primarily to compensate the Group for future losses. Under IFRS it is not possible to allocate the exceptional gain against future incurred operating losses, but it is important to remember when considering the commercial context of the Computacenter NS performance and our short to medium-term expectations for the business. We consider that the exceptional gain reflects the losses that the acquired business will incur over the medium term, as it is brought onto a sustainable footing.

The International Segment has improved significantly on 2020, with a good finish to the year. All of the primary European trading entities saw improved performance with Belgium, Switzerland and the Netherlands all experiencing encouraging growth in both revenues and profitability, and the commencement of a global contract with a large industrial customer led from the Netherlands.

With both organic and acquired revenues increasing during the year, profits increased as costs across the Group remained lower than pre-Covid-19 levels and margins remained high. Overall, Group gross margins were broadly flat at 12.9 per cent of revenues (2020: 13.2 per cent).

Administrative expenses increased by 20.5 per cent in constant currency², significantly behind the growth in gross profit as pre-pandemic costs continued to return in a controlled manner. As offices once again re-open across our major geographies, we expect costs to return but at a lower level than before the Covid-19 crisis, with the business having learned to be leaner and more efficient.

Technology Sourcing performance

The Group's Technology Sourcing revenue increased by 26.2 per cent to £5,274.9 million (2020: £4,180.1 million) and by 29.7 per cent on a constant currency² basis.

The result benefited from £977.5 million of revenue from the acquisitions made since 1 January 2020 (2020: £212.0 million) with £967.7 million of this as a result of the Pivot acquisition (2020: £209.5 million). Excluding these revenues, Technology Sourcing organic revenue growth was 11.5 per cent on a constant currency² basis.

The UK Technology Sourcing business saw continued excellent growth, with the focus moving from workplace contracts driven by the remote working needs of the Covid-19 environment to the higher margin enterprise product.

In Germany, Technology Sourcing revenue returned strongly to growth, in particular as automotive and other industrial customers increased spend through large framework agreements, following the sector-related Covid-19 and supply chain issues. We signed a key framework agreement with our biggest customer in Germany, allowing us to approach 2022 with confidence.

The French Technology Sourcing revenue declined on an organic basis, due to

reduced demand in the year from some major customers.

The North American Technology Sourcing business saw revenues improve on an organic basis. Our hyperscale customers have significantly increased demand, and the mid-market core of the business has remained stable after a slowdown in 2020. The acquisition of Pivot has added material volume to the Segment, with the business lines, geographical footprint and technical capabilities almost entirely complementary to the pre-acquisition US business. The combined operation provides opportunities to reach a wider addressable market and to cross-sell across our portfolio.

Overall Group Technology Sourcing margins reduced by 33 basis points during the year, partially due to customer and product mix changes.

Services performance

During the year we experienced the highest growth in our Services revenue for the last 20 years. The Group's Services revenue increased by 15.0 per cent to £1,450.9 million (2020: £1,261.2 million) and by 17.8 per cent on a constant currency² basis. Within this, the Group's Professional Services revenue increased by 29.9 per cent to £552.4 million (2020: £425.4 million), and by 33.1 per cent on a constant currency² basis, while the Group's Managed Services revenue increased by 7.5 per cent to £898.5 million (2020: £835.8 million), and by 10.1 per cent on a constant currency² basis.

The overall Services result benefited from £127.6 million of revenue from the acquisitions made since 1 January 2020 (2020: £20.6 million). Excluding these revenues, Services organic revenue growth was 9.2 per cent on a constant currency² basis.

UK Services revenue saw good growth, primarily due to a significant increase in Professional Services with some new Managed Services customers adding momentum during the second half of the year. Professional Services continued its strong start to the year, as customers re-engaged with our consultancy expertise to assist their post-pandemic IT requirements. Managed Services strengthened through the year, as we converted opportunities within the still healthy pipeline into contracts and continued to realise efficiencies across the existing portfolio.

Our German Managed Services have grown strongly, as customer volumes have returned to pre-Covid-19 levels with further contract wins and expanded scopes within some existing contracts. The Professional Services business continues to see very strong growth year after year, with the limiting factor being the supply of appropriate resource. This has been helped by the recent investment in our near-shoring initiative in Romania.

Our French Services business saw further sharp falls in Services revenue on an organic basis. The French Professional Services business is more reliant on on-site activity than the equivalent businesses in the UK or Germany and continues to face significant disruption from Covid-19 and the resulting government response. The French Managed Services business declined, as expected, following the non-renewal of a large global outsourcing contract at the end of the contract term in 2019, which

did not impact revenues until the second half of 2020.

In North America, Professional Services revenue has recovered as projects delayed by Covid-19 restarted. Mid-market customers, which generate much of the Professional Services revenue in the US, were the weakest business area during the pandemic and experienced a recovery during 2021.

Overall Group Services margins increased by 60 basis points during the year. The continued reduction of travel costs, lower subcontractor costs and improved Professional Services utilisation, coupled with improving Managed Services volume, have all contributed to this increase.

Outlook

The more than doubling of profits that Computacenter has achieved over the last three years has been the result of deliberate actions that we have previously taken to enable growth. Our acquisitions in North America and Western Europe have materially increased our total addressable market. The organic investments we have made, including the expansion of our sales force, recruiting technical expertise and investing in systems to enhance our productivity, have been substantial. Collectively, these have put us in a position to take advantage of the ongoing buoyant market conditions, as our customers invest in digitalising their businesses.

While we live in uncertain times and much work remains to be done, these investments and current market conditions make us confident that 2022 will be a year of further progress.

Given the profile of our profitability in 2021, we have a more challenging comparison in the first half of 2022 compared to the second, due to the fact that an abnormally high percentage of our profits came in the first half of the year.

As a business, we feel as confident as we have ever been about our target market, competitive position and investment strategy, and we look forward to the future in 2022 and beyond with enthusiasm and excitement.

United Kingdom

Financial performance

Revenues in the UK business increased by 9.9 per cent to £1,948.6 million (2020: £1,773.4 million) with gross invoiced income⁴ increasing by 5.8 per cent to £2,063.7 million (2020: £1,949.8 million).

The UK business increased revenues in both Technology Sourcing and Services. While the global pandemic continues to create challenges in some of our core markets, we have seen acceleration in demand for consultancy and project services, and in software sourcing needs. We have also secured some significant Managed Services contracts, which will deliver benefit in the long term. Although some existing contracts were not renewed, overall, Managed Services revenue saw good growth during the year.

During 2021, our customers increasingly benefited from our expanded international presence, to meet their global Technology Sourcing and Services requirements.

We have continued to invest in our people, further expanding our sales force to engage new customers and drive growth through existing customers. While we are already seeing the benefit of new trading relationships arising from this expansion, the return will be realised through the longer-term development of a broader client base. This investment has helped to increase the number of customers where we generate greater than £1 million of gross profit, from 52 to 55 in 2021.

Our hybrid-working approach has proved successful, which is reflected in our recent employee engagement survey results. We are pleased to have retained our unique culture despite the challenges of remote working, and proud to have been recognised as a Top Employer in the UK. We are now making changes to our facilities to allow the gradual return of our people to the office, whilst enabling our people to continue to work flexibly and collaboratively in line with their customers' needs.

Overall margins in the UK reduced slightly by 29 basis points, with the gross profit margin decreasing from 14.1 per cent to 13.8 per cent of revenues. Gross profit grew by 7.6 per cent to £268.2 million (2020: £249.2 million).

Adjusted¹ administrative expenses increased by only 4.0 per cent to £165.3 million (2020: £158.9 million), significantly behind the growth of the business. This is an increase on the 1.3 per cent growth in adjusted¹ administrative expenses seen in 2020, following additional investments in the sales force during 2021 to better target our addressable customer opportunity.

This resulted in adjusted¹ operating profit growing by 14.0 per cent to £102.9 million (2020: £90.3 million).

Technology Sourcing performance

Technology Sourcing revenue increased by 10.4 per cent to £1,466.4 million (2020: £1,328.0 million).

Revenues increased in line with expectations. While demand for workplace technology has remained higher than pre-pandemic levels, the exceptional spend attributed to customers' Covid-19 responses has softened, resulting in a decline in workplace technology during the year, as expected. The Enterprise Technology Sourcing business has seen the predicted return to growth, with customers investing in networking, security and data center hardware and software solutions, with a particular focus on international Technology Sourcing.

While supply chain constraints in some product categories have led to unpredictable availability, we have been able to meet the needs of our customers and, in parallel, we have built a strong product order book for the year ahead. The Technology Sourcing order book at 31 December 2021 was 26 per cent higher than at 31 December 2020.

Technology Sourcing margins reduced by 62 basis points compared to the prior year. However, Technology Sourcing gross profit increased by 3.5 per cent, reflecting the

higher revenue.

Services performance

Services revenue increased by 8.3 per cent to £482.2 million (2020: £445.4 million). Professional Services grew 19.8 per cent to £154.6 million (2020: £129.1 million). Managed Services grew by 3.6 per cent to £327.6 million (2020: £316.3 million).

While the pandemic has continued to affect where customers are focusing their investment in some of our core markets, we are pleased with the increase in demand for our Professional Services skills and resources, with a notable increase in cloud advisory and transformation services, as well as networking and security project activity.

We have developed a strong Professional Services pipeline for 2022, which should result in continued growth in Enterprise Professional Services in particular.

Managed Services revenues grew moderately during the year, with some significant long-term contracts secured in the financial services sector. We have successfully implemented the contracts awarded during 2020, giving us confidence in the long-term value of these arrangements.

We have experienced increased competitive pressure in our Public Sector Managed Services business, with some losses during this period. Our competitive position improves when the scope includes Technology Sourcing embedded within a Managed Services opportunity. We are pleased to have won a significant Managed Services contract with a large financial services customer, with a worldwide support coverage requirement including Technology Sourcing embedded in the contract, in a 'device-as-a-service' model.

While the in-year growth has been pleasing, the losses during the year combined with longer buying cycles for significant Managed Services campaigns currently underway will make continued growth challenging in 2022.

Services margins increased by 97 basis points over the year, as we continue to operate an efficient blend of expert resources and automated solutions. The use of our off-shore capabilities has increased materially, with customers keen to benefit from a right-shore model. One major contract which commenced during the year added approximately 150 employees in Bangalore. Service quality and innovation in our Bangalore Service Center has been high and we anticipate further leverage of this capability.

Germany

The overall economic situation in Germany has largely stabilised with only a few sectors, such as the tourism and retail industries, still struggling with pandemic-related problems. Industries relevant to our business, such as automotive, healthcare, consulting, technology and the public sector, are almost all back in IT investment mode, as they accelerate their digitisation efforts to assist with solving their business IT challenges. This has led to an increased demand for infrastructure refreshes and

digitisation projects. In addition, the expansion of existing network infrastructure, implementation of ever-increasing security requirements and the continual modernisation of workplace environments are all positive factors for our business.

We recorded some pleasing successes with developing our customer base and concluding renewals and new business. We again increased the number of customers contributing more than £1 million of gross profit from 51 to 55. In the public sector, we were able to renew some very large volume framework contracts and win new ones. In addition, we achieved further important successes and concluded long-term contracts in the emerging application development business line.

In the automotive sector, we renewed and concluded long-term contracts with one of our most important customers, for both worldwide network operations and field and onsite workplace services. We secured and expanded a workplace services contract for one of the world's largest global chemical groups. In addition, we won an infrastructure Managed Services contract with a federal state bank, and a workplace Managed Services contract with a Telecommunications provider. Towards the end of the year, we again concluded a long-term contract with a very large German hyperscaler and software provider. This contract secures significant Technology Sourcing and Services volumes in the area of data center and networking.

We see the potential for top-line growth in 2022, which should also lead to an increase in earnings. We will invest significantly in our sales capacity, to support long-term customer development and, above all, to expand our customer base. In addition, we plan to significantly expand our Professional Services resources (consulting, project and engineering), although this will certainly be a challenge in the current labour market. These investments will have an impact on the short-term overall result, but from a medium- to long-term perspective, they are the right actions to ensure growth.

Financial performance

Total revenue increased by 11.6 per cent to €2,352.5 million(2020: €2,108.2 million) and by 7.7 per cent in reported pound sterling equivalents². Gross invoiced income⁴ increased by 12.1 per cent to €2,386.0 million(2020: €2,129.2 million).

The 2021 financial year was characterised by revenue growth in all three business areas.

We recorded significant growth of 11.8 per cent in Technology Sourcing, which is a pleasing result considering the availability problems with almost all hardware products. The strong relationships with our technology partners, as well as the skills and experience in our Computacenter teams, had a very positive effect on performance. In addition, we were able to ensure availability for our customers for important projects and plans through significantly increased stocking of products at our Integration Center in Kerpen.

We also showed good growth in both Professional Services and Managed Services. We are seeing continued high demand for technology refreshes and digitisation projects. This growth was made possible by the actions we started in the previous year

to expand our near-shore and off-shore capacity, as well as the expansion of our German capacity, especially in consulting. The good growth in Managed Services was particularly pleasing. In a persistently difficult and demanding market segment, we gained new clients and expanded existing contracts.

Overall margins in Germany increased by 52 basis points, with gross profit increasing from 14.9 per cent to 15.4 per cent of revenues. Gross profit grew by 15.7 per cent to €363.2 million(2020: €313.8 million) and by 11.5 per cent in reported pound sterling equivalents².

Along with the growth in revenue, we also recorded good contribution growth. While we maintained product margins at a level in line with the previous year, we significantly increased the Services margin, especially in Managed Services. This was due in particular to actions to optimise existing contracts, as well as the significantly reduced number of problem contracts. In addition, almost all new take-on projects were completed within or below the expected range of costs. In Professional Services, we maintained healthy margin levels, benefiting from a continuing high remote delivery level and from strong utilisation. However, the measures to retain existing employees and recruit new employees have increased costs and will require further investments in the future.

Adjusted¹ administrative expenses increased by 7.7 per cent to €202.5 million(2020: €188.1 million), and by 4.1 per cent in reported pound sterling equivalents².

Indirect costs were in line with expectations. We again benefited from lower travel, event and meeting costs which had a positive impact on the cost base. However, increased commissions due to the higher contribution, as well as proportionate costs for the planned staff expansion in sales, have increased the cost base. Stocking costs also increased, as we maintained product availability within Technology Sourcing.

Adjusted¹ operating profit for the German business increased by 27.8 per cent to €160.7 million(2020: €125.7 million) and by 22.4 per cent in reported pound sterling equivalents².

The growth in earnings for the year was primarily due to good overall business growth and an increase in the Services margin.

For 2022, it is important to continue to develop in Services, to use market demand to grow the Technology Sourcing business and to profit from the new contracts won in Managed Services. We will also invest in the sales force and in scaling the capacity of our Professional Services business.

Technology Sourcing performance

Technology Sourcing revenue grew by 11.8 per cent to €1,628.9 million(2020: €1,457.4 million) and by 7.8 per cent in reported pound sterling equivalents². Technology Sourcing margins decreased by 24 basis points over last year but remained at a high level.

This area delivered a pleasing performance, despite the worldwide supply problems for hardware products. We again benefited from good growth in the public and healthcare sector. Compared to the previous year, we saw increased demand, especially from customers in the automotive and related supplier industries. We recorded very good growth in workplace, saw good network and security business and slight growth in data center business.

The Technology Sourcing order book at 31 December 2021 was 138.6 per cent higher than at 31 December 2020.

Margins remained at a very high level in all areas, with slight improvements in the workplace business offsetting minor reductions elsewhere, and leading to a slight overall decrease of 24 basis points.

Services performance

Services revenue grew by 11.2 per cent to €723.6 million(2020: €650.8 million) and by 7.5 per cent in reported pound sterling equivalents². This included Professional Services growth of 21.2 per cent to €318.4 million(2020: €262.8 million), an increase of 17.1 per cent in reported pound sterling equivalents², and an increase in Managed Services of 4.4 per cent to €405.2 million(2020: €388.0 million), an increase of 1.0 per cent in reported pound sterling equivalents².

We achieved good growth and a significant improvement in earnings in both Professional Services, which is our project and consulting business, and in Managed Services, the maintenance and management business.

As in previous years, we benefited from our strong consulting and project business in 2021. Here, we see increasing demand for the support of international projects in field, home office and on-site services, as well as continuing high demand for the realisation of digitalisation projects. We were able to successfully leverage the near-shore services in Cluj, Romania, which we started in second quarter of 2021 and have since expanded to more than 80 people.

We are continuing with our plan of having 400 extra people in the area of consulting and engineering in 2022 and have once again significantly expanded our recruiting activities for this purpose.

Our Managed Services business also developed positively over the year. We see a stagnating market dominated by a few global participants, but we were able to hold our ground, win new contracts and expand our existing business. Profitability also increased thanks to good contract management and the stabilisation or expiry of some of our problem or loss-making contracts. Nevertheless, this business will continue to be challenging in the future and growth will only be possible by winning new contracts.

Overall, the Services margin was 225 basis points higher than last year.

France

In November 2020, we completed the acquisition of BT's domestic Services operations in France. This subsidiary has been renamed Computacenter NS. Our 2021 results therefore include the full-year financial performance of Computacenter NS, whereas we only had two months in the 2020 results.

Financial performance

Total revenue increased by 0.8 per cent to €760.0 million(2020: €753.9 million). In reported pound sterling equivalents², total revenue was down 2.9 per cent.

As noted in our first half results, we were determined to deliver a positive operational result for the full year. Thanks to a good second half performance, we achieved this goal. However, the year as a whole was challenging for our French business. We have seen declining performance in all areas of the business and as Computacenter NS was loss-making on acquisition, it further reduced our profit for 2021, as expected.

The acquired business, Computacenter NS, recorded revenues of €69.6 million(2020: €15.0 million) with an adjusted¹ operating loss of €4.9 million(2020: €1.6 million), which was broadly in line with our plan for the year.

Excluding the revenues earned within Computacenter NS, Computacenter France total revenue declined by 6.6 per cent to €690.4 million(2020: €738.9 million).

Throughout the year, we were confronted by the challenge of worldwide component shortages, and corresponding delivery issues in Technology Sourcing, mainly in the workplace area. This impacted our public sector business, as we fulfil multiple public framework contracts in this area. Our private sector performance was not immune from the worldwide shortages but it showed encouraging growth in the networking area and therefore compensated better for the shortages in other areas.

We continued to integrate Computacenter NS, strengthening our capabilities in our networking and security offerings. In November 2021, we reached an important milestone by finalising the migration of Computacenter NS into our Group ERP systems, giving us the opportunity to further align processes and resources. As anticipated at the time of the acquisition, we had to relocate some office locations for Computacenter NS. In June 2021, we opened our new sales and administrative office in the centre of Paris. Despite difficult circumstances due to Covid-19, this office has been welcomed by customers, employees and technology partners as a perfect location to meet and cooperate. We continue to review our strategy for another three locations in the Paris region and aim to reach a conclusion towards the end of 2022. From a business integration point of view, we celebrated winning some pleasing network maintenance contracts towards the end of the year.

We remain confident that our continued customer focus on large public and private sector organisations, the further development of our Group offerings and the continued focus on cost control offer the best route to reach growth in 2022.

Overall, margins in France decreased by 64 basis points, with gross profit decreasing from 11.1 per cent to 10.4 per cent of revenues. Excluding the impact of Computacenter NS, margins increased by 15 basis points, with gross profit increasing

from 10.9 per cent to 11.0 per cent of revenues.

Overall gross profit decreased by 4.9 per cent to €79.2 million(2020: €83.3 million) and reduced by 8.5 per cent in reported pound sterling equivalents². Excluding the €3.2 million of gross profit earned within Computacenter NS (2020: €3.1 million), the Computacenter France gross profit decreased by 5.2 per cent to €76.0 million(2020: €80.2 million).

Adjusted¹ administrative expenses increased by 8.9 per cent to €75.0 million(2020: €68.9 million), and by 5.2 per cent in reported pound sterling equivalents² as we have continued to invest to support growth. Excluding the €8.2 million of adjusted¹ administrative expenses incurred within Computacenter NS (2020: €4.7 million), Computacenter France administrative expenses increased by 4.0 per cent to €66.8 million (2020: €64.2 million).

Adjusted¹ operating profit for the combined French business decreased by 70.8 per cent to €4.2 million(2020: €14.4 million), and by 73.1 per cent in reported pound sterling equivalents². As noted in our 2020 Annual Report and Accounts, the Computacenter NS business was loss-making on acquisition, and it therefore reduced our combined profit for 2021 as expected. Excluding the €4.9 million operating loss from the activities of Computacenter NS (2020: €1.6 million), the Computacenter France business made €9.1 million of operating profit in 2021 (2020: €16.0 million).

Technology Sourcing performance

Technology Sourcing revenue decreased by 5.1 per cent to €560.0 million(2020: €590.0 million) and by 8.5 per cent in reported pound sterling equivalents². Excluding the €11.3 million of Technology Sourcing revenues within Computacenter NS (2020: €2.7 million), Computacenter France Technology Sourcing revenues decreased by 6.6 per cent to €548.7 million(2020: €587.3 million).

Despite a decline in revenues, it was a very busy year in Technology Sourcing. The volume of outstanding Technology Sourcing orders placed with us by our customers increased significantly across the whole year, due to the worldwide component shortages. If we had been able to ship all products within normal timescales and thereby maintain a backorder position comparable with 2020, we would have generated good growth in overall revenues. The Technology Sourcing order book at 31 December 2021 was 74.6 per cent higher than at 31 December 2020.

Despite the challenge of product shortages, the private sector showed a revenue increase in Technology Sourcing, mainly thanks to some networking contracts. Towards the end of the year in particular we saw increased activity within our customer base, albeit still lower than before Covid-19. Our Public Sector business had a challenging year in Technology Sourcing, as we noticed a declining spending pattern for the majority of these customers.

We expect that the worldwide shortages will remain a challenge in 2022 but are hopeful that we will be able to provide better visibility of delivery dates for our customers and eventually see an overall reduction in delays. To ensure this, we are

staying in close contact with technology partners, both at local and Group levels.

Overall, Technology Sourcing margins increased by 36 basis points. Excluding the impact of Computacenter NS, Technology Sourcing margins increased by 39 basis points.

Services performance

Services revenue increased by 22.0 per cent to €200.0 million(2020: €163.9 million) and by 17.5 per cent in reported pound sterling equivalents². Professional Services revenue increased by 10.3 per cent to €44.1 million(2020: €40.0 million), which was an increase of 6.4 per cent in reported pound sterling equivalents². Managed Services revenues increased by 25.8 per cent to €155.9 million(2020: €123.9 million), an increase of 21.0 per cent in reported pound sterling equivalents².

Excluding the Services revenues within Computacenter NS, the Computacenter France Services revenues decreased by 6.5 per cent to €141.7 million(2020: €151.6 million). Professional Services revenue decreased 15.4 per cent to €31.3 million (2020: €37.0 million), with Managed Services revenues decreasing by 3.7 per cent to €110.4 million(2020: €114.6 million).

The main impact on Services revenue came from a global outsourcing contract that ended in the first half of 2020, which we knew was going to reduce 2021 revenues compared to last year. Apart from a loss-making contract in the network operations area, we have been able to maintain our Managed Services margins.

In 2020, the first year of the Covid-19 crisis, many customers postponed or cancelled their upcoming Managed Services tenders. As expected, many of these campaigns restarted in 2021. We have been very busy responding to tenders and won a significant number of new contracts. We are in the process of onboarding these contracts. Once fully operational, they will allow us to maintain our 2022 Contract Base, by compensating for a Computacenter NS contract that we knew on acquisition would end in 2021.

In addition to winning new contracts, we have been able to extend our Services scope in three of our largest existing Managed Services contracts.

Our Professional Services business in the private sector faced a challenging year with a decline in revenues, mainly due to the complicated Covid-19 situation and the lack of additional project opportunities we normally have within our Managed Services contracts. Public sector performance was flat in Professional Services.

With the Computacenter NS business now integrated further into our organisation, we believe we have a good opportunity to grow our Professional and Managed Services businesses significantly in 2022. With the integration and our continued effort to further develop and train our entire Services staff, we should be able to position skilled professionals in a market with high demand for specialised resources.

Services margins decreased by 351 basis points over last year. Excluding the impact of Computacenter NS, Services margins decreased by 74 basis points.

North America

Performance in the year was heavily influenced by the acquisition of Pivot on 2 November 2020. 2021 includes a full year of Pivot, with revenues of \$1,432.4 million and adjusted¹ operating profit of \$25.2 million recorded in the year, whereas the prior year included \$292.7 million of revenue and adjusted¹ operating profit of \$6.8 million, arising from the two months of trading between the acquisition date and 31 December 2020.

During 2021, we completed the migration of the non-Pivot part of the North American operations onto our Group ERP system, which was a more challenging implementation than expected, due to most of the preparation being managed remotely from Europe as a result of the Covid-19 travel impacts. We are entering the next phase of the implementation, which will bring the Pivot operation onto the Group ERP platforms, at which point the North American business can be fully integrated. This integration is not expected to complete until 2023.

Financial performance

Total revenue increased by 114.3 per cent to \$2,623.1 million (2020: \$1,223.8 million). In reported pound sterling equivalents², total revenue was up 102.4 per cent. Gross invoiced income⁴ increased by 103.4 per cent to \$2,696.8 million (2020: \$1,325.8 million).

Pivot Canada (now 'Computacenter Teramach') is included within our North America segment. We are very pleased with the growth achieved in Canada during the year, where revenue increased to \$144.1 million in 2021 from \$20.7 million in the two months of ownership in 2020. Growth was approximately 13 per cent in 2021, compared to the full-year results in 2020.

Excluding the Pivot acquisition, our organic North American revenue growth was 27.9 per cent. This is due to continued growth of hyperscale customers, while spending by our mid-market customers was flat, primarily because of the ongoing Covid-19 pandemic. Overall, revenue was ahead of forecast for the year on an organic basis, primarily due to Technology Sourcing.

Margins in North America increased by 29 basis points, with gross profit increasing from 9.2 per cent to 9.4 per cent of revenues. Excluding the impact of Pivot, margins fell by 103 basis points, with gross profit decreasing from 8.8 per cent to 7.8 per cent of revenues, as the increased volumes with lower-margin hyperscale customers drove the revenue performance.

The Technology Sourcing margin remained consistent overall. The acquisition of Pivot was beneficial to margins, as Pivot's Technology Sourcing margins are approximately 2-3 percentage points higher than the previously acquired FusionStorm business. This is because Pivot's customer mix is not as focused on hyperscale customers, who tend to drive lower margins. Excluding Pivot, Technology Sourcing margins decreased by 85 basis points, primarily due to customer mix, as the lower-margin hyperscale customers comprised a larger portion of revenue.

Professional Services margins were up compared to the prior year, as revenue recovered from a low in 2020, when customer projects were deferred due to Covid-19, and were further increased by Pivot, which has a larger Professional Services practice. The increased revenue resulted in higher utilisation of services personnel. The Managed Services business reported lower margins year-on-year, due to lower margins on start-up efforts on new programmes.

Overall gross profit grew by 120.7 per cent to \$247.6 million (2020: \$112.2 million) and by 108.8 per cent in reported pound sterling equivalents². Excluding the \$154.5 million of gross profit earned by Pivot in the year (2020: \$29.8 million), gross profit grew organically 13.0 per cent to \$93.1 million (2020: \$82.4 million).

Adjusted¹ administrative expenses increased by 118.6 per cent to \$205.0 million (2020: \$93.8 million), and by 106.4 per cent in reported pound sterling equivalents². This was due to the acquisition of Pivot, which added \$129.3 million of adjusted¹ administrative expenses for 2021, compared to \$23.0 million for the two months in the prior year. Excluding Pivot, adjusted¹ administrative expenses increased only 6.9 per cent to \$75.7 million (2020: \$70.8 million). Higher variable remuneration was the primary driver of the increased costs, due to the increase in margins. Travel costs rose, although they remained lower than pre-Covid-19 levels.

Adjusted¹ operating profit for the North America business increased by 131.5 per cent to \$42.6 million (2020: \$18.4 million), and by 121.4 per cent in reported pound sterling equivalents². The increase in operating profit was due in part to the full year contribution from Pivot. Pivot contributed \$25.2 million of operating profit in 2021, compared to \$6.8 million of operating profit for the two months of 2020.

Excluding Pivot, North America's adjusted¹ operating profit was up by 50.0 per cent to \$17.4 million (2020: \$11.6 million), as hyperscale customers continued to purchase in volume and cost synergies from the acquisition were realised.

Technology Sourcing performance

Technology Sourcing revenue increased by 109.5 per cent to \$2,490.8 million (2020: \$1,189.2 million) and by 97.8 per cent in reported pound sterling equivalents².

The addition of Pivot resulted in significant growth in our Technology Sourcing business. Pivot contributed \$1,327.9 million of Technology Sourcing revenue (2020: \$280.0 million for the two months from acquisition). Excluding Pivot, Technology Sourcing revenue increased by 27.9 per cent on an organic basis, as hyperscale customers increased their volumes, and mid-market customers remained consistent. We benefited from significant continuing investments by our customers, as they digitise their operations and modernise their infrastructure.

Excluding the impact of Pivot, North America Technology Sourcing margins decreased by 85 basis points on an organic basis over the same period last year, as a result of the growth in revenue being driven by hyperscale and large customers, which generally have lower margins. Partially offsetting this decrease was the addition of

Pivot volume, which generally has higher margins due primarily to customer mix. We also continue to evolve our partner management organisation with the larger scale provided by Pivot and are seeing an improvement in margins as a result. Including the results of Pivot, Technology Sourcing margins increased by 38 basis points overall.

Services performance

Services revenue increased by 282.4 per cent to \$132.3 million (2020: \$34.6 million) and by 258.6 per cent in reported pound sterling equivalents². Professional Services increased by 316.0 per cent to \$106.5 million (2020: \$25.6 million), which was an increase of 295.4 per cent in reported pound sterling equivalents². Managed Services increased by 186.7 per cent to \$25.8 million (2020: \$9.0 million), an increase of 158.3 per cent in reported pound sterling equivalents². Services revenue growth was driven by having a full year of Pivot, combined with significant growth in Pivot's deployment services, which are part of our Professional Services.

Pivot recorded Services revenues of \$104.5 million (2020: \$12.8 million) comprising Professional Services revenues of \$87.4 million (2020: \$10.2 million) and Managed Services revenues of \$17.1 million (2020: \$2.6 million).

Excluding the Services revenues within Pivot, the North American Services revenues increased by 27.5 per cent to \$27.8 million (2020: \$21.8 million). Professional Services revenue increased 24.0 per cent to \$19.1 million (2020: \$15.4 million) with Managed Services revenues up 35.9 per cent at \$8.7 million (2020: \$6.4 million).

Project activity recovered after a slow 2020, when customers either delayed expected spend or cancelled projects while they responded to Covid-19. The increase was also driven by a Managed Services win in the US market, representing the first significant Managed Services contract win led from the US.

Services margins decreased by 592 basis points and are now 1,082 basis points below the overall combined Group Services margin. While contribution from Services increased with the greater volume and the addition of a full year of Pivot, margins were down from the prior year, as the new Managed Services contract was in the first year, where we often earn lower margins, and deployment services average margins are lower than other parts of the Services portfolio.

International

The International Segment comprises a number of trading entities and near-shore and off-shore Service Center 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. These trading entities are joined in the Segment by our Service Center entities in Spain, Malaysia, India, South Africa, Hungary, Poland, Romania, China and Mexico, which have limited external revenues.

Early in 2020, we set up offices in Madrid and Barcelona with the aim of developing

our business in Spain through a local sales team. After careful consideration, we reviewed our international sales strategy towards the end of 2021 and decided to serve our customers in Spain through our other European operations. While we remain active in Spain with a support team of over 500 Service agents and engineers, we will no longer have a dedicated sales team in the country.

Financial performance

Revenues in the International Segment increased by 9.6 per cent to £191.0 million (2020: £174.3 million) and by 13.6 per cent in constant currency².

Our trading entities in the International Segment produced a good performance in 2021. Whilst 2020 was challenging due to the Covid-19 crisis, the business bounced back to healthy volumes and profitability in all countries in 2021. We have not benefited from any government support related to Covid-19 in 2021, apart from a very small amount for a reduced period in our Belgian operations, which ceased with effect from 1 May 2021.

Gross profit increased by 28.0 per cent to £39.3 million (2020: £30.7 million), and by 32.8 per cent in constant currency².

Adjusted¹ administrative expenses increased by 3.3 per cent to £28.0 million (2020: £27.1 million) and by only 6.5 per cent in constant currency².

Overall adjusted¹ operating profit increased by 213.9 per cent to £11.3 million (2020: £3.6 million) and by 242.4 per cent in constant currency².

The Belgian business saw a significant increase in profitability during 2021, thanks to a combination of good workplace and infrastructure projects and an excellent performance in the Managed Services area.

As expected, the Swiss business had to cope with a significant scope change in two major Managed Services contracts, but compensated for this by identifying other projects within the contracts, winning new contracts with large organisations and a continued focus on cost control.

After a difficult 2020, our business in the Netherlands saw a remarkable profit increase. We have a traditionally strong Dutch public sector business, and we were able to extend this, with a significant win in the private sector delivering promising contributions in 2021.

Technology Sourcing performance

Technology Sourcing revenue increased by 2.1 per cent to £112.8 million (2020: £110.5 million) and by 5.9 per cent in constant currency².

The International Segment was affected by worldwide component shortages, and we faced challenges to deliver goods on time to our customers. Despite these difficult circumstances, our teams worked hard to keep customers informed about the availability of goods and possible alternatives.

As part of one of the world's largest value-added resellers, we are well supported by the Group to defend local priorities with our technology partners. We have also been successful in delivering extended Services to local customers by leveraging Group capabilities, both on a local and international scale.

We have invested locally in partnerships and certifications to strengthen our relationships with technology partners. For example, we have strengthened our relationship with Apple in both the Netherlands and Switzerland. Our Belgian operation was the first partner in Belgium to achieve the Cisco IOT Advantage Specialization and was rewarded with the Cisco Customer Experience award.

As in all other regions, we expect that the worldwide component shortages will continue to challenge us in 2022 but we are committed to working closely with our customers and technology partners to keep the impact to a minimum.

Services performance

Services revenue increased by 22.6 per cent to £78.2 million (2020: £63.8 million) and by 26.9 per cent in constant currency². Professional Services revenue increased by 18.1 per cent to £8.5 million (2020: £7.2 million), which was an increase of 23.2 per cent in constant currency², whilst Managed Services increased by 23.1 per cent to £69.7 million (2020: £56.6 million), which was an increase of 27.4 per cent in constant currency².

In general, we were pleased with the performance of our Services business.

Our Professional Services business suffered from the Covid-19 crisis in 2020 and recovered well in 2021, although we estimate that activity has still not returned to pre-pandemic levels.

In Belgium, we secured and extended our main Managed Services contracts. In Switzerland, we have fully optimised our delivery model and identified project extensions in our largest Managed Services contracts.

Our Dutch operations also grew in Services, although we see opportunities to do significantly better in 2022.

2020 was a difficult year for the International Segment, and we were pleased by the way we returned to good business levels in 2021. Furthermore, we see good opportunities to grow our business. In each of the operations, we have identified opportunities to grow by exploring new business sectors (such as the public sector in Belgium and private sector in the Netherlands) or customers, for example by further developing international customers, based on our success in this area in 2021. We therefore have confidence that there is still plenty of scope to grow further in 2022.

Group Finance Director's review

During 2021, the Group benefited from continued strong organic revenue growth,

balanced evenly between Technology Sourcing and Services. Growth across the Segments was excellent, apart from France where market conditions are weaker and some of our customers spent less. On top of the organic growth, the revenue increases from the acquisitions made in 2020 significantly boosted the top-line performance during the year.

The Technology Sourcing growth was driven by robust public sector activity in the UK and Germany, where the Group has a strong track record, and by the industrial enterprise sector in the UK and Germany, as these large sectors returned to more normal spending patterns and expanded their requirements. In addition, the rebound of the mid-market sectors in North America complemented the sustained growth seen in the hyperscale markets. As customers have less need to address immediate requirements caused by Covid-19, we remain very encouraged by the resumption of longer-term IT transformations, on a scale and timeline that appear strengthened by the experiences of the last two years. The strength of the overall Technology Sourcing result is driven by the spread of the customer base across multiple Segments and geographies, which create durability and sustainability within the business model.

Professional Services in Germany has continued its excellent recent track record, with another period of rapid growth, and the UK also saw robust Professional Services growth.

Our recently established presence in Cluj, Romania, has had a successful start as it builds towards a specialist offering of up to 500 professionals within Computacenter Romania. This will expand our Professional Services capacity and allow us to continue to capture the opportunities in this business line. Over 80 consultants within the Computacenter Romania Professional Services 'Centre of Excellence' are providing agile application services to customers in Germany, including software development, application migration and application support. In time, we will expand this capability to all other countries across the Computacenter Group.

Managed Services saw robust revenue increases in all geographies, apart from France. A number of contracts which are based on price times quantity, rather than a fixed periodic fee, resumed growth as call volumes began to return to pre-pandemic levels and the field engineer workforce saw significant increases in activity, as customer sites began to reopen. In addition, we won a number of new deals during the year, with contracts signed and initial transitions progressing well. These contracts will support future growth in this area.

Services margins remained healthy and increased overall. We continued to enjoy increased utilisation of our now remote-working engineers, who no longer have to spend otherwise billable time travelling to customer sites, and a substantial reduction in the use of external contractors. We expect both of these trends to continue in the short to medium term, as more efficient ways of working have proven effective for the Group, our customers and our people. More importantly, the quality of the contract portfolio continues to increase, as older underperforming contracts improve, and enhanced bid governance processes result in better margins on new contracts. Our French business suffered on an organic basis, as the full effect of the non-renewal of the Group's largest Managed Services contract affected its year-on-year performance

for the first time.

The business remains agile and innovative, enabling us to continue to adapt and support our customers, as they move beyond remote working towards the complexity of hybrid working and the required structural adaptations of their IT environments.

The revenue performance was driven through our biggest markets, the UK, Germany and North America, and was supported by strong gross margins across all business lines. Technology Sourcing margins were slightly reduced from 2020, as increasing volumes of lower-margin software sourcing deals diluted an otherwise excellent return from the higher-margin complex product lines. Both Technology Sourcing and Services continued to benefit from the ongoing reduction of expenses within costs of goods sold. Whilst some of these costs, such as travel, fleet and contractors, have partially come back as the Group increasingly returns to its pre-Covid-19 operational footing, we continue to carefully manage certain cost categories to ensure a permanent reduction in the overall cost base. We have implemented an internal carbon levy on travel, as part of our commitment to reduce business travel emissions by 35 per cent when compared to pre-Covid-19 levels in 2019. This emphasis on post-Covid-19 cost control is also reflected by the increase in gross profit (20.4 per cent) materially outstripping the growth in administrative expenses (17.7 per cent).

The Group result saw significant organic increases in adjusted¹ operating profit across the UK, Germany, North America and the International Segments, with the decline in France the only disappointing result.

On 30 April 2021, we acquired ITL Logistics GmbH ('ITL'), which employs 80 people in three locations in Germany. ITL provides IT logistics services, as well as IT services, for large companies and public sector clients in Europe. Through the acquisition, Computacenter is expanding its IT logistics services and now operates its own IT logistics fleet, with technical couriers who deliver and collect IT products across Europe. ITL also operates small regional warehouses, where IT products are held locally to meet customer service-level agreements. We intend to invest further in ITL, to strengthen its business in Europe.

The acquisition of Pivot and Computacenter NS on 2 November 2020 continues to add capability to the Group. Pivot increases the scale and breadth of our North American business, allowing us to serve a wider range of customers and products in more locations in the United States and Canada. Computacenter NS 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.

The integration of Pivot and Computacenter NS continues, with significant projects underway to migrate to our Group ERP systems. In North America, FusionStorm and the legacy US business transitioned to Group ERP in early September 2021 and was largely completed by 31 December 2021. Computacenter NS successfully completed its migration in the fourth quarter of 2021. Pivot will follow in 2023. Having these entities on our leading ERP platform technologies and toolsets will further unlock

their potential for growth and efficiencies.

Combined, these acquisitions added £1,105.1 million of revenue (2020: £232.6 million) and £13.9 million of adjusted¹ profit before tax (2020: £3.3 million) to the Group's reported results.

A reconciliation to adjusted¹ measures is provided below. Further details are provided in note 2.5 to the summary financial information within this announcement, adjusted measures.

Reconciliation to adjusted¹ measures for the year ended 2021

	Adjustments			Adjusted ¹ full-year results £m
	Reported results £m	Amortisation of acquired intangibles £m	Exceptionals and others £m	
Revenue	6,725.8	-	-	6,725.8
Cost of sales	(5,858.0)	-	-	(5,858.0)
Gross profit	867.8	-	-	867.8
Administrative expenses	(612.6)	7.6	-	(605.0)
Operating profit	255.2	7.6	-	262.8
Finance income	0.3	-	-	0.3
Finance costs	(7.5)	-	-	(7.5)
Profit before tax	248.0	7.6	-	255.6
Income tax expense	(61.5)	(2.1)	-	(63.6)
Profit for the year	186.5	5.5	-	192.0

Reconciliation to adjusted¹ measures for the year ended 2020

	Adjustments			Adjusted ¹ full-year results £m
	Reported results £m	Amortisation of acquired intangibles £m	Exceptionals and others £m	
Revenue	5,441.3	-	-	5,441.3
Cost of sales	(4,720.8)	-	-	(4,720.8)
Gross profit	720.5	-	-	720.5
Administrative expenses	(522.0)	7.4	0.5	(514.1)
Operating profit	198.5	7.4	0.5	206.4

	Adjustments			Adjusted ¹ full-year results £m
	Reported results £m	Amortisation	Exceptionals and others £m	
		of acquired		
		intangibles £m		
Gain on acquisition of subsidiary	14.0	-	(14.0)	-
Finance revenue	0.5	-	-	0.5
Finance costs	(6.4)	-	-	(6.4)
Profit before tax	206.6	7.4	(13.5)	200.5
Income tax expense	(52.4)	(1.7)	(0.7)	(54.8)
Profit for the year	154.2	5.7	(14.2)	145.7

Profit before tax

The Group's profit before tax for the year increased by 20.0 per cent to £248.0 million (2020: £206.6 million). Adjusted¹ profit before tax increased by 27.5 per cent to £255.6 million (2020: £200.5 million) and by 31.5 per cent in constant currency².

The difference between profit before tax and adjusted¹ profit before tax relates to the Group's net costs of £7.6 million (2020: net gain of £6.1 million) from exceptional and other adjusting items, which is 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 Consolidated Financial Statements, as disclosed in the 2019 Annual Report and Accounts. The current period results include an overall decrease in profit before tax of £2.3 million, including on an adjusted¹ basis, due to the impact of IFRS 16 (2020: £2.0 million).

Net finance charge

Net finance charge in the year amounted to £7.2 million (2020: £5.9 million). The main items included within the net charge for the year are £5.2 million of interest charged on lease liabilities recognised under IFRS 16 (2020: £4.5 million) and £1.5 million for the Pivot facility (2020: £0.4 million). Pivot was only part of the Group for two months of the prior year, so whilst overall the debt position is reduced at year-end compared to the prior-year position, there is a full year of interest expense from the Pivot debt facility incurred in the current year.

There were no interest items excluded on an adjusted¹ basis.

Taxation

The tax charge was £61.5 million (2020: £52.4 million) on profit before tax of £248.0 million (2020: £206.6 million). This represents a tax rate of 24.8 per cent (2020: 25.4 per cent).

In 2020, the tax rate reduced 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 was not taxable, as no chargeable gain had been realised in any legal entity. During 2020, a 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, this is a one-off and material to the overall tax result, we 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 £2.1 million (2020: £1.7 million). The £7.6 million of amortisation of intangible assets is almost entirely a result of the recent North American acquisitions (2020: £7.4 million). As the amortisation is recognised outside of our adjusted¹ profitability, the tax benefit on the amortisation is also reported outside of our adjusted¹ tax charge.

The adjusted¹ tax charge for the year was £63.6 million (2020: £54.8 million), on an adjusted¹ profit before tax for the year of £255.6 million (2020: £200.5 million). The effective tax rate (ETR) was therefore 24.9 per cent (2020: 27.3 per cent) on an adjusted¹ basis.

During the second half of the year a number of one-off tax items were processed that substantially reduced the tax charge, and therefore the adjusted¹ ETR, for the year as a whole. Rebasing certain deferred tax assets for the adjustment in the UK Corporate Tax rate from 19 per cent to the 25 per cent rate that was substantively enacted on 11 March 2021, with effect from 1 April 2023, has resulted in a one-time credit to the tax expense of £3.1 million. Several other one-off items incurred in the year have reduced the tax expense by a further £2.4 million in aggregate. These include a programme of recharging the costs of our share-based payment schemes, our Sharesave and LTIP awards, to those jurisdictions outside of the UK that also benefit from these schemes which resulted in a positive tax impact for the Group in 2021 from catching up the 2020 recharging, and the closure of a number of historical tax positions in North America. Together, these combined items have resulted in a one-time credit benefit to the tax expense of £5.5 million. Excluding these items, the underlying adjusted¹ tax expense would be £69.1 million resulting in an adjusted¹ ETR of 27.0 per cent. Had the one-off items not impacted during the year, and the Group result reflected an adjusted¹ ETR of 27.0 per cent, the adjusted¹ diluted EPS would have been 160.9 pence per share. Assuming an unchanged dividend payment policy, the proposed final dividend, and the total dividend for the year, would have been 47.5 pence per share and 64.4 pence per share respectively. The ETR during the year was also 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 adjusted¹ ETR is therefore outside the full-year range that we indicated in our 2021 Interim Results, which showed an ETR of 28.6 per cent (H1 2020: 28.1 per cent), due to the unforecasted positive impacts described above.

We expect that the ETR in 2022 will be subject to upwards pressure, due to an

increasing reweighting of the geographic split of adjusted¹ 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. Looking further ahead, substantially enacted tax increases will take effect in the UK from 1 April 2023, with a rise from 19 per cent to 25 per cent.

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 2021 was incurred in either the UK, German or US tax jurisdictions, as it was in 2020. Computacenter France, which now includes the BT Services France acquisition within a tax group, has returned to a lossmaking position, reducing the amount of tax paid locally.

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 2021, the Group Transfer Pricing policy implemented in 2013 resulted in a licence fee of £30.3 million (2020: £27.9 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 for further detail, which analyses Segmental results down to adjusted¹ operating profit.

The table below reconciles the tax charge to the adjusted¹ tax charge for the years ended 31 December 2021 and 31 December 2020.

	2021	2020
	£m	£m
Statutory tax charge	61.5	52.4
Adjustments to exclude:		
Exceptional tax items	-	0.7
Tax on amortisation of acquired intangibles	2.1	1.7
Adjusted¹ tax charge	63.6	54.8
Effective Tax Rate	24.8%	25.4%
Adjusted¹ Effective Tax Rate	24.9%	27.3%

Profit for the year

The profit for the year increased by 20.9 per cent to £186.5 million (2020: £154.2 million). The adjusted¹ profit for the year increased by 31.8 per cent to £192.0 million (2020: £145.7 million) and by 35.7 per cent in constant currency².

Exceptional and other adjusting items

The net loss from exceptional and other adjusting items in the year was £5.5 million (2020: gain of £8.5 million). Excluding the tax items noted above, which resulted in a gain of £2.1 million (2020: gain of £2.4 million), the profit before tax impact was a net loss from exceptional and other adjusting items of £7.6 million (2020: gain of £6.1 million).

There were no exceptional items in the year to 31 December 2021 (2020: gain of £13.5 million).

We have continued to exclude, as an 'other adjusting item', the amortisation of acquired intangible assets in calculating our adjusted¹ 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 £7.6 million (2020: £7.4 million), primarily relating to the amortisation of the intangibles acquired as part of the recent North American acquisitions. The prior-year value includes the amortisation of a number of short-term acquired intangibles relating to the valuation of Pivot order backlogs, due to the expiration of the valued assets.

The acquisition of BT Services France on 2 November 2020 resulted in an exceptional gain of £14.0 million, which was recognised on consolidation of the subsidiary in the 2020 Annual Report and Accounts. 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 operation which, on acquisition, was loss making on a standalone 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 adjusted¹ results. This will mean that, over time, the future costs incurred can be attributed against the exceptional gain on acquisition recognised in the prior year. There have been no such costs incurred during the year to 31 December 2021.

An exceptional loss during 2020 of £0.7 million resulted from the acquisition of Pivot and primarily related to fees paid to the Company's advisors. This cost was non-operational, unlikely to recur and is consistent with our prior-year treatment of acquisition costs on material transactions as exceptional items. It was therefore

classified as outside our adjusted¹ results.

In 2020, an exceptional gain of £0.2 million related to the release of accrued costs for the French Social Plan. Whilst not material, this was classified outside our adjusted¹ 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.

Earnings per share

Diluted EPS increased by 20.3 per cent to 160.9 pence per share (2020: 133.8 pence per share). Adjusted¹ diluted EPS increased by 31.0 per cent to 165.6 pence per share (2020: 126.4 pence per share).

	2021	2020
Basic weighted average number of shares (excluding own shares held) (m)	113.0	112.9
Effect of dilution:		
Share options	2.2	2.0
Diluted weighted average number of shares	115.2	114.9
Profit for the year attributable to equity holders of the Parent (£m)	185.3	153.8
Basic earnings per share (pence)	164.0	136.2
Diluted earnings per share (pence)	160.9	133.8
Adjusted¹ profit for the year attributable to equity holders of the Parent (£m)	190.8	145.3
Adjusted ¹ basic earnings per share (pence)	168.6	128.7
Adjusted ¹ diluted earnings per share (pence)	165.6	126.4

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.

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 funds³ continues to increase 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 did in February 2018.

Dividends are paid from the standalone balance sheet of the Parent Company and, as

at 31 December 2021, the distributable reserves were £199.3 million (31 December 2020: £268.1 million).

The Board is pleased to propose a final dividend for 2021 of 49.4 pence per share (2020: 38.4 pence per share). Together with the interim dividend, this brings the total ordinary dividend for 2021 to 66.3 pence per share, representing a 30.8 per cent increase on the 2020 total dividend per share of 50.7 pence.

The Board has consistently applied the Company's dividend policy, which states that the total dividend paid will result in a dividend cover of 2 to 2.5 times based on adjusted¹ diluted EPS. In 2021, the cover was 2.5 times (2020: 2.5 times).

Subject to the approval of shareholders at our Annual General Meeting on 19 May 2022, the proposed dividend will be paid on Friday 8 July 2022. The dividend record date is set as Friday 10 June 2022 and the shares will be marked ex-dividend on Thursday 9 June 2022.

Central Corporate Costs

Certain expenses are not specifically allocated to individual Segments because they are not directly attributable to any single Segment. These include the costs of the Board itself, 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. 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 adjusted¹ administrative expenses.

During the year, total Central Corporate Costs were reduced at £23.7 million (2020: £27.1 million).

Within this:

- Board expenses, related public company costs, costs associated with Group Executive members not aligned to a specific geographic trading entity, and certain one-off costs in relation to the cancellation of Group-wide central meetings, increased to £9.1 million (2020: £6.8 million) partially due to the Executive Directors waiving their salaries in the second quarter of 2020 and both Founder Non-Executive Directors waiving their fees from 1 April to 31 December 2020;
- share-based payment charges associated with the Group Executive members identified above, including the Group Executive Directors, increased from £3.2 million in 2020 to £3.8 million in 2021, due primarily to the increased value of Computacenter plc ordinary shares and the overall increased performance of the Group; and
- strategic corporate initiatives are designed to increase capability and therefore competitive position, enhance productivity or strengthen systems which underpin the Group. During the year this spend was £10.8 million (2020:

£17.1 million), primarily due to reduced spend on projects that completed in the second half of 2020 and lower than planned spend on certain other projects, which is expected to be incurred in the first half of 2022. In addition, during 2021 there was a significant review of certain large software implementations, which will increase spend during 2022.

Cash flow

The Group delivered an operating cash inflow of £224.3 million for the year to 31 December 2021 (2020: £236.9 million inflow).

As noted in the 2020 Annual Report and Accounts, there were certain Covid-19 related one-off benefits included in the 2020 cash flow and net cash positions, including extended free-of-charge supplier credit with a major technology partner as well as improvements arising from customer mix. Most of these benefits had expired by 31 December 2020 and were material factors in the reduction in operating cash flow in the first half of 2021 year, when compared to the first half of 2020.

Net cash positions no longer include extended free-of-charge supplier credit with a major technology partner, as this temporary Covid-19 related arrangement was fully repaid during the year (31 December 2020: £15.0 million).

Other components of the working capital increase are explained below.

During the year, net operating cash outflows from working capital, including inventories, trade and other receivables and trade and other payables, were £77.1 million (2020: £28.3 million outflow).

As noted in our 2020 Annual Report and Accounts the year-end cash position was abnormally high, 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 was 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. Whilst 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, the volume of early payments from customers received in the final days of the prior year was unprecedented. The Company estimated, 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. These positions have largely unwound through the year, and this is reflected in the working capital movements seen.

In 2021, working capital cash flows were further impacted by both the revenue growth and the increased inventory levels, in particular within our North American business. Due to the significant product shortages seen during the year, a number of hyperscale customers have made advance orders of product with delayed delivery, to ensure continuity of supply. Additionally, inventory has increased as we have deliberately invested in working capital by pre-ordering inventory, thereby using the strength of our balance sheet to support our customers during product shortages. Further, a number of rack build orders were incomplete at the year end, sometimes

due to shortages of smaller components required to complete the rack build. Finally, the transition of the FusionStorm business to the Group ERP, whilst now complete, did result in short-term operational issues that impacted working capital, as the picking and shipping of complex inventory items, invoicing and cash collection in particular experienced significant delays late in the third quarter and early in the fourth quarter. By the end of the year there was an improving position, as the FusionStorm entity has gained experience in using the system and tools and learned how to leverage their advantages. Considerable improvement is still required, although at the date of this report, the working capital impacts of the system migration have reduced materially.

The Group had £341.3 million of inventory as at 31 December 2021, an increase of 61.5 per cent on the balance as at 31 December 2020 of £211.3 million. Over three quarters of this increase was attributable to our North American Segment, which had closing inventory of £212.5 million (2020: £103.2 million).

At the end of 2021, the Group again saw record levels of early payments from suppliers. However, we elected to retain the cash on the Group's balance sheet rather than make early payments to suppliers, to offset the extraordinary investments in working capital throughout 2021, as reflected in the closing inventory levels.

Capital expenditure in the year was £30.3 million (2020: £27.5 million) representing, primarily, investments in IT equipment and software tools, to enable us to deliver improved service to our customers.

The Group's Employee Benefit Trust ('EBT') made market purchases of the Company's ordinary shares of £25.5 million (2020: £19.0 million) to satisfy maturing PSP awards and Sharesave schemes and to re-provision the EBT in advance of future maturities. During the year the Company received savings from employees of £6.2 million to purchase options within the Sharesave schemes (2020: £5.7 million).

During the year the Group made two acquisitions. The first was ITL, as described above, for £1.1 million. The second was to acquire a further 5.0 per cent of the total voting rights within R.D. Trading Ltd, taking the Group's ownership of the Company to 95 per cent.

The Group reduced loans and credit facilities during the year by £89.0 million (2020: £19.7 million), as we retired the facility associated with the FusionStorm acquisition, made regular repayments towards the loan related to the construction of the German headquarters in Kerpen and significantly reduced the amount drawn under the Pivot credit facility, as detailed below.

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. 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 2021 was £53.7 million (31 December 2020: £38.9 million). The Group had no other debt factoring at the end of the year, outside this normal course of business.

Cash and cash equivalents and net funds

Cash and cash equivalents as at 31 December 2021 were £285.2 million, compared to £309.8 million at 31 December 2020. Net funds as at 31 December 2021 were £95.3 million (31 December 2020: £51.1 million). Adjusted net funds³ as at 31 December 2021 were £241.4 million, compared to adjusted net funds³ of £188.6 million as at 31 December 2020.

Net funds as at 31 December 2021 and 31 December 2020 were as follows:

	31 December 2021 £m	31 December 2020 £m
Cash and short-term deposits	285.2	309.8
Bank overdraft	(12.0)	-
Cash and cash equivalents	273.2	309.8
Bank loans	(31.8)	(121.2)
Adjusted net funds³ (excluding lease liabilities)	241.4	188.6
Lease liabilities	(146.1)	(137.5)
Net funds	95.3	51.1

For a full reconciliation of net funds and adjusted net funds³, see note 8 to the summary financial information within this announcement for further detail.

The Group had four 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 was on a seven-year repayment cycle, with a renewal of the loan facility due on 30 September 2021. The Group has made further unplanned repayments of this loan during the year, in addition to the unplanned repayment of £30 million in the second half of 2019, which reduced the interest cost differential between loan rates and cash deposit rates. As at 31 December 2020, £41.6 million remained of the loan and the Group has now retired the credit facility by paying the remaining balance in full during the first half of the year.

At the start of the year, Pivot had a substantially unutilised \$225.0 million senior secured asset-based revolving credit facility, from a lending group represented by JPMorgan Chase Bank, N.A. To reduce bank fees, this was reduced to \$100 million during the year. The residual facility can be used for revolving loans, letters of credit, protective advances, over advances, and swing line loans. During the year, the Group has continued to reduce the amount drawn on the facility and only £7.0 million

remained drawn as at 31 December 2021 (31 December 2020: £58.4 million). In addition, Pivot has £9.4 million financed with a major technology partner for hardware, software and resold technology partner maintenance contracts that the Company has purchased as part of a contract to lease these items to a key North American customer.

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 £14.7 million at 31 December 2021 (31 December 2020: £20.9 million).

The Group excludes lease liabilities from its non-GAAP adjusted net funds³ 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 2021 (31 December 2020: nil).

The Group's adjusted net funds³ position contains no current asset investments (31 December 2020: nil).

Trade creditor arrangements

Computacenter has a strong covenant and enjoys a favourable credit rating from technology partners and other 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.

Revenue

	Half 1 £m	Half 2 £m	Total £m
2019	2,427.0	2,625.8	5,052.8
2020	2,462.2	2,979.1	5,441.3
2021	3,180.0	3,545.8	6,725.8
2021/20	29.2%	19.0%	23.6%

Adjusted¹ profit before tax

	Half 1		Half 2		Total	
	£m	% Revenue	£m	% Revenue	£m	% Revenue
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%
2021	118.9	3.7%	136.7	3.9%	255.6	3.8%
2021/20	59.4%		8.6%		27.5%	

Revenue by Segment

	2021			2020		
	Half 1 £m	Half 2 £m	Total £m	Half 1 £m	Half 2 £m	Total £m
UK	939.5	1,009.1	1,948.6	858.8	914.6	1,773.4
Germany	926.5	1,094.7	2,021.2	843.7	1,032.6	1,876.3
France	313.1	340.3	653.4	304.3	368.5	672.8
North America	910.1	1,001.5	1,911.6	378.2	566.3	944.5
International	90.8	100.2	191.0	77.2	97.1	174.3
Total	3,180.0	3,545.8	6,725.8	2,462.2	2,979.1	5,441.3

Adjusted¹ operating profit by Segment

	Half 1		Half 2		Total	
	£m	% Revenue	£m	% Revenue	£m	% Revenue
UK	51.7	5.5%	51.2	5.1%	102.9	5.3%
Germany	61.1	6.6%	76.7	7.0%	137.8	6.8%
France	(2.0)	(0.6%)	5.5	1.6%	3.5	0.5%

	2021					
	Half 1		Half 2		Total	
	£m	% Revenue	£m	% Revenue	£m	% Revenue
North America	18.7	2.1%	12.3	1.2%	31.0	1.6%
International	4.1	4.5%	7.2	7.2%	11.3	5.9%
Central Corporate Costs	(11.1)		(12.6)		(23.7)	
Total	122.5	3.9%	140.3	4.0%	262.8	3.9%

	2020					
	Half 1		Half 2		Total	
	£m	% Revenue	£m	% Revenue	£m	% Revenue
UK	45.9	5.3%	44.4	4.9%	90.3	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)		(14.2)		(27.1)	
Total	77.3	3.1%	129.1	4.3%	206.4	3.8%

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 \$100 million North American facility 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 to meet any foreseeable peak in borrowing requirements. The Group's positive net cash was maintained throughout 2021 and at the year end was £273.2 million, with net funds of £95.3 million after including the Group's three specific borrowing facilities and lease liabilities recognised under IFRS 16. Excluding lease liabilities, adjusted net funds³ was £241.4 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, Ireland, Malaysia, Mexico, the Netherlands, Poland, Romania, South Africa, Spain and Switzerland. The Company also maintains entities in Singapore and Hong Kong, in order to transact in those local markets with Services and Technology Sourcing operations delivered from elsewhere in the Group.

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 (USD). 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 2021, the Group recognised a loss of £0.9 million (2020: loss of £1.9 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 strength of sterling against most currencies during 2021, in particular the euro, has begun to impact our revenues and profitability as a result of the conversion of our foreign earnings. The USD exchange rates during the year, in particularly the second half, were not materially dissimilar to those seen in 2020.

The impact of restating 2020 results at 2021 exchange rates would be a reduction of £142.9 million in 2020 revenue and a decrease of £6.1 million in 2020 adjusted¹ 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.

Going Concern

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out within the 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 2021. This period was selected as an appropriate timeframe for the following reasons, based on the Group's business model:

- 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; and
- 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.

Further, the Directors' monitor conditions in the environment external to the Group and have concluded that the current factors continue to support the timeframe selected:

- 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;
- 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;
- continuing short-term product shortages, resulting primarily from the Covid-19 impact on supply chains; and
- the likely short- to medium-term impact of the Russian invasion of Ukraine on the global macro-economic environment, including an exacerbation of supply

chain issues currently being experienced.

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 technology partners 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 (2022) and forecast information for two further years (2023 and 2024), 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 2022 was considered and approved by the Board on 9 December 2021, with amendments and enhancements to the target as part of the full Plan considered and approved by the Board on 8 March 2022.

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. In the absence of significant external debt, 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 2022, simulating a continued impact for some of our customers from the Covid-19 crisis together with the Group's revenues being impacted by supply shortages. 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 alongside a further impact on the Group's Technology Sourcing revenues throughout the first half of 2022 from possible ongoing technology partner-related supply shortage issues.

Additionally, the risks related to continued disruption from the departure of the UK from the European Union, and the potential for a suspension or termination of the EU-UK Trade and Cooperation Agreement 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 2024.

Fair, balanced and understandable

The Board considers the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides 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 2022 and was signed on its behalf by:

MJ Norris

FA Conophy

Consolidated Income Statement
For the year ended 31 December 2021

	Note	2021 £m	2020 £m
Revenue	4,5	6,725.8	5,441.3
Cost of sales		(5,858.0)	(4,720.8)
Gross profit		867.8	720.5
Administrative expenses		(612.0)	(521.6)
Impairment loss on trade receivables and contract assets		(0.6)	(0.4)
Operating profit		255.2	198.5
Gain on acquisition of a subsidiary		-	14.0
Finance income		0.3	0.5
Finance costs		(7.5)	(6.4)
Profit before tax		248.0	206.6
Income tax expense	6	(61.5)	(52.4)
Profit for the year		186.5	154.2
Attributable to:			
Equity holders of the Parent		185.3	153.8
Non-controlling interests		1.2	0.4
Profit for the year		186.5	154.2
Earnings per share:			
- basic	7	164.0p	136.2p
- diluted	7	160.9p	133.8p

Impairment loss on trade receivables and contract assets of £0.4 million was included as part of 'Administrative expenses' in the prior year. The prior year comparative has been re-presented for this amount. There is no impact on reported 'Operating profit' of this change.

All of the activities of the Group relate to continuing operations.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2021

	2021	2020
	£m	£m
Profit for the year	186.5	154.2
Items that may be reclassified to the Consolidated Income Statement:		
Loss arising on cash flow hedge	(0.9)	(1.9)
Income tax effect	0.2	0.3
	(0.7)	(1.6)
Exchange differences on translation of foreign operations	(9.6)	3.2
	(10.3)	1.6
Items not to be reclassified to the Consolidated Income Statement:		
Remeasurement of defined benefit plan	1.2	(4.3)
Other comprehensive expense for the year, net of tax	(9.1)	(2.7)
Total comprehensive income for the year	177.4	151.5
Attributable to:		
Equity holders of the Parent	176.2	151.1
Non-controlling interests	1.2	0.4
Total comprehensive income for the year	177.4	151.5

Consolidated Balance Sheet
As at 31 December 2021

	2021	2020
	£m	£m
Non-current assets		
Property, plant and equipment	90.0	107.0
Right-of-use assets	138.1	129.6
Intangible assets	273.7	274.7
Investment in associate	0.1	0.1
Deferred income tax assets	30.2	10.1
Prepayments	16.6	23.6
	548.7	545.1
Current assets		
Inventories	341.3	211.3

	Note	2021 £m	2020 £m
Trade and other receivables		1,275.2	1,095.9
Income tax receivable		8.8	10.0
Prepayments	5	103.0	102.8
Accrued income	5	148.1	125.4
Derivative financial instruments		3.6	1.6
Cash and short-term deposits	8	285.2	309.8
		2,165.2	1,856.8
Total assets		2,713.9	2,401.9
Current liabilities			
Bank overdraft	8	12.0	-
Trade and other payables		1,410.4	1,116.7
Deferred income	5	249.3	273.9
Financial liabilities		15.1	105.5
Lease liabilities		43.0	41.7
Derivative financial instruments		2.5	5.1
Income tax payable		47.9	39.2
Provisions		3.5	4.1
		1,783.7	1,586.2
Non-current liabilities			
Financial liabilities		16.7	15.7
Lease liabilities		103.1	95.8
Deferred income	5	8.3	18.6
Retirement benefit obligation*		21.8	23.3
Provisions*		9.7	12.5
Deferred income tax liabilities		25.8	18.9
		185.4	184.8
Total liabilities		1,969.1	1,771.0
Net assets		744.8	630.9
Capital and reserves			
Issued share capital		9.3	9.3
Share premium		4.0	4.0
Capital redemption reserve		75.0	75.0
Own shares held		(115.5)	(111.7)
Translation and hedging reserve		5.4	15.7
Retained earnings		762.3	635.5
Shareholders' equity		740.5	627.8
Non-controlling interests		4.3	3.1
Total equity		744.8	630.9

*Retirement benefit obligation of £23.3 million was included as part of 'Provisions' in the prior year. The prior year comparative has been re-presented for this amount. There is no impact on reported 'Non-current liabilities' and 'Net assets' from this change.

Approved by the Board on 15 March 2022.

MJ Norris	FA Conophy
Chief Executive Officer	Group Finance Director

Consolidated Statement of Changes in Equity For the year ended 31 December 2021

	Attributable to equity holders of the Parent								
	Issued share capital £m	Share premium £m	Capital redemption reserve £m	Own shares held £m	Translation	Retained earnings £m	Share- holders' equity £m	Non- controlling interests £m	Total equity £m
					and hedging reserves £m				
At 1 January 2021	9.3	4.0	75.0	(111.7)	15.7	635.5	627.8	3.1	630.9
Profit for the year	-	-	-	-	-	185.3	185.3	1.2	186.5
Other comprehensive income/(expense)	-	-	-	-	(10.3)	1.2	(9.1)	-	(9.1)
Total comprehensive income/(expense)	-	-	-	-	(10.3)	186.5	176.2	1.2	177.4
Cost of share-based payments	-	-	-	-	-	10.6	10.6	-	10.6
Tax on share-based payments	-	-	-	-	-	7.6	7.6	-	7.6
Exercise of options	-	-	-	21.7	-	(15.5)	6.2	-	6.2
Purchase of own shares	-	-	-	(25.5)	-	-	(25.5)	-	(25.5)
Equity dividends	-	-	-	-	-	(62.4)	(62.4)	-	(62.4)
At 31 December 2021	9.3	4.0	75.0	(115.5)	5.4	762.3	740.5	4.3	744.8
At 1 January 2020	9.3	4.0	75.0	(113.6)	14.0	503.9	492.6	(0.1)	492.5
Relating to acquisition of subsidiary	-	-	-	-	-	-	-	2.8	2.8
Profit for the year	-	-	-	-	-	153.8	153.8	0.4	154.2
Other comprehensive income/(expense)	-	-	-	-	1.7	(4.4)	(2.7)	-	(2.7)
Total comprehensive income	-	-	-	-	1.7	149.4	151.1	0.4	151.5
Cost of share-based payments	-	-	-	-	-	7.9	7.9	-	7.9
Tax on share-based payments	-	-	-	-	-	3.4	3.4	-	3.4

Attributable to equity holders of the Parent

	Issued share capital £m	Share premium £m	Capital redemption reserve £m	Own shares held £m	Translation		Share- holders' equity £m	Non- controlling interests £m	Total equity £m
					and hedging reserves £m	Retained earnings £m			
Exercise of options	-	-	-	20.9	-	(15.2)	5.7	-	5.7
Purchase of own shares	-	-	-	(19.0)	-	-	(19.0)	-	(19.0)
Equity dividends	-	-	-	-	-	(13.9)	(13.9)	-	(13.9)
At 31 December 2020	9.3	4.0	75.0	(111.7)	15.7	635.5	627.8	3.1	630.9

**Consolidated Cash Flow Statement
For the year ended 31 December 2021**

	Note	2021 £m	2020 £m
Operating activities			
Profit before taxation		248.0	206.6
Net finance cost		7.2	5.9
Depreciation of property, plant and equipment		24.8	24.0
Depreciation of right-of-use assets		50.6	45.2
Amortisation of intangible assets		15.3	14.6
Share-based payments		10.6	8.0
Loss on disposal of intangibles		0.5	0.3
(Gain)/loss on disposal of property, plant and equipment		(1.3)	0.2
Net cash flow from inventories		(131.5)	(50.4)
Net cash flow from trade and other receivables (including contract assets)		(238.5)	48.3
Net cash flow from trade and other payables (including contract liabilities)		292.9	(26.2)
Gain on acquisition of a subsidiary		-	(14.0)
Net cash flow from provisions		(2.9)	1.9
Other adjustments		1.8	0.1
Cash generated from operations		277.5	264.5
Income taxes paid		(53.2)	(27.6)
Net cash flow from operating activities		224.3	236.9
Investing activities			
Interest received		0.3	0.5
Acquisition of subsidiaries, net of cash acquired		(2.5)	(30.1)
Purchases of property, plant and equipment		(18.8)	(23.1)
Purchases of intangible assets		(11.5)	(4.4)

	Note	2021 £m	2020 £m
Proceeds from disposal of property, plant and equipment		7.5	1.6
Net cash flow from investing activities		(25.0)	(55.5)
Financing activities			
Interest paid		(2.3)	(1.9)
Interest paid on lease liabilities		(5.2)	(4.5)
Dividends paid to equity shareholders of the Parent		(62.4)	(13.9)
Proceeds from share issues		6.2	5.7
Purchase of own shares		(25.5)	(19.0)
Repayment of loans and credit facility		(99.7)	(20.0)
Payment of capital element of lease liabilities		(50.2)	(43.2)
New borrowings - bank loan		10.7	0.3
Net cash flow from financing activities		(228.4)	(96.5)
(Decrease)/increase in cash and cash equivalents		(29.1)	84.9
Effect of exchange rates on cash and cash equivalents		(7.5)	7.1
Cash and cash equivalents at the beginning of the year	8	309.8	217.8
Cash and cash equivalents at the year end	8	273.2	309.8

1 General information

Computacenter plc is a limited company incorporated and domiciled in England whose shares are publicly traded. Its registered address is Hatfield Business Park, Hatfield Avenue, Hatfield, AL10 9TW.

2 Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year as disclosed in the 2020 Annual Report and Accounts.

Effective for the year ending 31 December 2022

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 2021 or 2020. Computacenter has completed its preparation of the Group's 2021 Annual Report and Accounts. The Group has, however, been advised by its auditor, KPMG, that their audit procedures are not yet fully complete and that they are therefore not yet in a position to sign their audit report on the annual financial statements. KPMG has confirmed to Computacenter that at the present time KPMG are not aware of any

matters that may give rise to a modification to their audit report. Based on the latest guidance from KPMG, the Group expects the 2021 full Financial Statements to be signed by the Directors on 23 March 2022. Statutory Consolidated Financial Statements for the Group for the year ended 31 December 2020, prepared in accordance with adopted IFRS, have been delivered to the Registrar of Companies. 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.

This preliminary announcement does not constitute the Group's full financial statements for 2021. This report is based on accounts which are in the process of being audited and will be approved by the Board and subsequently filed with the Registrar of Companies in the United Kingdom. Accordingly, the financial information for 2021 is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the United Kingdom 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 hundred thousand 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 year, the primary downside sensitivity relates to a modelled, but not predicted, severe downturn in the Group's revenues, beginning in 2022, simulating a continued impact for some of our customers from the COVID-19 crisis together with the Group's revenues being impacted by supply shortages. This sensitivity analysis models a continued market downturn scenario, with slower than predicted recovery estimates, 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. A further impact on the Group's Technology Sourcing revenues through 2022 from possible ongoing vendor-related supply shortage issues has also been included in the sensitivity analysis.

Our cash and borrowing capacity provides sufficient funds to meet the foreseeable needs of the Parent and Group. At 31 December 2021, the Group had cash and short-term deposits of £285.2 million and bank debt, primarily related to the recently built headquarters in Germany and operations in North America, of £43.8 million. The Group's Pivot subsidiary has a revolving credit facility via JPMorgan Chase Bank, N.A. of US\$100.0 million which can be used for revolving loans, letters of credit, and swing line loans. In addition, the Group has a committed facility of £60.0 million, which was extended in September 2020 and has an expiry date of 7 September 2023. The Group has never drawn on this committed facility.

The Group has a resilient balance sheet position, with net assets of £744.8 million as at 31 December 2021. The Group made a profit after tax of £186.5 million, and delivered net cash flows from operating activities of £224.3 million, for the year ended 31 December 2021.

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 Parent and Group are 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 Parent and Group will be able to continue in operation and meet their liabilities as they fall due over the period of not less than 12 months from the date of signing this Annual Report and Accounts and therefore have prepared the Financial Statements on a going concern basis.

Consolidated Balance Sheet - As at 31 December 2020

As at 31 December 2020, certain items relating to an operating lessor arrangement within the acquired Pivot business were incorrectly presented on the balance sheet in the 2020 Annual Report and Accounts as follows:

- An amount of £12.6 million was incorrectly presented as accrued income of £2.6 million and non-current deferred costs, within prepayments, of £10.0 million rather than as property, plant and equipment of £2.8 million, intangibles assets - software of £4.6 million, accrued income of £1.1 million and non-current deferred costs, within prepayments, of £4.1 million.
- An amount of £11.9 million was incorrectly presented as current deferred income of £2.9 million and non-current deferred income of £9.0 million, rather than reflected as current financial liabilities of £2.2 million and non-current financial liabilities of £9.7 million.

Consolidated Cash Flow Statement for the year ended 31 December 2020

In relation to the above, the contract relating to the operating lessor arrangement was entered into prior to the acquisition of Pivot, therefore the impact to the Consolidated Cash Flow Statement is limited to £0.4 million of financing repayments being incorrectly presented. This outflow was recognised within net cash flow from trade and other payables within the operating cashflow caption, instead of as a repayment of loans and credit facility within the financing cash flow caption.

Management has decided not to correct the prior year-end presentation of the differences relating to the above items, as they have no impact on the Consolidated Income Statement for the year ended 31 December 2020 and individual reclassifications are either not significant compared to the overall amount in the Consolidated Balance Sheet and/or Consolidated Cash Flow Statement captions affected by the mis-presentation or to the Consolidated Balance Sheet or Consolidated Cash Flow Statement itself. The revision has no impact on the operating profit, profit for the period, assets and liabilities or cash flows for the year ended 31 December 2021, where the correct accounting treatment has been adopted in the year.

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 or where relevant the rate of a specific forward exchange contract. 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 except foreign currency differences arising from the translation of qualifying cash flow hedges are recognised in Consolidated Statement of Comprehensive Income, to the extent that the hedges are effective.

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 main overseas subsidiaries are euro (€), US dollar (\$) 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 when the Group's performance obligations are fulfilled at a point in time when control of the goods has been transferred to the customer. Typically, customers obtain control of the goods when they are delivered to and have been accepted at their premises, depending on individual customer arrangements. Invoices are routinely generated at that point in time and payment for the goods is generally received on, or before, industry-standard payment terms, ordinarily within 30 days. Refer to note 3.2.2 for 'bill and hold' transactions.

Revenue is recorded based on the price specified in sales invoices, net of any agreed discounts and rebates, and exclusive of value added tax on goods supplied to customers during the year.

There are a variety of discounts and rebates provided to customers, which are assessed

on a case-by-case basis as to whether the resulting payment to customers is for a distinct good or service (such as marketing) or for a promotional discount.

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 and, for certain elements including standalone software licence sales and standalone resold third party service, the level of judgement required can be high with the outcomes of assessments finely balanced, 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. See note 3.2.1 Technology Sourcing principal versus agent recognition for further information on the critical judgement. 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:

- 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;
- Evaluating who controls each specified good or service before that good or service is transferred to the customer; 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 operating within a project framework or on a 'resource on demand' basis.

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.

For those contracts which are 'resource on demand', revenue is billed on a timesheet basis. The Group elects to use the practical expedient in IFRS 15.B16, as we have a right to consideration from our 'resource on demand' Professional Services customers in an amount that corresponds directly with the value to our customer of the Group's performance completed to date. The practical expedient applied permits the Group to recognise these 'resource on demand' Professional Services revenues in the amount to which the entity has a right to invoice. Managed Services revenue is therefore recognised throughout the term of the contract, as services are delivered, with amounts 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.

Under either basis, Professional Services revenue is recognised over time. The vast majority of the Group's Professional Services revenue is constituted by 'expert-leasing' arrangements and recognised in this manner and represents the primary area of growth in this business line. As the majority of Professional Services revenue is recognised as 'resource on demand', the overall balance of risks to recognition for this business is decreased as compared to the scenario where the majority of Professional Services revenue would be recognised on a percentage of completion basis. This is due to the monthly timesheet nature of the billing which is agreed regularly with the customer as the service is delivered.

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 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.

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. The Group elects to use the practical expedient in IFRS 15.B16, as we have a right to consideration from our Managed Services customers in an amount that corresponds directly with the value to our customer of the Group's performance completed to date. The practical expedient applied permits the Group to recognise Managed Services revenue in the amount to which the entity has a right to invoice. Managed Services revenue is therefore recognised throughout the term of the contract, as services are delivered, with amounts 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 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.

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 deferred 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.

2.4 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 the elements of financial performance in the year, so as to facilitate comparison with prior years and to assess trends in financial performance.

2.5 Adjusted¹ 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 administrative expenses, 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 does 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 on 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, 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. 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 post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the Consolidated Income Statement in those expense categories consistent with the function of the impaired asset.

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

2.7 Property, plant and equipment

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

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

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

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

2.8.1 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 obtains substantially all economic benefits from the use of the asset; and
- the Group can direct the use of the identified asset.

The Group elects to separate the non-lease components.

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 the lease commencement date;
- 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.

2.8.2 Group as a lessor

The Group entered in to lease agreements as a lessor on certain items of machinery and software. Leases for which the Group is a lessor are classified as operating leases. Rental income arising from operating leases is accounted for on a straight-line basis over the lease term.

In cases where the Group acts as an intermediate lessor, it accounts for its interests in the head-lease and the sub-lease separately.

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 and expected useful lives are reviewed on a yearly basis.

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, without recourse, 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. Material or high-risk balances are reviewed and provided for individually based on a number of factors including:

- the financial strength of the customer;
- the level of default that the Group has suffered in the past;
- the age of the receivable outstanding; and
- the Group's trading experience with that customer.

For impairment assessment of other receivables, refer to Note 2.6, 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 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 the overdrafts are repayable on demand and are part of the Group's cash management.

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 monitors 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 - 'Provisions, Contingent Liabilities and Contingent Assets' (IAS 37) in its assessment of whether contracts are considered onerous and in

subsequently estimating the provision. In line with recent amendments to IAS 37, the Group's approach has been and continues to be to apply the "Full cost approach" which 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.

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 7).

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.

2.19 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 and the USA 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.

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. There are no areas involving significant risk resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3.2 Critical judgements

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

3.2.1 Technology Sourcing principal versus agent recognition

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

Because the identification of the principal in a contract is not always clear, Management will make a determination by evaluating the nature of our promise to our customer as to whether it is a performance obligation to pass control of 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.

Management continues to monitor the primary indicators used to assess the 'agent/principal' presentation of our Software and certain Resold Services revenue against our general contractual terms and conditions including detailed analysis of how terms and conditions are applied in practice, the weighting applied to the agent/principal indicators and evaluation of emerging practice. Management has concluded that whilst this remains a finely balanced judgement, no change to the presentation of our Software and certain Resold Services revenues is currently required and revenue for these items will continue to be presented gross where the underlying facts and circumstances remain the same. Management continues to monitor the development of new methods of transacting business within the traditional vendor to reseller channel and on the emergence of best practice in the revenue recognition treatment and disclosure of all Technology Sourcing revenues.

Since the adoption of IFRS 15 on 1 January 2018, a line of business emerged within our Technology Sourcing business where vendors and customers typically approach us with an opportunity where the vendor is taking the contract and performance risks and sets the selling price, using Computacenter as a pass-through agent in the channel to transact the deal for a set fee. To date, these have been primarily large software deals where there is no ongoing obligation of service on us following the transaction. We have no say in the pricing or selection of the product and are merely standing in the sales channel between the vendor and customer for the predetermined fee. Management reviews the facts and circumstances of these types of deals, case by case, with regards to its specific terms and conditions against the Group's accounting policy to determine whether our performance obligation is to provide the good or service itself, where we are acting as the principal in the deal, or to arrange for another party to provide the good or service, where we are acting as an agent. Based on the facts and circumstances of each deal we have classified several of these deals as agency concluding that the fee received should be booked as net revenue. Such agency deals would have increased revenue by £197.7 million during 2021 if recognised on a principal basis (2020: £273.7 million).

Following its meeting that concluded on 1 December 2021, the IFRS Interpretation Committee (the 'Committee') published a tentative agenda decision in response to a submission from a valued added reseller to determine whether an entity should treat revenue from the resale of standard software licences on a principal or agent recognition basis under IFRS 15 Revenue from Contracts with Customers ('IFRS 15').

The Committee did not reach a definitive conclusion on the submission received, as it maintained that entities should apply judgement in making its assessment under the principles contained within IFRS 15 using the specific facts and circumstances relevant to the entity and the transactions or contracts entered into. However, the Committee did provide a number of discrete guidance points on the application of various control criteria or indicators that entities should consider under their IFRS 15 agent and principal recognition criteria processes that specifically relate to the resale of standard software and have an impact on those resellers within the industry. A finalised agenda decision is not expected until Q2 2022 following the consideration of public comments which closed on 8 February 2022.

The Group typically recognises standalone software licence revenue on a principal or gross invoiced income basis, with a small number of material transactions, where the fact pattern remains different to the standard terms and conditions, recognised as an agent. Whilst the Committee is finalising its decision the Group is working towards assessing changes to its accounting policies that will result if the final agenda decision remains broadly characteristic of the tentative decision. The resultant change in policies would reflect that standalone revenue from standard software sales ('software') would be recognised on an agency or 'net' basis where the margin earned on the contract would be recognised as revenue with zero cost of goods sold. Other software revenues, particularly where the Group has performed configuration or customisation services, as part of the software sales agreement, would most likely continue to be recognised on a principal basis. Similarly, the Group has determined that third-party services agreements resold on a standalone basis ('resold services'),

such as vendor-provided maintenance support agreements would also be changed to be recognised on an agent basis due to the similar fact pattern of the transaction to that of software sales.

Such a change in policy would be accompanied by a programme of system enhancements required to be able to accurately report on the new basis. These changes, as required, will be allowed sufficient time to be appropriately implemented in order that the reporting under the new basis is as accurate as possible.

The Group estimates, without doing a detailed retrospective contract by contract review, that the proposed potential changes in policy would, with our current best estimate, have the following impact on the Group's Financial Statements:

- Revenue and cost of sales would decrease by the value of revenue assessed as being recognised on an agency basis. Whilst the work is not yet complete to determine the value for 2021, the total value of the revenue categories under consideration for the change in policy is estimated to be up to £1,800 million in 2021. We estimate that the majority of that revenue in those categories will be derecognised, leaving only the margins earned on the transactions to be recognised as revenue.
- Gross profit, operating profit, and profit before and after taxes will be unchanged.

These estimates are preliminary and subject to further Management review, however, they provide an order of magnitude to assess the future impact on reported revenues. These estimates are for the total amount in these software and resold services revenue categories as measured on a principal basis and include elements that may, following Management review, continue to be recognised on a principal or gross basis. The Group will continue to report, as an alternative performance measure, all revenue recognised on a principal basis as Gross Invoiced Income, to allow the reader of the accounts to more accurately determine the linkage between revenue and cash flows.

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) have 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.

£281.9 million of product sold is 'held' by the Group for 'bill and hold' transactions as at 31 December 2021 (2020: £231.3 million).

3.3 Change in critical estimates and critical judgements

During the year, Management reassessed the critical estimates and critical judgements.

Accounting for business combinations and valuation of intangibles is no longer considered a critical estimate by Management and has therefore been removed from the above disclosure due to there being no material acquisitions made during the current year. Accordingly, Management has concluded that accounting for business combinations and valuation of intangibles should not be included as a critical estimate.

Percentage of completion Services revenue recognition is no longer considered a critical estimate by Management and has therefore been removed from the above disclosure. The number of contracts accounted for on this basis is reducing and forms a small part of our overall contract base and Services revenues. Therefore, it is no longer a major source of estimation uncertainty that has a significant risk of resulting in a material adjustment within the next financial year. Accordingly, Management has concluded that percentage of completion Services revenue recognition should not be included as a critical estimate.

Exceptional items was removed as a critical judgement as Management no longer considers this to be a critical judgement due to no exceptional items occurring in the year. Accordingly, Management has concluded that exceptional items should not be included as a critical judgement.

Technology Sourcing principal versus agent recognition has been added as a critical judgement during the year as noted above at 3.2.1.

4 Segment information

The Segment information is reported to the Board and the Chief Executive Officer. The Chief Executive Officer is the Group's Chief Operating Decision Maker ('CODM'). The operating Segments remain unchanged from those reported at 31 December 2020.

The 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, gross profit,

adjusted¹ operating profit and adjusted¹ 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.

Segmental performance for the years ended 31 December 2021 and 31 December 2020 were as follows:

Year ended 31 December 2021

	UK	Germany	France	North America	International	Central Corporate Costs	Total
	£m	£m	£m	£m	£m	£m	£m
Revenue							
Technology Sourcing revenue							
Gross invoiced income	1,581.5	1,427.7	481.4	1,869.2	112.8	-	5,472.6
Principal element on agency contracts	(115.1)	(28.9)	-	(53.7)	-	-	(197.7)
Total Technology Sourcing revenue	1,466.4	1,398.8	481.4	1,815.5	112.8	-	5,274.9
Services revenue							
Professional Services	154.6	273.8	38.0	77.5	8.5	-	552.4
Managed Services	327.6	348.6	134.0	18.6	69.7	-	898.5
Total Services revenue	482.2	622.4	172.0	96.1	78.2	-	1,450.9
Total revenue	1,948.6	2,021.2	653.4	1,911.6	191.0	-	6,725.8
Results							
Gross profit	268.2	312.0	68.1	180.2	39.3	-	867.8
Adjusted ¹ administrative expenses	(165.3)	(174.2)	(64.6)	(149.2)	(28.0)	(23.7)	(605.0)
Adjusted ¹ operating profit/(loss)	102.9	137.8	3.5	31.0	11.3	(23.7)	262.8
Net interest	-	(2.7)	(0.8)	(2.7)	(1.0)	-	(7.2)
Adjusted ¹ profit/(loss) before tax	102.9	135.1	2.7	28.3	10.3	(23.7)	255.6
Amortisation of acquired intangibles							(7.6)
Profit before tax							248.0

The reconciliation for adjusted¹ operating profit to operating profit as disclosed in the Consolidated Income Statement is as follows:

Year ended 31 December 2021

	Total
	£m
Adjusted ¹ operating profit	262.8

	Total £m
Amortisation of acquired intangibles	(7.6)
Operating profit	255.2

Year ended 31 December 2021

	UK £m	Germany £m	France £m	North America £m	International £m	Central Corporate Costs £m	Total £m
Other Segment information							
Property, plant and equipment	30.4	37.7	5.3	9.2	7.4	-	90.0
Right-of-use assets	12.5	77.2	17.4	15.0	16.0	-	138.1
Intangible assets	44.6	16.5	10.2	191.4	11.0	-	273.7
Capital expenditure:							
Property, plant and equipment	5.2	4.4	2.1	3.6	3.5	-	18.8
Right-of-use assets	3.0	52.3	8.0	4.1	2.8	-	70.2
Software	6.1	0.2	0.1	4.6	0.5	-	11.5
Depreciation of property, plant and equipment	10.3	6.2	3.1	2.9	2.3	-	24.8
Depreciation of right-of-use assets	3.2	31.7	4.4	4.8	6.5	-	50.6
Amortisation of software	5.6	0.6	0.1	1.2	0.2	-	7.7
Share-based payments	7.4	2.1	0.3	0.7	0.1	-	10.6

Year ended 31 December 2020

	UK £m	Germany £m	France £m	North America £m	International £m	Central Corporate Costs £m	Total £m
Revenue							
Technology Sourcing revenue							
Gross invoiced income	1,504.4	1,316.2	526.4	996.3	110.5	-	4,453.8
Principal element on agency contracts	(176.4)	(18.7)	-	(78.6)	-	-	(273.7)
Total Technology Sourcing revenue	1,328.0	1,297.5	526.4	917.7	110.5	-	4,180.1
Services revenue							
Professional Services	129.1	233.8	35.7	19.6	7.2	-	425.4

	UK	Germany	France	North America	International	Central Corporate Costs	Total
	£m	£m	£m	£m	£m	£m	£m
Managed Services	316.3	345.0	110.7	7.2	56.6	-	835.8
Total Services revenue	445.4	578.8	146.4	26.8	63.8	-	1,261.2
Total revenue	1,773.4	1,876.3	672.8	944.5	174.3	-	5,441.3

Results

Gross profit	249.2	279.9	74.4	86.3	30.7	-	720.5
Adjusted ¹ administrative expenses	(158.9)	(167.3)	(61.4)	(72.3)	(27.1)	(27.1)	(514.1)
Adjusted ¹ operating profit/(loss)	90.3	112.6	13.0	14.0	3.6	(27.1)	206.4
Net interest	(1.1)	(2.2)	(0.6)	(0.9)	(1.1)	-	(5.9)
Adjusted ¹ profit/(loss) before tax	89.2	110.4	12.4	13.1	2.5	(27.1)	200.5
Exceptional items:							
- costs relating to acquisition of a subsidiary							(0.7)
- redundancy and other restructuring credit							0.2
- gain on acquisition of a subsidiary							14.0
Total exceptional items							13.5
Amortisation of acquired intangibles							(7.4)
Profit before tax							206.6

The reconciliation for adjusted¹ operating profit to operating profit as disclosed in the Consolidated Income Statement is as follows:

Year ended 31 December 2020

	Total
	£m
Adjusted¹ operating profit	206.4
Amortisation of acquired intangibles	(7.4)
Exceptional items	(0.5)
Operating profit	198.5

	UK	Germany	France	North America	International	Central Corporate Costs	Total
	£m	£m	£m	£m	£m	£m	£m
Other Segment information							

	UK	Germany	France	North America	International	Central Corporate Costs	Total
	£m	£m	£m	£m	£m	£m	£m
Property, plant and equipment	40.9	42.6	8.0	9.0	6.5	-	107.0
Right-of-use assets	12.8	61.5	18.8	15.5	21.0	-	129.6
Intangible assets	51.6	17.1	1.9	192.5	11.6	-	274.7
Capital expenditure:							
Property, plant and equipment	8.4	5.9	2.9	4.5	1.4	-	23.1
Right-of-use assets	3.8	16.7	10.5	-	17.6	-	48.6
Software	3.7	0.4	-	-	0.3	-	4.4
Depreciation of property, plant and equipment	11.1	6.6	2.2	1.5	2.6	-	24.0
Depreciation of right-of-use assets	4.6	29.5	4.2	2.2	4.7	-	45.2
Amortisation of software	5.8	0.9	-	0.1	0.4	-	7.2
Share-based payments	5.5	1.7	0.2	0.5	-	-	7.9

Charges for the amortisation of acquired intangibles (where initial recognition was an exceptional item or a fair value adjustment on acquisition) are excluded from the calculation of adjusted¹ 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 £651.7 million (2020: £556.3 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:

	2021	2020
	£m	£m
Revenue by type		
Gross invoiced income	5,472.6	4,453.7

	2021 £m	2020 £m
Principal element on agency contracts	(197.7)	(273.7)
Technology Sourcing revenue	5,274.9	4,180.0
Services revenue		
Professional Services	552.4	425.5
Managed Services	898.5	835.8
Total Services revenue	1,450.9	1,261.3
Total revenue	6,725.8	5,441.3

Contract balances

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

	31 December 2021 £m	31 December 2020 £m
Trade receivables	1,239.8	1,065.1
Contract assets, which are included in prepayments	20.2	27.7
Contract assets, which are included in accrued income	148.1	125.4
Contract liabilities, which are included in deferred income	257.6	292.5

The prepayments balance per balance sheet of £119.6 million consists of £20.2 million contract assets and £99.4 million other prepayments.

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. Specific provisions are made against material or high-risk balances based on trading experience or where doubt exists about the counterparty's ability to pay. The expected credit losses on Contract assets which are within prepayments and accrued income are considered to be immaterial.

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. Refer to note 2.11.1 for credit terms of trade receivables.

Increase in trade receivables mainly in the UK, Germany and North America segments is driven by growth in revenue as the Group experienced a particularly strong fourth quarter of the year.

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 2021 of £0.6 million with a corresponding cost to tax of £0.1 million for the year. As at 31 December 2021, the win fee balance was £8.9 million. The Consolidated Income Statement impact of fulfilment costs was a recognition of a net income in 2021 of £2.8 million with a corresponding tax of charge of £1.0 million for the year.

As at 31 December 2021, the fulfilment costs balance was £9.3 million. No impairment loss was recorded for win fees or fulfilment costs during the year.

Revenue was accrued in the reporting period amounting to £28.7 million with a credit to foreign exchange of £6.0 million. No impairment loss was recorded for accrued income during the year.

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was £161.4 million. Revenue recognised in the reporting period from performance obligations satisfied or partially satisfied in previous periods was nil. Partially satisfied performance obligations continue to incur revenue and costs in the period.

Remaining performance obligations (Work in hand)

Contracts which have remaining performance obligations as at 31 December 2021 and 31 December 2020 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 2021	720.4	466.4	315.8	209.0	226.7	1,938.3
As at 31 December 2020	540.0	343.0	211.0	170.0	93.0	1,357.0

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

6 Income tax

a) Tax on profit from ordinary activities

	2021 £m	2020 £m
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Tax charged in the Consolidated Income Statement

	2021 £m	2020 £m
Current income tax		
UK corporation tax	23.8	18.1
Foreign tax:		
- operating results before exceptional items	45.1	36.4
- exceptional items	-	(0.7)
Total foreign tax	45.1	35.7
Adjustments in respect of prior years	0.2	0.4
Total current income tax	69.1	54.2
Deferred tax		
Operating results before exceptional items:		
- origination and reversal of temporary differences	(4.2)	(0.7)
- change in tax rates	(3.3)	(0.5)
- adjustments in respect of prior years	(0.1)	(0.6)
Total deferred tax	(7.6)	(1.8)
Tax charge in the Consolidated Income Statement	61.5	52.4

b) Reconciliation of the total tax charge

	2021 £m	2020 £m
Profit before income tax	248.0	206.6
At the UK standard rate of corporation tax of 19 per cent (2020: 19 per cent)	47.1	39.2
Expenses not deductible for tax purposes	0.3	-
Non-deductible element of share-based payment charge	0.1	0.1
Adjustments in respect of prior years	0.1	(0.2)
Effect of different tax rates of subsidiaries operating in other jurisdictions	16.2	14.3
Change in tax rate	(3.3)	(0.5)
Other differences	0.3	1.2
Overseas tax not based on earnings	1.6	1.4
Tax effect of income not taxable in determining taxable profit	(0.9)	(3.1)
At effective income tax rate of 24.8 per cent (2020: 25.4 per cent)	61.5	52.4

c) Tax losses

Deferred tax assets of £0.6 million (2020: £0.3 million) have been recognised in respect of losses carried forward.

In addition, as at 31 December 2021, there were unused tax losses across the Group of £287.0 million (2020: £307.6 million) for which no deferred tax asset has been recognised. Of these losses, £25.7 million (2020: £24.7 million) arise in Germany and

£261.3 million (2020: £282.9 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 unused tax losses relate to other loss-making overseas subsidiaries.

d) Deferred tax

Deferred income tax as at 31 December 2021 and 31 December 2020 relates to the following:

	Consolidated Balance Sheet		Consolidated Income Statement and Consolidated Statement of Comprehensive Income	
	2021 £m	2020 £m	2021 £m	2020 £m
Deferred income tax assets				
Relief on share option gains	14.6	7.0	2.6	1.7
Other temporary differences	13.6	10.3	2.6	0.5
Revaluations of foreign exchange contracts to fair value	0.7	1.0	(0.3)	0.6
Losses available for offset against future taxable income	0.6	0.3	0.3	(1.0)
Gross deferred income tax assets	29.5	18.6		
Deferred income tax liabilities				
Revaluations of foreign exchange contracts to fair value	0.5	1.0	0.5	(0.3)
Amortisation of intangibles	24.6	26.4	2.1	1.7
Gross deferred income tax liabilities	25.1	27.4		
Deferred income tax charge			7.8	3.2
Net deferred income tax asset/(liabilities)	4.4	(8.8)		
Disclosed on the Consolidated Balance Sheet				
Deferred income tax assets	30.2	10.1		
Deferred income tax liabilities	(25.8)	(18.9)		
Net deferred income tax asset/(liabilities)	4.4	(8.8)		

As at 31 December 2021, there was no recognised or unrecognised deferred income tax liability (2020: £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. Following the departure of the UK from the European Union, the Group's German subsidiaries' unremitted earnings are no longer covered by a dividend exemption. As a result of this situation, no dividend is currently planned until there is more clarity regarding proposed changes in the bilateral treaties between Germany and the UK.

e) Factors affecting current and future tax charge

The main rate of UK Corporation tax for financial year 2021 is 19 per cent, as enacted in the Finance Act 2020. The March 2021 Budget announced that a rate of 25 per cent will apply with effect from 1 April 2023, and this change was substantively enacted on 11 March 2021. The deferred tax in these Consolidated Financial Statements reflects this.

We are closely monitoring the Organisation for Economic Co-operation and Development's Two Pillar Solution to Address the Tax Challenges arising from the Digitalisation of the Economy, which are expected to be enacted in 2022 with application from 1 January 2023. The accounting implications under IAS 12 will be determined when the relevant legislation is available.

7 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.

	2021	2020
	£m	£m
Profit attributable to equity holders of the Parent	185.3	153.8
	2021	2020
	£m	£m
Basic weighted average number of shares (excluding own shares held)	113.0	112.9
Effect of dilution:		
Share options	2.2	2.0
Diluted weighted average number of shares	115.2	114.9
	2021	2020
	pence	pence
Basic earnings per share	164.0	136.2
Diluted earnings per share	160.9	133.8

8 Analysis of changes in net funds

	At				At
	1 January	Cash flows	Non-cash	Exchange	31 December
	2021	in year	flow	differences	2021
	£m	£m	£m	£m	£m
Cash and short-term deposits	309.8	(17.1)	-	(7.5)	285.2

Bank overdrafts	-	(12.0)	-	-	(12.0)
Cash and cash equivalents	309.8	(29.1)		(7.5)	273.2
Bank loans and credit facility	(121.2)	89.0	-	0.4	(31.8)
Adjusted net funds³ (excluding lease liabilities)	188.6	59.9	-	(7.1)	241.4
Lease liabilities	(137.5)	55.4	(71.5)	7.5	(146.1)
Net funds	51.1	115.3	(71.5)	0.4	95.3

	At 1 January 2020 £m	Cash flows in year £m	Non-cash flow £m	Exchange differences £m	At 31 December 2020 £m
Cash and short-term deposits	217.8	84.9	-	7.1	309.8
Bank loans and credit facility	(80.8)	(42.5)	-	2.1	(121.2)
Adjusted net funds³ (excluding lease liabilities)	137.0	42.4	-	9.2	188.6
Lease liabilities	(116.8)	47.7	(65.3)	(3.1)	(137.5)
Net funds	20.2	90.1	(65.3)	6.1	51.1

9 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:

	2021 £m	2020 £m
Biomni Limited		
Sales to related parties	-	0.1
Purchase from related parties	0.6	0.7

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:

	2021	2020
	£m	£m
Short-term employee benefits	2.8	2.2
Social security costs	0.4	0.4
Share-based payment transactions	3.9	2.2
Pension costs	0.1	0.1
Total compensation paid to key management personnel	7.2	4.9

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