Computacenter - Half-year Report

September 9, 2022

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Computacenter plc

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Computacenter plc

Interim results for the six months ended 30 June 2022

Computacenter plc ("**Computacenter**" or the "**Group**"), a leading independent technology partner trusted by large corporate and public sector organisations, today announces results, based on unaudited financial information, for the six month period ended 30 June 2022.

Financial Highlights	**H1 2022**	**H1 2021**	**Percentage Change Increase/ (Decrease)**
Financial Performance			
Technology Sourcing revenue (*£ million*)	**2,074.2**	1,719.0	20.7
Services revenue (*£ million*)	**752.5**	706.1	6.6
Revenue *(£ million)*	**2,826.7**	2,425.1	16.6
Technology Sourcing gross invoiced income (*£ million*)	**3,219.4**	2,581.5	24.7
Services revenue (*£ million*)	**752.5**	706.1	6.6
Gross invoiced income *(£ million)*	**3,971.9**	3,287.6	20.8
Adjusted[1] profit before tax *(£ million)*	**111.9**	118.9	(5.9)
Adjusted[1] diluted earnings per share *(pence)*	**69.8**	73.1	(4.5)
Dividend per share *(pence)*	**22.1**	16.9	30.8
Profit before tax (*£ million*)	**107.8**	115.2	(6.4)
Diluted earnings per share (*pence*)	**67.3**	70.7	(4.8)
Cash Position			
Cash and cash equivalents (*£ million*)	**193.5**	158.5	

Adjusted net funds[3] (*£ million*)	**159.3**	121.8
Net funds/(debt) (*£ million*)	**12.1**	(29.4)
Net cash inflow from operating activities *(£ million)*	**8.1**	1.5

Reconciliation to Adjusted[1] Measures

Adjusted[1] profit before tax *(£ million)*	**111.9**	118.9
Exceptional and other adjusting items:		
Amortisation of acquired intangibles (£ million)	**(4.1)**	(3.7)
Profit before tax (£ million)	**107.8**	115.2

Operational Highlights:

- Our strong trading performance over the six months to 30 June 2022 continues to demonstrate the resilience of our business model. Revenue increased 16.0 per cent on a constant currency[2] basis, however, as we indicated in our Trading Update on 29 April 2022, adjusted[1] profit before tax for the first half of the year is behind the comparative period to 30 June 2021.

- The UK saw a decrease in revenues of 7.1 per cent with the Technology Sourcing business seeing a 10.5 per cent reduction in revenue as the demand for workplace rollouts declined. The UK saw pleasing growth in higher-margin data center business, as the market in this area continues to expand rapidly, although the volumes were not sufficient to replace the workplace business. Significant increases in low-margin software and resold services impacted gross invoiced income[4], but are reported net for Technology Sourcing revenues.

- The German business saw revenues increase 10.2 per cent on a constant currency[2] basis. Technology Sourcing revenue growth was pleasing during the period, with significant increases in workplace hardware and software. Professional Services once again saw double digit growth, with the business continuing to expand capacity and its offerings. Managed Services generated excellent growth, benefitting from contract wins in 2021.

- The French business saw Technology Sourcing revenues return to growth as significant customers increased spend, with a number of enterprise-level private sector customers and large public-sector framework contracts increasing purchasing activity. Margins improved as these customers invested in significant server rack installations. The integration of Computacenter NS remains on track. As expected, the acquisition had a negative impact on growth in Professional Services revenue in the period, as older contracts ceased. This was more than offset by pleasing growth in Managed Services. This has resulted in a 2.4 per cent decrease in revenues on a constant currency[2] basis,

- In North America, the results were driven by continued extraordinary growth in hyperscale data center customers, as well as new customer wins. The growth was achieved in both Technology Sourcing and Services, as deployment project activity increased. North America has seen strong revenue growth of 48.3 per cent on a constant currency[2] basis. As this growth was concentrated in a small number of hyperscale technology customers, which have a much lower than average margin, growth in profitability has not matched that seen in revenue.

Mike Norris, Chief Executive of Computacenter plc, commented:

'As we have predicted and announced on multiple occasions, profitability for Computacenter was down in the first half of 2022 compared to the same period last year, however, we remain on track to deliver our stated expectations of profit growth for the year as a whole.

With the exception of networking products where difficulties still remain, supply chain challenges have eased materially in the last 3 months. However, our customers have become extremely sensitive about supply chain shortages, and as such require us to hold more inventory, impacting our balance sheet. In almost all cases there is a guaranteed sale on the inventory items. The continuing strength of our balance sheet gives us a significant competitive advantage in being able to support our customers' requirements in this manner. How this will unravel as customers get used to the freeing up of supply remains to be seen.

While the pandemic has accelerated new ways of working the major effects of Covid-19 are firmly behind us and we believe current market conditions are the new normal. Our customers commitment to investment in technology feels extremely

robust despite well publicised and difficult economic conditions around the world. This gives us confidence for 2023 and beyond.'

A reconciliation between key adjusted[1] and statutory measures is provided within the Group Finance Director's review contained in this announcement. Further details are provided in note 5 to the summary financial information contained within this announcement.

Following a recently approved interpretation of the revenue accounting standard by the International Accounting Standards Board, we, and a number of our peer value added resellers, have changed the way we recognise revenues for standalone software and resold third-party services contracts and revised our accounting policies to reflect this change. Accordingly, we have restated our prior-period revenues down from £3,180.0 million as reported at 30 June 2021 to £2,425.1 million as we have now determined that we are an agent for these transactions and will recognise revenue on a net basis, with only the gross margin on these types of deals, being the gross invoiced income less the costs of the resold software or third party services, showing as revenue, with nothing recorded in cost of goods sold. Further information on this change, including the retrospective restatement of the financial statements, and the revised accounting policy, is available in note 3 to the summary financial information contained within this announcement.

[1] *Gross invoiced income, 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 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 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 (GAAP) financial measures, in addition to those reported in accordance with IFRS. Further detail is provided within note 4 to the summary financial information contained in this announcement.*

[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-period local currency financial results using the current period average exchange rates and comparing these recalculated amounts to our current period results or by presenting the results in the equivalent local currency amounts. Wherever the performance of the Group, or its overseas Segments, are presented in constant currency, or equivalent local currency amounts, the equivalent prior-period measure is also presented in the reported pound sterling equivalent, using the exchange rates prevailing at the time. 2022 interim 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 12 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 and excluding VAT and other sales taxes. This reflects the cash movements from revenue, to assist Management and the users of this announcement 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 Cash Flow 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 5 to the summary financial information contained in this announcement.*

The term Group refers to Computacenter plc and its subsidiaries.

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DISCLAIMER - FORWARD LOOKING STATEMENTS

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

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Group's operations and the development of the markets and the industry in which they operate or are likely to operate and their respective operations may differ materially from those described in, or suggested by, the forward-looking statements contained in this announcement. In addition, even if the results of operations and the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, those risks in the risk factor section of the 2021 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.

OUR INTERIM PERFORMANCE IN 2022

GROUP

Financial performance

Our business model is built on the three primary business lines of Technology Sourcing, Professional Services and Managed Services, and reinforces our position as having the largest Services business of any valued added reseller, as well as the largest value added reseller capability of any Services business worldwide.

Our strong trading performance over the six months to 30 June 2022 continues to demonstrate the resilience of our business model. However, as we indicated in our Trading Update on 29 April 2022, adjusted[1] profit before tax for the first half of the year is behind the comparative period to 30 June 2021.

As discussed further below, we changed our revenue recognition accounting policies during the period, including retrospectively. The Group's revenues increased by 16.6 per cent to £2,826.7 million (H1 2021: £2,425.1 million) and were 16.0 per cent higher in constant currency[2]. Gross invoiced income[4] increased by 20.8 per cent to £3,971.9 million (H1 2021: £3,287.6 million), and by 19.9 per cent in constant currency[2].

The Group made a profit before tax of £107.8 million, a decrease of 6.4 per cent (H1 2021: £115.2 million). The Group's adjusted[1] profit before tax decreased by 5.9 per cent to £111.9 million (H1 2021: £118.9 million) and by 5.9 per cent in constant currency[2].

The difference between profit before tax and adjusted[1] profit before tax relates to the net charge of £4.1 million (H1 2021: charge of £3.7 million) from exceptional and other adjusting items. In both the current and comparative period, this solely comprises the amortisation of the acquired intangible assets resulting from the Group's 2018 acquisition of FusionStorm and the 2020 acquisition of Pivot. Further information on these can be found in the Group Finance Director's review contained in this announcement.

Diluted earnings per share (EPS) decreased by 4.8 per cent to 67.3 pence (H1 2021: 70.7 pence). Adjusted[1] diluted EPS, the Group's primary EPS measure, decreased by 4.5 per cent to 69.8 pence (H1 2021: 73.1 pence) in H1 2022.

Historically, revenues have been higher in the second half of the year than in the first six months, principally due to customer buying behaviour. This typically leads to a more pronounced effect on operating profit.

However, the impact of Covid-19 and the more recent supply shortages for IT equipment materially altered customer buying behaviours in 2020 and 2021, including the split of sales volumes between the first and second halves of the year. In 2021 an abnormally high percentage of our full-year profits came in the first half of the year, which means we have a more challenging comparison for the first half of 2022 than for the second half.

During 2022 we have seen these unusual buying patterns reversing and the re-emergence of seasonality that is closer to our historical norms. Adjusted[1] profit before tax for H1 2022 is therefore behind that in H1 2021. In addition, the unwinding of some of the Covid-19 related impacts of higher employee charge-out utilisation with less travel time and lower travel costs has also impacted the first half results. We have also seen a shift to lower margin product generally across the business, mainly due to supply chain shortages. Whilst we remain somewhat affected by supply shortages in networking IT equipment, we expect customer buying to be more weighted towards the second half of the year leading, once again, to a more pronounced effect on operating profit in the second half which we expect to have a higher proportion of the full year operating profit than we have seen in the previous two years. We therefore have confidence for the full year, even though much work remains to be done.

Trading across all of our major geographies was pleasing throughout the period, with particular strength at the end of the second quarter. Indications are that this trading momentum has continued into the early part of Q3 2022.

Whilst demand has remained high, with order books continuing to build, the driver of customers' IT purchasing has shifted away from short-term pandemic responses. Key customers are now focused on supply issues and the short to medium-term impacts of the economic downturn, as they look to reengineer IT structures and employ digital transformation to cope with the ever-evolving technology landscape, the need to reduce non-IT operating costs and increasing cyber threats.

As the public health challenges of Covid-19 continue to reduce, we have retained the flexible working practices we introduced during the pandemic. The vast majority of our employees now split their time between home and office, with those employees required on customer sites now able to work in a similar way to before the pandemic. We thank all of our people for the continuing flexibility and dedication they have shown, to cope with the changing external environment and our move to hybrid working.

Computacenter resells, deploys and manages vendor technology for customers. This means we are a fundamentally people-centric business. Customers remain loyal to Computacenter because of the quality of our people and this will always be the case. However there are a number of other assets that we employ such as our Service and Integration Center facilities, methodologies, best practices, a track record of performance, and in particular, great systems. We invest many millions of pounds every year in improving and supporting these systems, which give us a competitive advantage in a business which is about scale, repeatability and agility.

Our systems need to be robust, secure and able to handle large volumes. They also have to be simple to use and adaptable to most customer eventualities. The vast quantities of product we are holding for customers (see below) put massive pressure on our operations and systems, as customers call off this stored technology piecemeal and at short notice, often to thousands of different users' home addresses. We prioritise our plans for systems development, other investments in time and capital, in response to the everchanging environment in which we operate. In Germany, our focus on growing the workplace business has absorbed significant capacity in our Integration Center facility, leading to its expansion.

We remain extremely saddened and concerned by the war in Ukraine and offer our deepest sympathies and support to the Ukrainian people. Whilst our business in Russia was extremely limited, we have completely ceased our activities there as the international customers we supported in-country through third-party contractors have closed their operations. However, the war's impact on the global macro-economic environment, including the exacerbation of the supply chain issues currently being experienced, continues to impact our business.

There are clearly many other challenges in the world and we, like most companies, are affected by wage inflation associated with the macro-economic disruption, and supply chain shortages, but these will offer us opportunities to differentiate from our competition with superior execution. Supply chain constraints remain forefront of our customers' minds and their planning. Whilst product availability varies by vendor and product line, product shortages have materially affected the supply of key networking equipment for our customers throughout the year, with some orders being substantially delayed or only partly fulfilled. In a number of geographies we have been able to replace decreased sales volumes from selling less

networking and data center hardware, where supply is most restricted, with increased workplace volumes, where supply is more available, but of a lower margin quality. Although this affects our gross profits in the short term, due to the strong growth in the workplace business which is more commoditised, we are pleased by the flexibility and creativity shown by the sales teams.

The Group continues to carry more inventory than normal, as we hold stock for orders that we cannot deliver without a critical part or where customers have ordered early and subsequently delayed delivery, as their data center facilities, and other establishments, are not ready.

Total inventory across the Group was £144.9 million higher at 30 June 2022 than at 30 June 2021. While inventory growth has begun to settle across the business, we do not expect inventory to return to normal levels until there is a longer-term supply improvement.

The Group had £399.3 million of inventory as at 30 June 2022, an increase of17.0 per cent during the period (31 December 2021: £341.3 million) and an increase of 15.4 per cent in constant currency[2]. Whilst we have already been paid for some of this inventory, customers are committed to taking nearly all of the rest of the holding, so it's a largely risk free position. However as the volumes have increased, they have filled up our Integration Centers.

With certain hyperscale customers now placing firm orders for delivery in Q3 of 2024, our product order backlogs across all geographies are at all-time highs and considerably larger than at both 30 June 2021 and the end of 2021. The committed order backlog at the period end was approximately £3.4 billion on a gross invoiced income basis, a 41.3 per cent increase since 31 December 2021 (£2.4 billion) in constant currency[2]. Whilst the Managed Services contract base and the Professional Services forward order book have always given us better visibility of future revenues in these areas, the rapidly increasing Technology Sourcing backlogs, partly due to the increasing trend for customers to order in advance, mean that we now have much greater visibility of future revenues than ever before. This gives us a high degree of confidence that the Technology Sourcing business will be well placed in the year ahead.

The Group has seen significant currency translation movements as the pound sterling has fluctuated against other currencies, particularly the US dollar and the euro, which impacts us the most. Further information on currency impacts is available in the Group Finance Director's review contained in this announcement.

Whilst both gross invoiced income and revenues saw strong growth in the year, the product mix and surging levels of business with a small number of North American hyperscalers during the period have negatively impacted gross margins for the Group. Overall, Group gross margins, expressed as gross profits as a percentage of revenue, fell to 15.0 per cent (H1 2021: 17.5 per cent).

Administrative expenses increased by 2.7 per cent to £314.8 million (H1 2021: £306.5 million). We continue to apply the cost-management lessons from the Covid-19 crisis, to ensure that as costs inevitably return due to factors such as increased travel, they remain lower than before, resulting in a more efficient business. In addition, we have reviewed our office footprint across our major geographies and will look to rationalise the estate where locations are no longer necessary, or could be reduced in size, due to our people and our customers' workforces adopting flexible working.
Adjusted[1] administrative expenses increased by 2.6 per cent to £310.7 million (£302.8 million), and by 2.2 per cent in constant currency[2].

Following a recently approved interpretation of the revenue accounting standard by the International Accounting Standards Board, we, and a number of our peer value added resellers, have changed the way we recognise revenues for standalone software and resold third-party services contracts and revised our accounting policies to reflect this change. Historically, we had considered ourselves the principal in the arrangement and largely recognised these transactions on a principal or gross basis, with the gross invoiced income, represented by the invoiced amount to customers, reported as revenue and the cost of the resold software or services reported as cost of goods sold. Subsequent to the approval of the interpretation of the revenue accounting standard by the International Accounting Standards Board we have now determined that we are an agent for these transactions and will recognise revenue on a net basis, with only the gross margin on these types of deals, being the gross invoiced income less the costs of the resold software or third party services, showing as revenue, with nothing recorded in cost of goods sold. Further information on this change, including the retrospective restatement of the financial statements, and the revised accounting policy, is available in note 3 to the summary financial information contained within this announcement.

We will continue to show our gross invoiced income as an alternative performance measure. 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 and net of the impact of credit notes and excluding VAT or other sales taxes. This reflects the cash movements from revenue, to assist Management and the users of the summary financial information contained within this announcement in understanding revenue growth on a 'Principal' basis and to assist their assessment of working

capital movements in the Consolidated Statement of Financial Position and Consolidated Cash Flow Statement. This alternative performance measure also allows an alternative view of growth in adjusted[1] gross profit, based on the product mix differences and the accounting treatment thereon. A reconciliation of revenue to gross invoiced income is provided within note 5 to the summary financial information contained within this announcement.

Looking at our performance by geography, the UK in particular has seen the very strong demand for workplace rollouts decline for the first time in two years. This was expected, as the Windows 10 deployment cycle comes to an end. Professional Services growth has settled back slightly following an excellent 2021, as workplace deployment support contracts reduced alongside the demand for Technology Sourcing. Managed Services increased slightly, with newer contracts offsetting older contracts that ceased in the period.

The German business has seen pleasing Technology Sourcing revenue growth during the period, with significant increases in workplace hardware and software. Professional Services once again saw double digit growth, with the business continuing to expand capacity and its offerings. Managed Services generated excellent growth, benefitting from contract wins in 2021.

In North America, the results were driven by continued extraordinary growth in hyperscale data center customers, as well as new customer wins. The growth was achieved in both Technology Sourcing and Services, as deployment project activity increased.

The French business saw Technology Sourcing revenues return to growth as significant customers increased spend, with a number of enterprise-level private sector customers and large public-sector framework contracts increasing purchasing activity. Margins improved as these customers invested in significant server rack installations. The integration of Computacenter NS remains on track. As expected, the acquisition had a negative impact on growth in Professional Services revenue in the period, as older contracts ceased. This was more than offset by pleasing growth in Managed Services.

The International Segment has improved significantly on H1 2021, with strong growth in all areas and critical contracts in each of the primary European trading entities of Belgium, Switzerland and the Netherlands all delivering ahead of expectations in the period.

Technology Sourcing performance
The Group's Technology Sourcing revenue increased by 20.7 per cent to £2,074.2 million (H1 2021: £1,719.0 million) and by 19.1 per cent on a constant currency[2] basis. Overall Group Technology Sourcing margins decreased by 191 basis points during the period, mainly due to customer and product mix changes.

Technology Sourcing Gross Invoiced Income increased by 24.7 per cent to £3,219.4 million (H1 2021: £2,581.5 million) and by 23.1 per cent on a constant currency[2] basis.

The UK Technology Sourcing business saw a significant reduction in revenue, as the demand for workplace rollouts declined. The UK saw pleasing growth in higher-margin data center business, as the market in this area continues to expand rapidly, although the volumes were not sufficient to replace the workplace business. Significant increases in low-margin software and resold services impacted Gross Invoiced Income, but are reported net for Technology Sourcing revenues.

In Germany, Technology Sourcing revenue saw strong growth as the business successfully increased its focus on the workplace market. The rapidly increased volumes helped to offset business lines such as data center and networking, which are the most significantly impacted by the supply situation, but this success has led to extraordinary volumes of inventory being processed through our Integration Center in Kerpen, which has never dealt with workplace volumes of this scale. As the business adjusts to cope, short-term handling costs and the lower margins of the workplace product have impacted gross profits.

The French Technology Sourcing revenue increased, as demand returned in the period from some major customers.

The North American Technology Sourcing business saw revenues surge. This growth was concentrated in a small number of hyperscale technology customers, which have a much lower than average margin.

Services performance
The Group's Services revenue increased by 6.6 per cent to £752.5 million (H1 2021: £706.1 million) and by 8.1 per cent on a constant currency[2] basis. Within this, the Group's Professional Services revenue increased by 12.3 per cent to £298.4 million (H1 2021: £265.6 million), and by 13.3 per cent on a constant currency[2] basis, while the Group's Managed Services revenue increased by 3.1 per cent to £454.1 million (H1 2021: £440.5 million), and by 4.8 per cent on a constant currency[2] basis. Overall Group Services margins decreased by 335 basis points during the period. We have seen increasing costs and lower utilisation as we exit the Covid-19 pandemic. In addition, we have continued to invest ahead of

demand in the Professional Services business with an impact on recruitment, training and initial start-up utilisation impact, especially in the UK.

UK Services revenue was flat overall, primarily due to a slight decrease in Professional Services work related to the slowdown in workplace deployments.

Our German Managed Services have grown strongly, as customer volumes are now back to pre-Covid-19 levels and contract wins and scope extensions in 2021 have fed through to the results. The Professional Services business continues to see strong growth year after year, albeit with margins reducing due to increases in the cost base and investments in capacity and resourcing that will come on stream.

Our French Services business saw a reduction in Professional Services, as a number of older CCNS contracts came to an end as expected. Good growth in Managed Services was attributed to new contracts coming on stream, albeit at lower initial margins as the contracts build volumes.

In North America, Professional Services revenue has seen excellent growth, as deployment projects increased significantly and we benefitted from several nationwide retail rollouts.

Outlook

As we have predicted and announced on multiple occasions, profitability for Computacenter was down in the first half of 2022 compared to the same period last year, however, we remain on track to deliver our stated expectations of profit growth for the year as a whole.

With the exception of networking products where difficulties still remain, supply chain challenges have eased materially in the last 3 months. However, our customers have become extremely sensitive about supply chain shortages, and as such require us to hold more inventory, impacting our balance sheet. In almost all cases there is a guaranteed sale on the inventory items. The continuing strength of our balance sheet gives us a significant competitive advantage in being able to support our customers' requirements in this manner. How this will unravel as customers get used to the freeing up of supply remains to be seen.

While the pandemic has accelerated new ways of working the major effects of Covid-19 are firmly behind us and we believe current market conditions are the new normal. Our customers commitment to investment in technology feels extremely robust despite well publicised and difficult economic conditions around the world. This gives us confidence for 2023 and beyond.

UNITED KINGDOM

Financial performance

Revenues in the UK business decreased by 7.1 per cent per cent to £653.8 million (H1 2021: £703.4 million).

Technology Sourcing revenues were 10.5 per cent lower, in large part because of reduced demand in workplace, which had been a strong driver of growth in the previous two years. This also affected demand for technology roll outs in Professional Services, where revenues were 3.3 per cent down. Revenues in Managed Services were slightly up, as new contract wins were offset by contracts lost in the prior year.

Whilst demand from public sector customers is not as buoyant as during the pandemic, and is unlikely to reach those levels again in the near-term, we are confident that spending remains at normal pre-pandemic levels. However, the private sector is performing better, particularly as customers return to their offices. Overall, we remain on track to deliver growth in both revenue and profit in the second half of the year and for the full year as a whole.

We have continued to broaden our customer base, benefiting from the investment in the salesforce we reported in our 2021 results. This enabled us to expand what we sell to existing customers and to attract new customers. We are confident that these relationships will strengthen over time and, when combined with our desire to be relevant to more customers in our target market, we believe they will deliver further growth.

Our people costs have increased as inflation has pushed salaries up and we have had to pass most of this on to our customers, through higher rate cards.

Overall gross margins in the UK increased by 101 basis points, with total adjusted[1] gross profit at 19.9 per cent of revenues (H1 2021: 18.9 per cent). This gross margin ratio increase was assisted by a higher proportion of software and resold services in H1 2022 where the margins are recorded directly as net revenue. Adjusted[1] gross profit was 2.1 per cent lower at £130.3 million (H1 2021: £133.1 million).

Administrative expenses increased by 4.8 per cent to £85.3 million (H1 2021: £81.4 million). This was driven by the impact of inflation on people costs, as well as the return of both domestic and international travel. We are carefully managing travel as we exploit the technology available to allow hybrid working where appropriate, whilst applying a carbon travel levy to ensure that our travel choices are more carbon efficient. As a result, travel overall currently remains below pre-pandemic levels.

Adjusted[1] operating profit was 13.0 per cent lower at £45.0 million (H1 2021: £51.7 million).

Technology Sourcing performance
Technology Sourcing revenue decreased by 10.5 per cent to £421.9 million (H1 2021: £471.2 million). Technology Sourcing margins increased by 304 basis points compared to the first half of 2021.

We saw a dampening in demand for hardware in the first half. This was primarily in the workplace area, as some customers completed Windows 10 rollouts which they had accelerated during the pandemic. We now expect a lag as we await customer adoption of Windows 11, which is likely to be more significant in 2023 and 2024. Reduced workplace activity also affected utilisation, and cost absorption, of our Integration Centre, where we configure devices for customers, and associated value-add activity margins.

In the Enterprise space, we are seeing good growth in our data center and cloud business, as we modernise existing data centers and help customers to adopt public cloud offerings. In networking, customer demand is up but our ability to deliver to customers has been affected by product shortages in the supply chain, which held back revenues in the period. Overall, we have seen significant growth in our product order backlog, which is up 18.9 per cent since the start of the year and by 42.0 per cent since the same point last year on a gross invoiced income basis.

Elsewhere in Technology Sourcing, we have seen good growth in our software business, as well as in resold services. Neither of these areas is subject to the supply chain issues that have affected hardware sales, allowing us to rapidly fulfil customer demand.

Services performance
Services revenue was flat at £231.9 million (H1 2021: £232.2 million). Professional Services declined by 3.3 per cent to £72.5 million (H1 2021: £75.0 million). Managed Services revenue was 1.4 per cent higher at £159.4 million (H1 2021: £157.2 million). Services margins decreased by 350 basis points when compared to the prior period, with margins held back slightly by higher employment costs that we have not yet been able to pass on.

The lower workplace demand in Technology Sourcing also had an impact on Professional Services, where our teams roll out technology that we have sold to our customers. We have seen growth in supporting customers to adopt public cloud, as well as in expanding and securing customer networks. There has also been significant growth in our resources on demand business, where we provide specialist resource to support our customers' operations. At the same time, there has been a slight decline in the number of large programmes of work that are on an outcome based commercial model. The pipeline for Professional Services is particularly strong for the next 12 months, giving us confidence that growth opportunities are realisable.

Revenue in Managed Services was broadly flat, as discussed above. We have seen an uptick in logistics-based and maintenance services, and particular interest in global end user services, where we are confident in our delivery capabilities. We have some significant opportunities to close in the second half, which gives us confidence of growth into 2023.

In 2021, we won a significant Managed Services contract with a large retail bank, to provide a device-as-a-service model with worldwide support coverage and Technology Sourcing embedded in the contract. We have successfully transitioned some of the customer's key countries to the new model at the end of the first half, with further countries to follow in the second half of the year.

GERMANY
Financial performance
Total revenue increased by 10.2 per cent to €941.0 million(H1 2021: €854.2 million) and by 6.8 per cent in reported pound sterling equivalents[2].

The German business delivered a pleasing overall performance in the first half. Against a difficult market backdrop and a strong comparative period, our double-dight top line growth was above expectations, while the bottom line was slightly below our aspirations. This performance reflects our robust competitive position, including our focus on enterprise customers and major public sector organisations, and the increasing importance of our international capabilities. We expect a much stronger performance in the second half of the year, with continued revenue growth and profitability in line with our

expectations.

The market uncertainties are mainly due to the war in Ukraine, the consequences of which are unforeseeable, and the continuing shortages of products, especially in the area of networking. Long lead times are causing customers to order in very large quantities well ahead of when they need the products, contributing to very high inventory and activity levels in our Integration Center in Kerpen. This is our biggest challenge at the moment and we have therefore expanded our warehouse and logistics space by 20,000 m^2 to 55,000 m^2, which will bring us relief in the second half of the year. The very competitive labour market is also making it difficult to recruit additional skills and, above all, to expand our sales force as we had planned, while high inflation is putting upward pressure on salaries.

Our strong position is helping us to grow our market share despite the quality of our competition. Our public sector business is a notable plus for us and demand remains high, with the pipeline promising good potential for the future. We are opening up a new customer segment in education and significantly expanding our sales capacities in most federal and state authorities. In the enterprise market, we have developed a retail customer into a potential strategic customer for Computacenter, and successfully renewed a large Managed Services contract with a customer in aerospace research. However, we were unable to renew a workplace contract with a large automotive supplier that we had held over several contract cycles, and we were also unable to conclude a new contract with a large automotive manufacturer, which we are now only providing in part. On the Professional Services side, we further expanded the business even under difficult conditions and achieved good project successes, including on an international basis.

Adjusted[1] gross profit decreased by 2.2 per cent to €166.3 million(H1 2021: €170.1 million) and reduced by 5.1 per cent in reported pound sterling equivalents[2]. Margins in Germany decreased by 222 basis points, with adjusted[1] gross profit decreasing from 19.9 per cent to 17.7 per cent of revenues as explained below in the Technology Sourcing and Services performance areas.

Administrative expenses increased by 1.2 per cent to €100.6 million(H1 2021: €99.4 million), and reduced by 2.1 per cent in reported pound sterling equivalents[2].

Adjusted[1] operating profit for the German business decreased by 7.1 per cent to €65.7 million(H1 2021: €70.7 million) and by 9.3 per cent in reported pound sterling equivalents[2].

Even though the geopolitical and economic situation in Germany is unpredictable, we are continuing to invest for growth. We remain convinced that enterprise companies and public clients must continue to invest in expanding their IT infrastructures and in digitalisation projects. Furthermore, the shortage of skilled workers is adding impetus for Professional and Managed Services projects. Requirements are becoming increasingly global, which should also benefit us.

Technology Sourcing performance

Technology Sourcing revenue increased by 11.2 per cent to €551.5 million(H1 2021: €496.0 million) and by 7.8 per cent in reported pound sterling equivalents[2]. Technology Sourcing margins remained strong but slipped by 135 basis points over the same period last year.

We significantly increased turnover in this segment in the first half of the year, while margins were slightly lower, as a result of greater competition, significantly increased handling costs and a shift in business mix. Software volumes have increased while profitable hardware framework contracts either cannot be serviced or deliveries are delayed due to non-availability of mainly networking products. Manufacturers are also giving preference to large-volume workplace contracts, where we achieve lower margins.

Looking ahead, whilst we believe these developments will continue for the second half of the year and beyond, we also expect to continue to grow strongly. This will put additional demands on our delivery capacities in our Integration Centers but the capacity expansion should stabilise this in the second half of the year. Furthermore, whilst product shortages will continue, we expect significantly improved delivery capacity, especially in the area of networking and data center components. Our product order backlog has grown 11.5 per cent since the start of the year and is up by 86.0 per cent since the same point last year on a gross invoiced income basis.

Overall, we expect Technology Sourcing revenues for 2022 to be significantly above the previous year, with an outcome slightly above our internal forecasts set at the end of last year.

Services performance

Services revenue grew by 8.7 per cent to €389.5 million(H1 2021: €358.2 million) and by 5.5 per cent in reported pound sterling equivalents[2]. This included Professional Services growth of 13.3 per cent to €177.0 million(H1 2021: €156.2 million), an increase of 9.9 per cent in reported pound sterling equivalents[2], and a Managed Services increase of 5.2 per

cent to €212.5 million(H1 2021: €202.0 million), an increase of 2.1 per cent in reported pound sterling equivalents[2]. Services margins decreased by 334 basis points over the period.

The Services business also recorded significant growth in the first half of the year. This was driven by both our Professional Services business and Managed Services. In the latter, we are benefiting from deals won in 2021 and expansion of the existing business. In Professional Services, we grew in all solution lines and expanded the business. We were also able to benefit more from the nearshore and offshore capacities we have created. We are increasingly seeing growth in international business, in both the Professional and Managed Services businesses. Our global presence and the opportunities we have created in the near and offshore area are boosting business and have potential for the future.

The Services margin is weaker than in the same period last year. In Managed Services, we are recording a stable margin despite increased salary costs, as our improvement, efficiency and optimisation measures of the last 18 months are taking effect.

On the Professional Services side, we have recorded a decline in margins, which is due to two effects. We currently have ongoing transformation projects that have been set up as planned for the new Managed Services win. However margins are usually much lower at the beginning of a project than will be realised over the lifetime of the project. We are also seeing higher salaries, due to the necessary adjustments to the new market level. It will take some time for these increased costs to be effectively passed on to the customer.

A shift towards more normal employee availability levels post-Covid-19 and our investments for growth also reduced margins against the comparative period. In the first half of 2021, we had very high availability, especially in consulting, as Covid-19 restrictions meant we had a very low sickness rate and few employees taking holidays. We also incurred virtually no travel or event costs. In the first half of this year, on-site activities and travel have increased, although they remain below pre-pandemic levels, and sickness and holiday rates are at normal levels. In addition, we have increased investments in additional resources, with new joiners having a high need for training and therefore taking time to reach a normal workload. These investments are sensible and necessary to ensure future growth.

In summary, we are satisfied with the development of our business in the Services sector and there is potential to address even more opportunities with our customers. This requires, above all, senior skills in consulting and engineering, which we are trying to recruit with all our energy and attention.

The outlook for the second half of the year is positive and we expect further growth.

FRANCE

Financial performance

Revenue increased by 2.4 per cent to €318.8 million(H1 2021: €311.2 million). In reported pound sterling equivalents[2], revenue was reduced by 0.7 per cent.

In the context of worldwide geopolitical and economic challenges, our French business made progress in the first half of 2022. Continued component shortages caused the Technology Sourcing backlog to grow during the period but we succeeded in growing our Technology Sourcing revenues compared to last year.

Towards the end of 2020, we acquired BT's domestic services operations in France and renamed the subsidiary Computacenter NS (CCNS). From an operational point of view, we have integrated approximately 80 per cent of CCNS staff into the Computacenter Group model which will generate efficiencies in the operating model going forward. In the first half, we started a project to integrate the last two independent activities (network maintenance and 24/7 data center, network and security operations) into the Group delivery structure. We aim to finalise this integration by the end of the year.

It was clear when we bought CCNS that it would incur some losses in the first few years of integration. Whilst we benefitted in 2021 from contracts and projects that started before the acquisition, we knew that this business would decline in 2022 as some contracts would not be renewed or extended. Despite a promising pipeline, we struggled to compensate for these losses in the first half but remain optimistic about reporting good progress in the second half of the year.

Adjusted[1] gross profit increased by 0.3 per cent to €37.9 million(H1 2021: €37.8 million) and reduced by 2.1 per cent in reported pound sterling equivalents[2]. Margins in France decreased by 18 basis points, with adjusted[1] gross profit decreasing from 12.1 per cent to 12.0 per cent of revenues.

The improved contribution in the period came mainly from our Technology Sourcing activities where volumes were slightly ahead.

Administrative expenses decreased by 6.7 per cent to €37.4 million(H1 2021: €40.1 million), and by 9.2 per cent in

reported pound sterling equivalents[2].

Adjusted[1] operating profit for the French business increased by €2.8 millionto a profit of €0.5 million(H1 2021: a loss of €2.3 million), and by £2.5 million in reported pound sterling equivalents[2].

Compared to the previous year, our operating profit for the first half showed signs of improvement but we can still further improve our results, by optimising resource utilisation across all service departments.

We had hoped to enter a period of economic growth after the pandemic but current economic forecasts are quite pessimistic for a variety of reasons, including the war in Ukraine. Companies will not be immune from these challenges and they will start to think about reducing their costs and transforming their businesses to stay competitive. This gives us both a challenge and an opportunity. Customers driving down costs will affect our volume business but transformation programmes very often include a digitalisation aspect, where we can help our customers succeed by offering them innovative and futureproof solutions.

Technology Sourcing performance
Technology Sourcing revenue increased by 2.6 per cent to €217.1 million(H1 2021: €211.7 million) and reduced by 0.5 per cent in reported pound sterling equivalents[2]. Technology Sourcing margins increased by 192 basis points.

Continued component shortages kept us very busy during the first half, as we spent a lot of time with technology partners and customers, managing delivery date challenges and offering alternatives. The Technology Sourcing order backlog again increased significantly during the period, with 17.3 per cent growth since the start of the year and 51.9 per cent growth since the same time last year. We believe that the worldwide shortages will remain a challenge throughout the rest of the year and probably for a considerable period in 2023.

Thanks to our top-level certifications with all the important technology partners worldwide and our international service capability, we have identified multiple large framework opportunities where we can help large, international customers to deliver and install standardised equipment in all their locations worldwide. We are pleased to see that technology partners have started to recommend Computacenter to large enterprises, as the partner of choice for value added reselling with outstanding worldwide service capabilities.

Our French public sector business remains an important contributor overall, and a key part of our Technology Sourcing success, and we have seen some pleasing framework contract wins around collaboration and networking that will start delivering results in the second half of the year.

Services performance
Services revenue increased by 2.2 per cent to €101.7 million(H1 2021: €99.5 million) and decreased by 1.0 per cent in reported pound sterling equivalents[2]. Professional Services revenue decreased by 3.4 per cent to €22.8 million(H1 2021: €23.6 million), which was a decrease of 6.8 per cent in reported pound sterling equivalents[2]. Managed Services revenue increased by 4.0 per cent to €78.9 million(H1 2021: €75.9 million), an increase of 0.8 per cent in reported pound sterling equivalents[2]. Services margins decreased by 468 basis points.

Delays in starting some Professional Services projects in the period, along with the decline in volumes and therefore utilisation in CCNS noted above, resulted in a significant impact on contribution and a weak first half for Professional Services as a whole. In addition, and as planned as part of the CCNS acquisition, we have spent €0.7 millionduring the period, reducing gross margins, to move a data center utilising internal resources. We are optimistic about improving our results in the second half, based on the strong Professional Services pipeline for the rest of the year.

Following successes elsewhere in the Group, we identified the opportunity to focus on our resource on demand (ROD) practice, which helps customers to succeed by providing specialised resources on a time and materials basis. Although it is not always easy to find resources with specific skills, we have seen pleasing growth in our ROD practice.

Our Managed Services contribution remained broadly flat but with many underlying changes. We were successful in winning new contracts in 2021, which compensated in the first half for the lost contribution from contracts we knew would come to an end this year. As often happens at the start of new contracts, they are not yet delivering the predicted contributions and we are working hard to optimise their profitability. Additionally, we agreed with a customer to review the scope and delivery period of an underperforming contract to increase the positive outcomes for both parties.

Sales cycles for our Managed Services solutions are typically long, and we were pleased to conclude a network operations contract with one of our largest podium customers at the beginning of the year.

In addition to developing a pipeline of new Managed Services contracts, we will also focus in the second half of the year on renewing a few important Managed Services and network maintenance contracts we have had in place for many years.

NORTH AMERICA

Financial performance

Total revenue increased by 48.3 per cent to $1,301.7 million (H1 2021: $877.7 million). In reported pound sterling equivalents[2], total revenue was up 58.9 per cent.

Growth in North America was driven by continued growth in hyperscale data center customers, as well as new customer wins. The growth was achieved in both Technology Sourcing and Services.

The Technology Sourcing business saw significant revenue growth. However, this was concentrated in a small number of hyperscale customers where account margins are materially lower than average, due to the volumes addressed. Global supply chain challenges continue to impact the Technology Sourcing business. Product order backlog, where we have confirmed orders but no supply, has increased by over $230 million since 30 June 2021, excluding a single major hyperscale customer. This single customer's product order backlog has increased by $1,842 million over the same period, with committed orders being placed for delivery into Q3 2024. Overall the backlog is 64.7 per cent higher since the beginning of the year.

Professional Services margins improved compared to the prior period, due to higher volume resulting in better utilisation across the Services organisation. The Managed Services business reported lower margins year-on-year, due to a combination of customer mix and lower margins on projects in their early stages.

Overall, margins in North America decreased by 483 basis points, with adjusted[1] gross profit decreasing from 14.9 per cent to 10.1 per cent of revenues. We have seen exceptional growth with one hyperscale customer where we supply large volumes on a direct delivery basis with lower than normal value added levels and therefore at significantly reduced margins.

Adjusted[1] gross profit grew by 0.5 per cent to $131.6 million (H1 2021: $130.9 million) and by 7.5 per cent in reported pound sterling equivalents[2].

Administrative expenses increased by 0.3 per cent to $105.3 million (H1 2021: $105.0 million), and by 7.3 per cent in reported pound sterling equivalents[2]. Within this there has been growth in travel costs, as Covid-19 restrictions have loosened, further investments in additional capabilities to support hyperscale customers, and higher than historical average increases in compensation due to wage inflation. These were mostly offset by lower facility costs and foreign currency exchange gains.

The lower facility costs were driven by reduced facility size in San Antonio, Texas, combining locations in Dallas, Texas, and exiting two facilities in California. North America is expanding its Integration Center capability overall, with new larger facilities in Washington and Indiana to better allocate capacity across the business's expanding geographical footprint in the Continental USA.

Adjusted[1] operating profit for the North America business increased by 1.5 per cent to $26.3 million (H1 2021: $25.9 million), and by 8.6 per cent in reported pound sterling equivalents[2].

The increase in adjusted[1] operating profit compared to a very strong first half of 2021 was achieved while investing in new capabilities and expanding the portfolio, largely focused on adding workplace capabilities and continued hyperscale capability. North America continues to manage through its system conversions to the Group ERP system and is preparing to migrate the Pivot business in 2023.

After the period end, the Group completed the acquisition of Business IT Source (BITS), a regional value added reseller which provides additional geographic reach to North America, allowing us access to significant new markets. The acquisition of BITS will primarily benefit the North American Technology Sourcing business.

Technology Sourcing performance

Technology Sourcing revenue increased by 47.7 per cent to $1,215.8 million (H1 2021: $823.3 million) and by 58.3 per cent in reported pound sterling equivalents[2]. Technology Sourcing margins decreased by 505 basis points over the same period last year.

The growth was driven by increased spending by hyperscale customers, growth in sales to international customers with operations in the United States, as well as a material new customer win in the financial services sector. Technology Sourcing has grown in 'drop-ship' revenue, where products are delivered directly from the vendor, and experienced a decline

in integration driven revenue. This leads to less opportunities to add value to the transaction and decreases the utilisation of our facilities and personnel leading to lower cost absorption.

Compared to the same period in 2021, we saw a similar technology spending mix amongst major partners and technologies, particularly in the data center and networking lines of business. We continue to have a very high order backlog, which has been impacted by the well-publicised continuing supply chain shortages. This supply shortage has also resulted in continued high inventory levels, which we saw in 2021. Inventory levels are up by approximately 17.1 per cent for North America since 30 June 2021, totalling $247.9 million (H1 2021: $211.6 million), but have decreased by 13.5 per cent from $286.4 million at 31 December 2021. Hyperscale customers have ordered in advance of the normal demand profile, which should return to a more normal level when the supply chain shortages are resolved.

We benefited from significant continuing investments by our customers, as they digitise their operations and modernise their infrastructure. We continue to see customers seeking to simplify their operations by consolidating to fewer suppliers, resulting in long-term commitments and larger transactions.

Technology Sourcing margins reduced as a result of significant revenue growth with hyperscale customers that command a lower margin profile, coupled with a reduction in in our usually higher-margin server rack fabrication business, typically also concentrated within hyperscale customers, which has experienced a slowdown. This decline in rack fabrication is expected to continue during the second half of the year, as rack volume demand has decreased overall from that seen during 2021. Further, as the increase in revenue was primarily direct delivery, lower Integration Center activity resulted in lower absorption of the fixed cost base. We continue to see significant activity and opportunity for our Integration Center, including complex distributed branch rollouts, as well as global data center build-out projects for our hyperscale customers. However the probability and timing of these opportunities are difficult to predict.

Services performance

Services revenue increased by 57.9 per cent to $85.9 million (H1 2021: $54.4 million) and by 69.1 per cent in reported pound sterling equivalents[2]. Professional Services revenue increased by 62.3 per cent to $68.8 million (H1 2021: $42.4 million), which was an increase of 74.1 per cent in reported pound sterling equivalents[2]. Managed Services revenue increased by 42.5 per cent to $17.1 million (H1 2021: $12.0 million), which was an increase of 51.7 per cent in reported pound sterling equivalents[2]. Services margins decreased by 157 basis points.

North American Services revenue growth was primarily due to significant deployment projects, with several large ongoing projects with country-wide retail customers. Project activity has continued to recover after customers delayed expected projects while they responded to Covid-19 in 2020 and into 2021.

The decrease in margins is due to certain Managed Service projects, which are in their first year of operation, which tends to be lower margin whilst the project scales up and efficiencies are generated. Further impacts on the margin percentage include the lower margins generated from the significant deployment projects seen during the period. In addition, wage inflation, particularly for scarce technical resources, has been higher than expected and more than in prior periods, which is contributing downwards pressure on Services margins.

INTERNATIONAL

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

The trading entities include Computacenter Switzerland, Computacenter Belgium and Computacenter Netherlands. In addition to their operational delivery capabilities, these entities have in-country sales organisations, which enable us to engage with local customers.

These trading entities are joined in the Segment by the offshore Global Service Desk entities in Spain, Malaysia, India, South Africa, Hungary, Poland, China and Mexico, and the Professional Services Centre of Excellence in Romania, which have limited external revenues as they charge the relevant Group subsidiaries for the services provided.

The newly acquired Emerge business joins the International Segment, with Services delivery locations in Japan, Australia, Singapore and Hong Kong.

Financial performance

Revenues in the International business increased by 38.2 per cent to £107.5 million (H1 2021: £77.8 million) and by 40.2 per cent in constant currency[2].

Overall, margins in the International business decreased by 299 basis points, with adjusted[1] gross profit decreasing from 22.6 per cent to 19.6 per cent of revenues.

Adjusted[1] gross profit increased by 19.9 per cent to £21.1 million (H1 2021: £17.6 million), and by 20.6 per cent in constant currency[2].

Our performance varied in each of our international entities. The Belgian business's performance improved primarily due to project wins in our workplace segment and excellent Managed Services performance. The short-term focus is now to finalise the extension of two of our largest Managed Services contracts.

Our Dutch operation has fully implemented an international Technology Sourcing and Services contract and identified some good additional opportunities under this framework. We also continue to see good performance in our public sector segment. The Dutch entity joined Computacenter in August 2018 through an acquisition and we are pleased that the business is now fully aligned with our portfolio, operating and organisational model and our target customer market.

Our Swiss operations had a challenging start to the year, as the scopes of our main Services contracts were temporarily changed as customers reviewed their hybrid working approach after the pandemic. In line with the strategies of the other international entities, we have positioned our Group capabilities towards international customers with Swiss headquarters. We celebrated an important workplace-based international procurement and support win, and while we are only at the beginning of the contract implementation, we are confident it will deliver stable and ongoing contribution in the future.

Administrative expenses increased by 22.2 per cent to £16.5 million (H1 2021: £13.5 million) and by 23.1 per cent in constant currency[2], primarily due to one-off systems improvement related expenditure in the period to better align with central Group Information Systems practices and methodologies.

Overall adjusted[1] operating profit increased by 12.2 per cent in both actual and constant currency[2] to £4.6 million (H1 2021: £4.1 million).

Whilst our sales specialist and solution specialist teams have grown and matured over the last few years in all areas of the business, we are still working to attract new sales talent and further develop our target market in these countries. We are doing this either by focusing more on a specific sector or by developing our full offering with existing customers.

Technology Sourcing performance
Technology Sourcing revenue increased by 64.7 per cent to £66.7 million (H1 2021: £40.5 million) and by 68.4 per cent in constant currency[2]. Technology Sourcing margins have decreased by 342 basis points.

Significant revenue increases were seen in Switzerland and Belgium, with revenue in Netherlands nearly doubling. These entities, with a different customer mix to our larger operating entities, were impacted the most during the Covid-19 crisis and the results in the period confirm that normal trading patterns have resumed. These entities are each taking advantage of the opportunities afforded from being part of a larger Group by winning contracts, expanding account spend and increasing market share.

In common with other countries, the International Segment continues to be impacted by the worldwide shortages of IT components and we were not able to deliver all ordered goods within normal timescales. The value of our backlog of outstanding orders has increased by 5.7 per cent in constant currency[2] since the beginning of the year. Whilst we are pleased that demand remains strong, and that customer behaviour is leading to lengthening of their procurement timeline horizons, we expect this trend to continue for at least the rest of the year, with expected vendor driven price increases that will be passed on potentially impacting future, currently unplaced, orders.

In all regions, our teams focused on keeping our customer base up to date about delivery delays, identifying alternatives and handling prioritisation requests. We have also been able to replace some of the traditional hardware reselling revenues by winning some additional software and resold services bids to partly offset the impact, as these do not suffer from shortage constraints.

Our pipeline remains healthy for the rest of the year and we are confident we will be able to deliver good results, even in these difficult market conditions.

Margins reduced as the product mix moved towards workplace equipment, following the recent wins in the period.

Services performance
Services revenue increased by 9.4 per cent to £40.8 million (H1 2021: £37.3 million) and by 10.0 per cent in constant currency[2]. Services margins have increased by 199 basis points.

Professional Services revenue increased by 17.5 per cent to £4.7 million (H1 2021: £4.0 million) and by 17.5 per cent in

constant currency[2]. Managed Services revenue increased by 8.4 per cent to £36.1 million (H1 2021: £33.3 million), which was an increase of 9.1 per cent in constant currency[2].

We grew our Services revenues in Belgium and the Netherlands, with this growth mainly driven by long-term Managed Services contracts. Our largest Managed Services contracts in Switzerland saw a slow start after the Covid-19 period and we scaled back our delivery teams in the first quarter. We now have a flexible and optimised delivery model to meet all future needs and we are pleased to see that demand is picking up again. Continued portfolio efficiencies and increasing volumes have increased the Services margins.

Our main focus for the rest of the year will be to renew two large contracts in our International Segment and continue to pursue identified opportunities with customers leveraging our Group capabilities in international Technology Sourcing product supply.

GROUP FINANCE DIRECTOR'S REVIEW

During the first half of 2022, the Group benefited from continued strong revenue growth in both Technology Sourcing and Services. Growth across all Segments was excellent, apart from France where the expected cessation of legacy contracts stemming from the CCNS acquisition led to a decline in Professional Services, and the UK where, despite strong growth in gross invoiced income, saw a decline in reported revenues as the product mix changed.

Overall, gross profit was flat despite this excellent revenue growth due to Technology Sourcing customer and product mix, cost inflation and lower utilisation within our Services business following the end of the Covid-19 pandemic, and ongoing supply chain disruption as described earlier in this announcement.

The Technology Sourcing growth was driven by increasing workplace business in Germany and incredible demand from a small number of Californian hyperscale customers in North America. However, a lack of product supply, specifically in high-end server rack componentry and networking hardware, has restricted higher margin revenue growth and led to a decline in margins overall. As supply of these higher-margin items has become more challenged, the business has been able to increase our sales of other product lines. These include software and resold services, which are naturally not impacted by supply shortages, and workplace, which is much less affected. Germany has seen very strong growth in workplace, which has stretched our onsite handling and configuration capacities. Germany already had a high percentage of workplace product delivered via our Integration Centers, rather than direct delivery from the vendors, and the increased volumes have almost fully utilised our existing facilities. This has led to increased handling costs for these inventories, as they are moved around increasingly scarce space in our Integration Centers. We have implemented a mitigation strategy towards the end of H1 2022, with additional Integration Center capacity being added near to our existing facility. These increased handling costs, alongside the lower-margin nature of the workplace revenues, have reduced German margins.

Reconciliation to adjusted[1] measures for the period ended 30 June 2022

		Adjustments		
	Reported interim results £m	**Principal element on agency contracts £m**	**Amortisation of acquired intangibles £m**	**Adjusted[1] interim results £m**
Revenue	**2,826.7**	1,145.2	-	**3,971.9**
Cost of sales	**(2,401.8)**	(1,145.2)	-	**(3,547.0)**
Gross profit	**424.9**	-	-	**424.9**
Administrative expenses	**(314.8)**	-	4.1	**(310.7)**
Operating profit	**110.1**	-	4.1	**114.2**
Finance income	**1.0**	-	-	**1.0**
Finance costs	**(3.3)**	-	-	**(3.3)**
Profit before tax	**107.8**	-	4.1	**111.9**
Income tax expense	**(30.0)**	-	(1.2)	**(31.2)**
Profit for the period	**77.8**	-	2.9	**80.7**

Reconciliation to restated adjusted[1] measures for the period ended 30 June 2021

	Restated reported interim results £m	Adjustments: Principal element on agency contracts £m	Adjustments: Amortisation of acquired intangibles £m	Restated adjusted[1] interim results £m
Revenue	**2,425.1**	862.5	-	**3,287.6**
Cost of sales	**(1,999.8)**	(862.5)	-	**(2,862.3)**
Gross profit	**425.3**	-	-	**425.3**
Administrative expenses	**(306.5)**	-	3.7	**(302.8)**
Operating profit	**118.8**	-	3.7	**122.5**
Finance income	**0.2**	-	-	**0.2**
Finance costs	**(3.8)**	-	-	**(3.8)**
Profit before tax	**115.2**	-	3.7	**118.9**
Income tax expense	**(33.1)**	-	(0.9)	**(34.0)**
Profit for the period	**82.1**	-	2.8	**84.9**

Whilst the UK saw significant gross invoiced income growth through increasing software and resold services activity, only the margins on this business, which are naturally low, are reported as revenue following the changes to our accounting policy for agent versus principal recognition. See notes 3 to 5 to the summary financial information contained within this announcement for more information on the impact of our change in accounting policies.

The incredible volume growth in North America is an indication of the trust that these hyperscale technology customers place in us to deliver for them. This small number of high volume customers continue to recognise and value our capability to source and deliver product for their needs, in an incredibly competitive marketplace, through our close relationships with our vendor technology partners. As this hyperscale business grows in relation to the rest of the business, the margin in North America will continue to decline relative to our other key geographies over the longer term.

On 13 July 2022 the Group announced that it acquired one of the fastest-growing value-added resellers in the United States of America, Business IT Source ('BITS') effective from 1 July 2022. The Group has paid an initial $35.1 million with two additional payments contingent on the future performance of the acquired business through to 31 December 2024.

BITS employs around 100 people and has a headquarters and Integration Center in Buffalo Grove, Illinois, approximately 45 minutes from downtown Chicago. BITS recorded revenue in 2021 of approximately USD 245 million with EBIT of approximately USD 8.9 million.

The existing BITS leadership team will stay to run the business as a separate operating unit within Computacenter North America to maximise the growth opportunity. The business and the team will be fully integrated into Computacenter's North American operations over time.

Whilst our North American business continues to see substantial organic growth, we will continue to take additional opportunities to improve our positioning in this important market. BITS gives us a much stronger presence in the Midwest of the United States and brings some great people, customers and leadership to our business. The Buffalo Grove Integration Center will allow us to serve more of our Midwest regional customers locally over time, helping us to meet our sustainability goals. We are optimistic that the BITS leadership team will seize the opportunity to continue their current growth momentum.

BITS will have the opportunity to provide a much broader range of capabilities to our customers and growth opportunities for its people. Operating as a separate business unit, over the short-term, will allow us to continue our personalized service while leveraging Computacenter's capabilities and balance sheet to best serve customers and associates.

On 25 May 2022, the Group acquired 100 per cent of the share capital in Emerge 360 Japan k.k (Emerge) and the

associated Asia-Pacific (APAC) operations from Emerge 360, Inc., for consideration of $3.5 million (USD). The acquired APAC business has a presence in Japan, Singapore, Australia and Hong Kong.

This continues our strategy of building the best international capability of any value added reseller in the world. Emerge was already a valued partner in the region, working to extend our reach and capability for our international customers. Following the acquisition, over 230 engineers and service managers have joined Computacenter in Singapore, Hong Kong, Australia, Japan and India. This brings our total number of people in APAC to nearly 300 and in India to over 1,000. Our strategy in APAC is to build better operational capability and coverage to support our international customers headquartered in Europe and North America. We will enhance the credibility of our offering to our existing customer base by employing our own service leadership in the region, who will have local interaction with customers and manage delivery, whether it is by Computacenter or our partners. In India, although our strategy is centred on building our offshore Services Center capability, our 80 new people join an existing and growing engineering team who work on key customer sites. This acquisition enhances our Services offerings within the region and, in both APAC and India, this will continue to be complemented by the great Technology Sourcing experience provided by our local and regional partners.

Migrating our recently acquired, material, entities onto our leading ERP platform technologies and toolsets will help to unlock their potential for growth and efficiencies. The integration of Pivot onto Group systems is planned for 2023 and will benefit from the recent migration of FusionStorm and the legacy US business, which transitioned to the Group ERP in September 2021. This is by no means an easy task and a number of issues remain from the recent transition activity, as the business adapts to Group processes. Further, a number of next-generation upgrades to the customer relationship management and configure-price-quote systems were implemented within the US rollout, which are being progressively introduced through the rest of the Group, will continue to evolve the way we do business with our customers, ensuring that ordering friction is reduced and cost-to-serve efficiencies improved.

A reconciliation to adjusted[1] measures is provided above within this Group Finance Director's review. Further details are provided in note 4 to the summary financial information contained within this announcement, adjusted measures.

Profit before tax

The Group's profit before tax for the period decreased by 6.4 per cent to £107.8 million (H1 2021: £115.2 million). Adjusted[1] profit before tax decreased by 5.9 per cent to £111.9 million (H1 2021: £118.9 million) and by 5.9 per cent in constant currency[2]. The difference between profit before tax and adjusted[1] profit before tax relates to the Group's net costs of £4.1 million (H1 2021: net costs of £3.7 million) from 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 £0.7 million, including on an adjusted[1] basis, due to the impact of IFRS 16 (H1 2021: £1.7 million).

Net finance charge

The net finance charge in the period amounted to £2.3 million (H1 2021: £3.6 million). The main items included within the net charge for the year are £2.5 million of interest charged on lease liabilities recognised under IFRS 16 (H1 2021: £2.7 million) and £0.6 million of interest charged for the Pivot facility (H1 2021: £0.6 million). No interest items were excluded on an adjusted[1] basis.

Taxation

The tax charge was £30.0 million (H1 2021: £33.1 million) on profit before tax of £107.8 million (H1 2021: £115.2 million). This represents an effective tax rate (ETR) of 27.8 per cent (H1 2021: 28.7 per cent). The current period rate includes the recognition of a €2.4 million deferred tax asset representing the probable benefit of future utilisation of losses within the French business due to a forecast improvement in profitability in this geography.

The tax credit related to the amortisation of acquired intangibles was £1.2 million in the period (H1 2021: £0.9 million). As the amortisation is recognised outside of our adjusted[1] profitability, the tax benefit on the amortisation is also reported outside of our adjusted[1] tax charge. The adjusted[1] tax charge for the period was £31.2 million (H1 2021: £34.0 million), on an adjusted[1] profit before tax for the period of £111.9 million (H1 2021: £118.9 million). The ETR was therefore 27.9 per cent (H1 2021: 28.6 per cent) on an adjusted[1] basis.

We expect that the ETR in 2022 will be subject to upwards pressure, particularly in comparison to the prior year, due to the one-off tax benefits booked in the second half of 2021, as detailed in the 2021 Annual Report and Accounts on page 72. Looking further ahead, substantially enacted tax increases are set to take effect in the UK from 1 April 2023, although the planned rise from 19 per cent to 25 per cent is subject to the direction of the UK Government subsequent to the election of

a Prime Minister by the governing party. Longer-term, the geographic split of adjusted[1] profit before tax is increasingly shifting from the UK to Germany and the US, where tax rates are substantially higher, and governments across our primary jurisdictions are also coming under fiscal and political pressure to increase corporation tax rates.

The table below reconciles the tax charge to the adjusted[1] tax charge for the periods ended 30 June 2022 and 30 June 2021 and the year ended 31 December 2021.

	H1 2022 £m	H1 2021 £m	Year 2021 £m
Statutory tax charge	**30.0**	33.1	61.5
Adjustments to exclude:			
Tax on amortisation of acquired intangibles	**1.2**	0.9	2.1
Adjusted[1] tax charge	**31.2**	34.0	63.6
ETR	**27.8%**	28.7%	24.8%
Adjusted[1] ETR	**27.9%**	28.6%	24.9%

Profit for the period

The profit for the period decreased by 5.2 per cent to £77.8 million (H1 2021: £82.1 million). The adjusted[1] profit for the period decreased by 4.9 per cent to £80.7 million (H1 2021: £84.9 million) and by 4.5 per cent in constant currency[2].

Exceptional and other adjusting items

The net loss from exceptional and other adjusting items in the period was £2.9 million (H1 2021: loss of £2.8 million). Excluding the tax items noted above, which resulted in a gain of £1.2 million (H1 2021: gain of £0.9 million), the profit before tax impact was a net loss from exceptional and other adjusting items of £4.1 million (H1 2021: loss of £3.7 million).

There were no exceptional items in the six months to 30 June 2022 (H1 2021: nil).

We have continued to exclude, as an 'other adjusting item', the amortisation of acquired intangible assets in calculating our adjusted[1] results. Amortisation of intangible assets is non-cash, does not relate to the operational performance of the business, and is significantly affected by the timing and size of our acquisitions, which distorts the understanding of our Group and Segmental operating results. The amortisation of acquired intangible assets was £4.1 million (H1 2021: £3.7 million), primarily relating to the amortisation of the intangibles acquired as part of the recent North American acquisitions.

There were no other adjusting items in the six months to 30 June 2022 (H1 2021: nil).

Earnings per share

Diluted EPS decreased by 4.8 per cent to 67.3 pence per share (H1 2021: 70.7 pence per share). Adjusted[1] diluted EPS decreased by 4.5 per cent to 69.8 pence per share (H1 2021: 73.1 pence per share).

	H1 2022	H1 2021	Year 2021
Basic weighted average number of shares (excluding own shares held) (m)	**112.9**	113.0	113.0
Effect of dilution:			
Share options	**1.8**	2.8	2.2
Diluted weighted average number of shares	**114.7**	115.8	115.2
Profit for the year attributable to equity holders of the Parent (£m)	**77.2**	81.9	185.3
Basic earnings per share (pence)	**68.4**	72.5	164.0
Diluted earnings per share (pence)	**67.3**	70.7	160.9
Adjusted[1] profit for the period attributable to equity holders of the Parent (£m)	**80.1**	84.7	190.8
Adjusted[1] basic earnings per share (pence)	**70.9**	74.9	168.6

	H1 2022	H1 2021	Year 2021
Adjusted[1] diluted earnings per share (pence)	**69.8**	73.1	165.6

Dividend

We are pleased to announce an interim dividend of 22.1 pence per share (H1 2021: 16.9 pence per share). This is in line with our policy that the interim dividend will be approximately one third of the previous year's total dividend. The interim dividend will be paid on Friday 28 October 2022.

The dividend record date is Friday 30 September 2022, and the shares will be marked ex-dividend on Thursday 29 September 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 adjusted[1] administrative expenses.

During the period, total Central Corporate Costs increased to £11.6 million (H1 2021: £11.1 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 £4.2 million (H1 2021: £4.1 million);

- share-based payment charges associated with the Group Executive members identified above, including the Group Executive Directors, increased from £1.4 million in H1 2021 to £1.9 million in H1 2022; and

- spend on strategic corporate initiatives, which are designed to increase capability and therefore competitive position, enhance productivity or strengthen systems which underpin the Group, was £5.5 million (H1 2021: £5.6 million).

Cashflow

The Group delivered an operating cash inflow of £8.1 million for the six months to 30 June 2022 (H1 2021: £1.5 million inflow). During the period, net operating cash outflows from working capital, including inventories, trade and other receivables and trade and other payables, were £120.5 million (H1 2021: £143.7 million outflow).

Working capital cash flows continue to be affected by both the revenue growth and the increased inventory levels, in particular within our North American and German businesses. Due to the significant product shortages seen during the last 18 months, a number of hyperscale customers continue to place advance orders of product with delayed delivery, to ensure continuity of supply.

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 2021. Whilst the position has improved, as the FusionStorm entity continues to gain experience in using the system and tools and learns how to leverage their advantages, progress remains slower than desired and considerable improvement is still required. Volume challenges due to the spectacular recent growth of the business have also impacted other areas of working capital. However the Group is working through a remediation plan to improve processes, systems and resourcing levels, in order to accommodate the increasing demands of the business.

The Group had £399.3 million of inventory as at 30 June 2022, a 17.0 per cent increase on the balance as at 31 December 2021 of £341.3 million. North American inventories fell by 3.9 per cent to £204.2 million, and by 13.5 per cent in constant currency[2], as year-end positions were closed out and a significant balance of inventory present at the cutover to the Group ERP system in September 2021 was successfully shipped to customers. German inventories increased by 67.2 per cent to £147.1 million, and by 62.7 per cent in constant currency[2] as inventory built up in the Integration Center, waiting for configuration to complete before shipping to customers. We expect this German position to materially improve by the end of the year. An additional Integration Center facility has been added near to the existing facility in Kerpen, which is running at record levels of capacity and utilisation, to provide additional inventory storage space and processing capacity.

Capital expenditure in the period was £15.5 million (H1 2021: £17.5 million, FY 2021: £30.3 million), primarily

representing 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 £34.4 million (H1 2021 £20.3 million, FY 2021: £25.5 million) to satisfy maturing PSP awards and Sharesave schemes and to re-provision the EBT in advance of future maturities. During the period, the Company received savings from employees of £1.6 million to purchase options within the Sharesave schemes (H1 2021: £1.5 million, FY 2021: £6.2 million).

During the period the Group made one acquisition, Emerge, as described above, for £2.3 million, net of cash acquired.

The Group reduced loans and credit facilities during the period by £1.3 million (H1 2021: £82.9 million, FY2021: £89.0 million). We made regular repayments towards the loan related to the construction of the German headquarters in Kerpen and continued to restrict 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 30 June 2022 was £46.3 million (30 June 2021: £41.1 million, 31 December 2021: £53.7 million).

Towards the end of June 2022, the Group elected to factor an additional €26 million of trade receivables within the German business. The Group had no other debt factoring at the end of the year, outside this normal course of business.

Also in June 2022, the Group used a prearranged vendor finance facility to delay payment of c£15 million of trade payables. This balance has been paid after the period end. There were no other interest-bearing trade payables as at 30 June 2022 (30 June 2021: nil, 31 December 2021: nil).

Cash and cash equivalents and net funds/(debt)
Cash and cash equivalents as at 30 June 2022 were £193.5 million, compared to £158.5 million at 30 June 2021. Cash and cash equivalents have decreased by £79.7 million from £273.2 million as at 31 December 2021 (H1 2021: decrease of £151.3 million from £309.8 million as at 31 December 2020).

Net funds as at 30 June 2022 was £12.1 million, compared to net debt of £29.4 million as at 30 June 2021 and net funds of £95.3 million as at 31 December 2021.

Adjusted net funds[3] as at 30 June 2022 was £159.3 million, compared to adjusted net funds[3] of £121.8 million as at 30 June 2021 and adjusted net funds[3] of £241.4 million as at 31 December 2021. The Group excludes £147.2 million, as at 30 June 2022 (30 June 2021: £151.2 million), of lease liabilities from its non-GAAP adjusted net funds[3] measure, due to the distorting effect of the capitalised lease liabilities on the Group's overall liquidity position under the IFRS 16 accounting standard. Net funds as at 30 June 2022, 30 June 2021 and 31 December 2021 were as follows:

	30 June 2022 £m	**30 June 2021 £m**	**31 December 2021 £m**
Cash and short-term deposits	**199.0**	164.2	285.2
Bank overdraft	**(5.5)**	(5.7)	(12.0)
Cash and cash equivalents	**193.5**	158.5	273.2
Bank loans/Credit facility	**(34.2)**	(36.7)	(31.8)
Adjusted net funds[3] (excluding lease liabilities)	**159.3**	121.8	241.4
Lease liabilities	**(147.2)**	(151.2)	(146.1)
Net funds/(debt)	**12.1**	(29.4)	95.3

For a full reconciliation of net funds and adjusted net funds[3], see note 12 to the summary financial information included within this announcement, net funds.

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 repaid the remaining balance of £41.6 million in full during the first half of 2021 and retired the credit facility.

The Group had three other residual specific credit facilities in place during the current period and no other material borrowings.

Pivot has a substantially unutilised $100.0 million senior secured asset-based revolving credit facility, from a lending group represented by JPMorgan Chase Bank, N.A. The residual facility can be used for revolving loans, letters of credit, protective advances, over advances, and swing line loans. During the period, the Group has continued to maintain limited amounts drawn on the facility, with £11.9 million remaining drawn as at 30 June 2022 (30 June 2021: £8.3 million, 31 December 2021 £7.0 million). In addition, Pivot has £9.0 million financed with a major technology partner for hardware, software and resold technology partner maintenance contracts, which the Company has purchased as part of a contract to lease these items to a key North American customer (30 June 2021: £10.5 million, 31 December 2021: £9.4 million).

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 £12.7 million as at 30 June 2022 (30 June 2021: £17.5 million, 31 December 2021: £14.7 million).

The Group has a committed facility of £60.0 million, which expires on 7 September 2023. The Group has never drawn on this facility.

The Group's adjusted net funds[3] position contains no current asset investments as at 30 June 2022 (30 June 2021: nil, 31 December 2021: nil).

Currency
The Group reports its results in pounds sterling. The weakness in the value of sterling against most currencies during the first half of 2022, in particular the US Dollar, has begun to impact our revenues and profitability, as a result of the conversion of our foreign earnings. However, the exchange rates seen during the period, in aggregate effect, were not materially dissimilar to those seen in the first half of 2021.

Restating the first half of 2021 at 2022 exchange rates would increase H1 2021 revenue by approximately £12.6 million, whilst H1 2021 adjusted[1] profit before tax would be unchanged.

If the 30 June 2022 spot rates were to continue through the remainder of 2022, the impact of restating 2021 at 2022 exchange rates would be to increase 2021 revenue by approximately £102.7 million and 2021 adjusted[1] profit before tax by approximately £1.3 million.

The Group benefited from circa £5 million of net mark-to-market gains on forward currency contracts over the period (H1 2021: £3 million of gains). These gains are on contracts taken out to hedge currency movement on significant foreign exchange flows across the Group and are expected to reverse during the second half of the year.

Principal risks and uncertainties
The Group's activities expose it to a variety of economic, financial, operational and regulatory risks. Our principal risks continue to be concentrated in the availability and resilience of systems, our people, our cost base, technology change, and in the design, entry into service and running of large Services contracts. The principal risks and uncertainties facing the Group are set out on pages 80 to 85 of the 2021 Annual Report and Accounts, a copy of which is available on the Group's website.

The Group's risk management approach and the principal risks, potential impacts and primary mitigating activities are unchanged from those set out in the 2021 Annual Report and Accounts. Our risk management approach operated effectively in the six months to 30 June 2022, with systems and controls functioning as designed. Whilst we have not identified any new principal risks during the period, we acknowledge the heightened level of overall risk across several risk categories, due to the ongoing pandemic, the war in Ukraine, and the subsequent and other macroeconomic uncertainty and its impact on our operating environment in general, particularly in relation to our identified Strategic,
Infrastructure and Financial Risks.

This Strategic Report was approved by the Board on 8 September 2022 and signed on its behalf by:

MJ Norris
Chief Executive Officer

FA Conophy

Group Finance Director

Directors' Responsibilities

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

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK the interim management report includes a fair review of the information required by:
  a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

MJ Norris
Chief Executive Officer

FA Conophy
Group Finance Director

Consolidated Income Statement
For the six months ended 30 June 2022

	Note	H1 2022 £m	H1 2021 £m (restated)	Year 2021 £m (restated)
Revenue	5	**2,826.7**	2,425.1	5,034.5
Cost of sales		**(2,401.8)**	(1,999.8)	(4,166.7)
Gross profit		**424.9**	425.3	867.8
Administrative expenses		**(315.3)**	(305.5)	(612.0)
Impairment loss on trade receivables and contract assets		**0.5**	(1.0)	(0.6)
Operating profit		**110.1**	118.8	255.2
Finance income		**1.0**	0.2	0.3
Finance costs		**(3.3)**	(3.8)	(7.5)
Profit before tax		**107.8**	115.2	248.0
Income tax expense		**(30.0)**	(33.1)	(61.5)
Profit for the period/year		**77.8**	82.1	186.5
Attributable to:				
Equity holders of the Parent		**77.2**	81.9	185.3
Non-controlling interests		**0.6**	0.2	1.2
Profit for the period/year		**77.8**	82.1	186.5

	Note	H1 2022 £m	H1 2021 £m (restated)	Year 2021 £m (restated)
Earnings per share:				
- basic for profit for the period/year	9	**68.4p**	72.5p	164.0p
- diluted for profit for the period/year	9	**67.3p**	70.7p	160.9p

Refer note 3 for the restatement of Technology Sourcing revenue for H1 2021 and Year 2021. Gross profit, operating profit, and profit before and after taxes has remained unchanged. There was no impact on basic and diluted earnings per share.

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2022

	H1 2022 £m	H1 2021 £m	Year 2021 £m
Profit for the period/year	**77.8**	82.1	186.5
Items that may be reclassified to the Consolidated Income Statement:			
Gain/(loss) arising on cash flow hedge	**5.6**	0.2	(0.9)
Income tax effect	**(1.4)**	(0.1)	0.2
	4.2	0.1	(0.7)
Exchange differences on translation of foreign operations	**36.8**	(10.2)	(9.6)
	41.0	(10.1)	(10.3)
Items not to be reclassified to the Consolidated Income Statement:			
Remeasurement of defined benefit plan	**5.6**	-	1.2
Other comprehensive (expense)/income for the period/year, net of tax	**46.6**	(10.1)	(9.1)
Total comprehensive income for the period/year	**124.4**	72.0	177.4
Attributable to:			
Equity holders of the Parent	**123.3**	71.8	176.2
Non-controlling interests	**1.1**	0.2	1.2
Total comprehensive income for the period/year	**124.4**	72.0	177.4

Consolidated Balance Sheet
As at 30 June 2022

	Note	H1 2022 £m	H1 2021 £m	Year 2021 £m
Non-current assets				
Property, plant and equipment		**88.3**	101.2	90.0
Right-of-use assets		**138.5**	141.9	138.1
Intangible assets		**296.5**	272.8	273.7

	Note	H1 2022 £m	H1 2021 £m	Year 2021 £m
Investment in associate		**0.1**	0.1	0.1
Deferred income tax assets		**22.2**	18.9	30.2
Prepayments		**16.5**	16.6	16.6
		562.1	551.5	548.7
Current assets				
Inventories		**399.3**	254.4	341.3
Trade and other receivables		**1,368.6**	1,069.6	1,275.2
Income tax receivable		**8.5**	9.6	8.8
Prepayments		**136.2**	112.6	103.0
Accrued income		**162.0**	142.8	148.1
Derivative financial instruments	11	**15.1**	3.2	3.6
Cash and short-term deposits	12	**199.0**	164.2	285.2
		2,288.7	1,756.4	2,165.2
Total assets		**2,850.8**	2,307.9	2,713.9
Current liabilities				
Bank overdraft	12	**5.5**	5.7	12.0
Trade and other payables		**1,411.3**	1,076.7	1,410.4
Deferred income		**308.4**	224.1	249.3
Financial liabilities	12	**19.0**	15.8	15.1
Lease liabilities	12	**43.6**	44.1	43.0
Derivative financial instruments	11	**3.5**	1.6	2.5
Income tax payable		**42.7**	49.6	47.9
Provisions	13	**4.3**	3.2	3.5
		1,838.3	1,420.8	1,783.7
Non-current liabilities				
Financial liabilities	12	**15.2**	20.9	16.7
Lease liabilities	12	**103.6**	107.1	103.1
Deferred income		**8.6**	11.7	8.3
Retirement benefit obligation*	14	**17.4**	23.0	21.8
Provisions*	13	**6.5**	9.7	9.7
Deferred tax liabilities		**20.9**	23.9	25.8
		172.2	196.3	185.4
Total liabilities		**2,010.5**	1,617.1	1,969.1
Net assets		**840.3**	690.8	744.8
Capital and reserves				
Issued share capital		**9.3**	9.3	9.3
Share premium		**4.0**	4.0	4.0
Capital redemption reserve		**75.0**	75.0	75.0
Own shares held		**(141.3)**	(125.3)	(115.5)
Translation and hedging reserve		**45.9**	5.5	5.4

	Note	H1 2022 £m	H1 2021 £m	Year 2021 £m
Retained earnings		**842.0**	719.0	762.3
Shareholders' equity		**834.9**	687.5	740.5
Non-controlling interests		**5.4**	3.3	4.3
Total equity		**840.3**	690.8	744.8

*Retirement benefit obligation of £23.0 million was included as part of 'Provisions' in H1 2021. The H1 2021 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 8 September 2022.

MJ Norris	FA Conophy
Chief Executive Officer	Group Finance Director

Consolidated Statement of Changes in Equity
For the six months ended 30 June 2022

	Attributable to equity holders of the Parent								
	Issued share capital £m	Share premium £m	Capital redemption reserve £m	Own shares held £m	Translation and hedging reserves £m	Retained earnings £m	Share-holders' equity £m	Non-controlling interests £m	Total equity £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 period	-	-	-	-	-	**81.9**	**81.9**	**0.2**	**82.1**
Other comprehensive income/(expense)	-	-	-	-	**(10.2)**	-	**(10.2)**	-	**(10.2)**
Total comprehensive income/(expense)	-	-	-	-	**(10.2)**	**81.9**	**71.7**	**0.2**	**71.9**
Cost of share-based payments	-	-	-	-	-	**4.5**	**4.5**	-	**4.5**
Tax on share-based payments	-	-	-	-	-	**2.2**	**2.2**	-	**2.2**
Exercise of options	-	-	-	**6.6**	-	**(5.1)**	**1.5**	-	**1.5**
Purchase of own shares	-	-	-	**(20.2)**	-	-	**(20.2)**	-	**(20.2)**
At 30 June 2021	**9.3**	**4.0**	**75.0**	**(125.3)**	**5.5**	**719.0**	**687.5**	**3.3**	**690.8**
Profit for the period	-	-	-	-	-	**103.4**	**103.4**	**1.0**	**104.4**
Other comprehensive income/(expense)	-	-	-	-	**(0.1)**	**1.2**	**1.1**	-	**1.1**
Total comprehensive income/(expense)	-	-	-	-	**(0.1)**	**104.6**	**104.5**	**1.0**	**105.5**
Cost of share-based payments	-	-	-	-	-	**6.1**	**6.1**	-	**6.1**
Tax on share-based payments	-	-	-	-	-	**5.4**	**5.4**	-	**5.4**
Exercise of options	-	-	-	**15.1**	-	**(10.4)**	**4.7**	-	**4.7**
Purchase of own shares	-	-	-	**(5.3)**	-	-	**(5.3)**	-	**(5.3)**
Equity Dividend	-	-	-	-	-	**(62.4)**	**(62.4)**	-	**(62.4)**

	Attributable to equity holders of the Parent								
	Issued share capital £m	Share premium £m	Capital redemption reserve £m	Own shares held £m	Translation and hedging reserves £m	Retained earnings £m	Share-holders' equity £m	Non-controlling interests £m	Total equity £m
At 31 December 2021	**9.3**	**4.0**	**75.0**	**(115.5)**	**5.4**	**762.3**	**740.5**	**4.3**	**744.8**
Profit for the period	-	-	-	-	-	**77.2**	**77.2**	**0.6**	**77.8**
Other comprehensive income/(expense)	-	-	-	-	**40.5**	**5.6**	**46.1**	**0.5**	**46.6**
Total comprehensive income	-	-	-	-	**40.5**	**82.8**	**123.3**	**1.1**	**124.4**
Cost of share-based payments	-	-	-	-	-	**5.2**	**5.2**	-	**5.2**
Tax on share-based payments	-	-	-	-	-	**(1.3)**	**(1.3)**	-	**(1.3)**
Exercise of options	-	-	-	**8.6**	-	**(7.0)**	**1.6**	-	**1.6**
Purchase of own shares	-	-	-	**(34.4)**	-	-	**(34.4)**	-	**(34.4)**
At 30 June 2022	**9.3**	**4.0**	**75.0**	**(141.3)**	**45.9**	**842.0**	**834.9**	**5.4**	**840.3**

Consolidated Cash Flow Statement
For the six months ended 30 June 2022

	H1 2022 £m	H1 2021 £m	Year 2021 £m
Operating activities			
Profit before tax	**107.8**	115.2	248.0
Net finance cost	**2.3**	3.6	7.2
Depreciation of property, plant and equipment	**10.3**	12.7	24.8
Depreciation of right-of-use assets	**26.2**	26.3	50.6
Amortisation of intangible assets	**8.0**	7.0	15.3
Share-based payments	**5.2**	4.5	10.6
Loss on disposal of intangibles	-	-	0.5
Loss/(Gain) on disposal of property, plant and equipment	**0.4**	0.1	(1.3)
Net cash flow from inventories	**(33.0)**	(47.0)	(131.5)
Net cash flow from trade and other receivables (including contract assets)	**(67.6)**	(27.9)	(238.5)
Net cash flow from trade and other payables (including contract liabilities)	**(19.9)**	(68.8)	292.2
Net cash flow from provisions and employee benefits	**(1.9)**	(2.6)	(1.7)
Other adjustments	**0.1**	0.7	1.3
Cash generated from operations	**37.9**	23.8	277.5
Income taxes paid	**(29.8)**	(22.3)	(53.2)
Net cash flow from operating activities	**8.1**	1.5	224.3
Investing activities			
Interest received	**1.0**	0.2	0.3
Acquisition of subsidiaries, net of cash acquired	**(2.3)**	(1.1)	(2.5)

	H1 2022 £m	H1 2021 £m	Year 2021 £m
Purchases of property, plant and equipment	**(8.7)**	(9.6)	(18.8)
Purchases of intangible assets	**(6.8)**	(7.9)	(11.5)
Proceeds from disposal of property, plant and equipment	**1.0**	0.2	7.5
Net cash flow from investing activities	**(15.8)**	(18.2)	(25.0)
Financing activities			
Interest paid	**(0.7)**	(1.1)	(2.3)
Interest paid on lease liabilities	**(2.5)**	(2.7)	(5.2)
Dividends paid to equity shareholders of the Parent	-	-	(62.4)
Proceeds from share issues	**1.6**	1.5	6.2
Purchase of own shares	**(34.4)**	(20.3)	(25.5)
Repayment of loans and credit facility	**(5.8)**	(93.3)	(99.7)
Payment of capital element of lease liabilities	**(25.9)**	(24.6)	(50.2)
New borrowings - bank loan	**4.5**	10.4	10.7
Net cash flow from financing activities	**(63.2)**	(130.1)	(228.4)
Decrease in cash and cash equivalents	**(70.9)**	(146.8)	(29.1)
Effect of exchange rates on cash and cash equivalents	**(8.8)**	(4.5)	(7.5)
Cash and cash equivalents at the beginning of the period/year	**273.2**	309.8	309.8
Cash and cash equivalents at the end of the period/year	**193.5**	158.5	273.2

1 Corporate information

The Interim Condensed Consolidated Financial Statements (Financial Statements) of the Group for the six months ended 30 June 2022 contained in this announcement were authorised for issue in accordance with a resolution of the Directors on 8 September 2022. The Consolidated Balance Sheet was signed on behalf of the Board by MJ Norris and FA Conophy.

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

2 Basis of preparation

The Financial Statements for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the United Kingdom. They do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2021 Annual Report and Accounts which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the United Kingdom. The Financial Statements contained in this announcement are unaudited.

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

As described in note 4, in accordance with IAS 8, a retrospective restatement of the relevant prior period reported financial statements for the period to 30 June 2021 and the year to 31 December 2021 has taken place due to a change in revenue recognition policies relating to software licences and third-party services agreements resold on a standalone basis following the finalisation of an agenda decision by the IFRS Interpretation Committee (the 'Committee').

For our trading businesses which operate on our Group Enterprise Resource Planning (ERP) system we were able to quickly determine the adjustments required under the new accounting policy to restate the comparative information through readily available high quality data. For one of our North American business units, an entity operated on a legacy ERP system

following its acquisition in October 2018, prior to its migration to the Group ERP system on 1 September 2021, this has proved more difficult. The legacy ERP system used at the time was not designed to produce the analysis to identify software and resold services product sales that are now recognised on an agent basis to the degree of precision required. Further, data migration issues have been identified that also impact this analysis post-migration and during the first six months of 2022.

Significant data interrogation has been performed by the Group to produce the adjustment for this business unit both for the 8 month time period concerned, in 2021, where it continued to operate on the legacy system, and subsequently where it now operates on our Group ERP system.

The detailed work to date has produced the comparative adjustment required for this business unit which forms part of the overall Group, and North American Segment, restatement, and for the impact on the current period revenue and cost of goods sold.

For the comparative period to 30 June 2021, the business unit recorded £414.7 million of gross invoiced income with an estimated netting adjustment to revenue and cost of sales of £122.7 million and therefore revenue of £292.0 million compared to Group gross invoiced income of £3,287.6 million, an adjustment of £862.5 million and revenue of £2,425.1 million.

For the year to 31 December 2021, the business unit recorded £917.3 million of gross invoiced income with an estimated netting adjustment to revenue and cost of sales of £294.9 million and therefore revenue of £622.4 million compared to Group gross invoiced income of £6,923.5 million, an adjustment of £1,889.0 million and revenue of £5,034.5 million.

For the current period to 30 June 2022, the business unit recorded £756.3 million of gross invoiced income with an estimated netting adjustment to revenue and cost of sales of £169.3 million and therefore revenue of £587.0 million compared to Group gross invoiced income of £3,971.9 million, an adjustment of £1,145.2 million and revenue of £2,826.7 million.

We continue to cleanse and address residual data migration issues, and consider that any differences that may be identified as a result of this, will be immaterial. The issues identified affect only the quantification of revenue and cost of goods sold, by equal amounts, for this impacted business unit. Gross profit, operating profit, profit before and after taxes, and cash, are not changed by the new accounting policy.

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 was approved by the Board. The first year of the Plan is subject to reforecasting during the year, the most recent of which occurred during July 2022. This reforecast of the first year of the Plan has been updated into the Plan alongside a revision of cashflow assumptions for the year and a review of the second and third years of the Plan. 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, as set out on pages 80 to 85 of the of the 2021 Annual Report and Accounts, is then applied to the Plan. This assessment includes only those risks and uncertainties that, individually or in plausible combination, would threaten the Group's business model, future performance, solvency or liquidity over the assessment period and which are considered to be severe but reasonable scenarios. It also takes into account an assessment of how the risks are managed and the effectiveness of any mitigating actions.

For the current period, the primary downside sensitivity relates to a modelled, but not predicted, severe downturn in Group revenues, beginning in the second half of 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 as a result of the emerging negative global macroeconomic environment. A further impact on the Group's Technology Sourcing revenues through the second half of 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 Group. At 30 June 2022, the Group had cash and cash equivalents of £193.5 million and bank loans and credit facility, primarily related to the recent North American acquisitions and the headquarters in Germany, of £34.2 million. 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 is currently engaged in discussions for a revised committed facility arrangement to replace the current agreement.

The Group has a resilient balance sheet position, with net assets of £840.3 million as at 30 June 2022. The Group made a profit after tax of £77.8 million and delivered net cash flows from operating activities of £8.1 million, for the period ended 30 June 2022. As the analysis continues to show a strong forecast cash position, even under the severe economic conditions modelled in the sensitivity scenarios, the Directors continue to consider that the Group is well placed to manage business and financial risks in the current economic environment. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of not less than 12 months from the date of signing the Financial Statements and therefore have prepared the Financial Statements on a going concern basis.

3 Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year as disclosed in the Computacenter plc 2021 Annual Report and Accounts except for the change in revenue recognition policies relating to software licences and third-party services agreements resold on a standalone basis following the finalisation of an agenda decision by the IFRS Interpretation Committee (the 'Committee').

Following its meeting that concluded on 1 December 2021, 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 an entity 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 standalone software and have an impact on those valued added resellers within the industry. Computacenter plc included a preliminary assessment of the impact of the tentative agenda decision within Note 3.2.1 of the 2021 Annual Report and Accounts.

At its 20 April 2022 meeting, the Committee finalised and approved its agenda decision. The International Accounting Standards Board, at its May 2022 meeting, did not object to the agenda decision.
The discussion and guidance within the approved agenda decision provides direction for the implementation of the principal or agent elements of IFRS 15 Revenue from Contracts with Customers for value added resellers where standard standalone software and implicitly, due to the similarity in the transactional fact pattern, resold services such as maintenance contracts, extended warranties or support contracts, that are sourced from a third party vendor and resold to a customer. As noted in our 2021 Annual Report and Accounts the approved agenda decision has impacted our existing treatment for the principal or agent recognition of these revenue streams, and whether they are recorded on a gross or net basis within revenue. Previously such sales were recognised on a principal or gross basis, apart from in certain limited instances as described in Note 3.2.1 of the 2021 Annual Report and Accounts, with gross invoiced income reported as revenue, and costs of the resold software or services presented as part of cost of goods sold.

The Group has now completed its assessment of the impacts of the agenda decision and revised its accounting policies accordingly. Standalone revenue from standard software sales is now recognised on an Agency or 'net' basis where the margin earned on the contract is 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, or where the software is included alongside hardware elements within a pre-configured bundle from the vendor and resold within the pre-set bundle, continue to be recognised on a principal basis. Similarly, the Group has determined that third-party services agreements resold on a standalone basis are also recognised on an agent basis due to the similar fact pattern of the transaction to that of software sales unless these are also included alongside hardware elements within a pre-configured bundle from the vendor and resold within the pre-set bundle.

Management continues to assess the classification of other revenue contracts for Technology Sourcing revenue recognition on either an agent or a principal basis. Because the identification of the principal in a contract is, on occasion, not always clear and the level of judgement required can, in small number of instances, be high with the outcomes of assessments finely balanced, Management makes a determination by evaluating the nature of our promise to our customer as to whether

it is a performance obligation to provide the specified goods or services ourselves, in that we are the principal, or to arrange for those goods or services to be provided by the other party, where we are the agent.

We determine whether we are a principal or an agent for each specified good or service promised to the customer by evaluating the nature of our promise to the customer against a non-exhaustive list of indicators that a performance obligation could involve an agency relationship:

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

Resultingly, the Group continues to report all hardware elements of its Technology Sourcing business, along with its internally provided Managed Services and Professional Services revenues, on a principal basis.

The Group will continue to report Technology Sourcing Gross Invoiced Income and aggregated with our Services revenues as Total Group Gross Invoiced Income as an Alternative Performance Measure.

The changes in the Group's revenue accounting policies to reflect the agenda decision of the Committee have resulted in the following impact on the current period Financial Statements and, in accordance with IAS8, a retrospective restatement of the relevant prior period reported financial statements:

Revenue and cost of sales decreased by the value of revenue assessed as being recognised on an agency basis by £1,142.8 million in H1 2022 (H1 2021: £862.5 million; FY 2021: £1,889.0 million).
Gross profit, operating profit, and profit before and after taxes has remained unchanged in all periods. As a result, there is no impact on basic and diluted earnings per share.

	Previous Accounting Policy			**Revised Accounting Policy**		
	Gross Invoiced Income £m	**Principal element on agency contracts £m**	**Revenue £m**	**Gross Invoiced Income £m**	**Principal element on agency contracts £m**	**Revenue £m**
Six months to 30 June 2021	**3,287.6**	**107.6**	**3,180.0**	**3,287.6**	**862.5**	**2,425.1**
Year to 31 December 2021	**6,923.5**	**197.7**	**6,725.8**	**6,923.5**	**1,889.0**	**5,034.5**

Apart from changes discussed above, the Critical accounting estimates and judgements reported in the Group's 2021 Annual Report and Accounts are unchanged.

4 Adjusted measures

The Group uses a number of non-Generally Accepted Accounting Practice (non-GAAP) financial measures in addition to those reported in accordance with IFRS. The Directors believe that these non-GAAP measures, listed below, assist in providing additional useful information on the underlying trends, performance and position of the Group. The non-GAAP measures also used to enhance the comparability of information between reporting periods by adjusting for 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. Adjusted measures have remained consistent with the prior period except for the addition of gross invoiced income, as an alternative performance measure, due to the change in Technology Sourcing revenue accounting policy for principal versus agent recognition. Refer to note 3 for further information on the change in accounting policy.

Gross invoiced income is based on the value of invoices raised to customers, net of the impact of credit notes and excluding VAT and other sales taxes. This reflects the cash movements from revenue, to assist Management and the users of the Financial Statements 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 Cash Flow 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.

These non-GAAP measures comprise of:
Gross invoiced income, 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. They 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 key adjusted measures is provided within the Group Finance Director 's Review contained in this announcement 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 5, Segment information.

5 Segment information

The operating Segments remain unchanged from those reported at 31 December 2021. Central Corporate Costs continue to be disclosed as a separate column within the Segmental note.

Segmental performance for the periods to H1 2022, H1 2021 and Full Year 2021 were as follows:

Six months ended 30 June 2022

	UK £m	Germany £m	France £m	North America £m	International £m	Central Corporate Costs £m	Total £m
Revenue							
Technology Sourcing revenue							
Gross invoiced income	**937.8**	**668.1**	**255.6**	**1,277.9**	**80.0**	-	**3,219.4**
Principal element on agency contracts	**(515.9)**	**(204.0)**	**(72.5)**	**(339.5)**	**(13.3)**	-	**(1,145.2)**
Total Technology Sourcing revenue	**421.9**	**464.1**	**183.1**	**938.4**	**66.7**	-	**2,074.2**
Services revenue							
Professional Services	**72.5**	**149.0**	**19.1**	**53.1**	**4.7**	-	**298.4**
Managed Services	**159.4**	**179.0**	**66.4**	**13.2**	**36.1**	-	**454.1**
Total Services revenue	**231.9**	**328.0**	**85.5**	**66.3**	**40.8**	-	**752.5**
Total revenue	**653.8**	**792.1**	**268.6**	**1,004.7**	**107.5**	-	**2,826.7**
Results							
Gross profit	**130.3**	**140.0**	**32.1**	**101.4**	**21.1**	-	**424.9**
Adjusted[1] administrative expenses	**(85.3)**	**(84.6)**	**(31.6)**	**(81.1)**	**(16.5)**	**(11.6)**	**(310.7)**
Adjusted[1] operating profit/(loss)	**45.0**	**55.4**	**0.5**	**20.3**	**4.6**	**(11.6)**	**114.2**
Net interest	**1.2**	**(1.2)**	**(0.3)**	**(1.5)**	**(0.5)**	-	**(2.3)**
Adjusted[1] profit/(loss) before tax	**46.2**	**54.2**	**0.2**	**18.8**	**4.1**	**(11.6)**	**111.9**
Amortisation of acquired intangibles	-	-	-	-	-	-	**(4.1)**
Profit before tax	-	-	-	-	-	-	**107.8**

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

	Total £m
Adjusted[1] operating profit	**114.2**
Amortisation of acquired intangibles	**(4.1)**
Operating profit	**110.1**

Six months ended 30 June 2021

	UK £m	Germany £m	France £m	North America £m	International £m	Central Corporate Costs £m	Total £m
Revenue (restated*)							
Technology Sourcing revenue							
Gross invoiced income	799.3	618.7	226.7	883.2	53.6	-	**2,581.5**
Principal element on agency contracts	(328.1)	(188.3)	(42.7)	(290.3)	(13.1)	-	**(862.5)**
Total Technology Sourcing revenue	471.2	430.4	184.0	592.9	40.5	-	**1,719.0**
Services revenue							
Professional Services	75.0	135.6	20.5	30.5	4.0	-	**265.6**
Managed Services	157.2	175.4	65.9	8.7	33.3	-	**440.5**
Total Services revenue	232.2	311.0	86.4	39.2	37.3	-	**706.1**
Total revenue	703.4	741.4	270.4	632.1	77.8	-	**2,425.1**
Results							
Gross profit	133.1	147.5	32.8	94.3	17.6	-	**425.3**
Adjusted[1] administrative expenses	(81.4)	(86.4)	(34.8)	(75.6)	(13.5)	(11.1)	**(302.8)**
Adjusted[1] operating profit/(loss)	51.7	61.1	(2.0)	18.7	4.1	(11.1)	**122.5**
Net interest	(0.3)	(1.2)	(0.3)	(1.2)	(0.6)	-	**(3.6)**
Adjusted[1] profit/(loss) before tax	51.4	59.9	(2.3)	17.5	3.5	(11.1)	**118.9**
Amortisation of acquired intangibles							**(3.7)**
Profit before tax							**115.2**

* Technology Sourcing revenue for the six months ended 30 June 2021 has been restated to reflect the change in revenue recognition policies relating to software licences and third-party services agreements resold on a standalone basis following the finalisation of an agenda decision by the IFRS Interpretation Committee (the 'Committee'). Gross profit, operating profit, and profit before and after taxes has remained unchanged. Refer note 3.

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

Six months ended 30 June 2021

	Total £m
Adjusted[1] operating profit	**122.5**
Amortisation of acquired intangibles	**(3.7)**
Operating profit	**118.8**

Year ended 31 December 2021

	UK £m	Germany £m	France £m	North America £m	International £m	Central Corporate Costs £m	Total £m
Revenue (restated*)							
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	**(638.3)**	**(485.1)**	**(98.2)**	**(642.9)**	**(24.5)**	**-**	**(1,889.0)**
Total Technology Sourcing revenue	**943.2**	**942.6**	**383.2**	**1,226.3**	**88.3**	**-**	**3,583.6**
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	**1,425.4**	**1,565.0**	**555.2**	**1,322.4**	**166.5**	**-**	**5,034.5**
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**

* Technology Sourcing revenue for the year ended 31 December 2021 has been restated to reflect the change in revenue recognition policies relating to software licences and third-party services agreements resold on a standalone basis following the finalisation of an agenda decision by the IFRS Interpretation Committee (the 'Committee'). Gross profit, operating profit, and profit before and after taxes has remained unchanged. Refer note 3.

The reconciliation of 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**
Amortisation of acquired intangibles	**(7.6)**
Operating profit	**255.2**

6 Seasonality of operations

Historically, revenues have been higher in the second half of the year than in the first six months. This is principally driven by customer buying behaviour in the markets in which we operate. Typically, this leads to a more pronounced effect on operating profit.

The Company saw the historical patterns of seasonality change due to the unpredictability created first by the impact of COVID-19, beginning in 2020, and then the more recent impact of supply shortages. Certain customers pulled orders of information technology equipment forward into the first half of 2021 that would otherwise have naturally occurred in the second half of 2021. Both of these events have materially impacted customer buying behaviours impacting the timing of sales volumes between the first and second halves of the year for 2020 and 2021 and therefore our historical seasonality of

operations patterns.

During 2022 we have seen these unusual buying patterns reversing and the re-emergence of seasonality that is closer to our historical norms. Whilst still somewhat affected by supply shortages in networking IT equipment, we expect customer buying to be more weighted towards the second half of the year leading, once again, to a more pronounced effect on operating profit in the second half which we expect to have a higher proportion of the full year operating profit than we have seen in the previous two years.

7 Dividends paid and proposed

A final dividend for 2021 of 49.4 pence per ordinary share was paid on 8 July 2022. An interim dividend in respect of 2022 of 22.1 pence per ordinary share, amounting to a total dividend of £25.2 million, was declared by the Directors at their meeting on 7 September 2022. The expected payment date of the dividend declared is 28 October 2022. This announcement does not reflect this dividend payable.

8 Income tax

Tax for the six-month period is charged at 27.8 per cent (six months ended 30 June 2021: 28.7 per cent; year ended 31 December 2021: 24.8 per cent), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six-month period.

9 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.

	H1 2022 £m	H1 2021 £m	Year 2021 £m
Profit attributable to equity holders of the Parent	**77.2**	81.9	185.3

	H1 2022 No. '000	H1 2021 No. '000	Year 2021 No. '000
Basic weighted average number of shares (excluding own shares held)	**112.9**	113.0	113.0
Effect of dilution:			
Share options	**1.8**	2.8	2.2
Diluted weighted average number of shares	**114.7**	115.8	115.2

	H1 2022 pence	H1 2021 pence	Year 2021 pence
Basic earnings per share	**68.4**	72.5	164.0
Diluted earnings per share	**67.3**	70.7	160.9

10 Investments

On 25th May 2022, the Group acquired 100 per cent of the share capital in Emerge 360 Japan k.k (Emerge Japan) from Emerge 360, Inc., for a consideration of USD $3.5 million cash. Emerge Japan is an IT Outsourcing Services provider based in Tokyo, Japan. The business has presence in Japan, Singapore, Australia and Hong Kong. The acquisition has been accounted for using the purchase method of accounting.

11 Fair value measurements recognised in the consolidated Balance Sheet

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

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

At 30 June 2022 the Group had forward currency contracts, which were measured at Level 2 fair value subsequent to initial recognition, to the value of an asset of £15.1 million and a liability of £3.5 million (30 June 2021: asset of £3.2 million and liability of £1.6 million; 31 December 2021: asset of £3.6 million and liability of £2.5 million). The net realised losses from forward currency contracts, designated as cashflow hedges, in the period to 30 June 2022 of £0.5 million (30 June 2021: gains of £0.4 million; 31 December 2021: gains of £0.4 million) are offset by broadly equivalent realised losses/gains on the related underlying transactions.

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

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

12 Net funds

	H1 2022 £m	**H1 2021 £m**	**Year 2021 £m**
Cash and short-term deposits	**199.0**	164.2	285.2
Bank overdrafts	**(5.5)**	(5.7)	(12.0)
Cash and cash equivalents	**193.5**	158.5	273.2
Bank loans and credit facility	**(34.2)**	(36.7)	(31.8)
Adjusted net funds[3] (excluding lease liabilities)	**159.3**	121.8	241.4
Lease liabilities	**(147.2)**	(151.2)	(146.1)
Net funds	**12.1**	(29.4)	95.3
Bank loans /Credit facility	**(19.0)**	(15.8)	(15.1)
Lease liability	**(43.6)**	(44.1)	(43.0)
Financial liabilities - Current	**(62.6)**	(59.9)	(58.1)
Bank loans	**(15.2)**	(20.9)	(16.7)
Lease liability	**(103.6)**	(107.1)	(103.1)
Financial liabilities - Non-current	**(118.8)**	(128.0)	(119.8)

13 Provisions

	Customer contract provisions £m	**Property provisions £m**	**Other provisions £m**	**Total provisions £m**

At 1 January 2022	5.9	5.6	1.7	13.2
Amount unused reversed	(1.6)	-	(0.6)	(2.2)
Arising during the period	1.0	-	-	1.0
Utilisation	(0.5)	(0.6)	(0.2)	(1.3)
Exchange adjustment	0.1	-	-	0.1
At 30 June 2022	**4.9**	**5.0**	**0.9**	**10.8**
Current	**2.6**	**1.0**	**0.7**	**4.3**
Non-current	**2.3**	**4.0**	**0.2**	**6.5**
	4.9	**5.0**	**0.9**	**10.8**

Customer contract provision
During the period £0.5 million of customer contract provisions had been utilised in line with individual contract forecasts.

14 Retirement benefit obligation
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. 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. The Group continues to make a provision for this obligation according to IAS19 (revised).

The actuarial assumptions applied for the estimation of the retirement benefit obligation are disclosed in the annual financial statements for the year ended 31 December 2021 and continue to be applied in H1 2022, except for the discount rate applied to future cash flows which is discussed below.

Against the backdrop of high global inflation and rising interest rates which resulted in a significant increase in AA-rated corporate bonds yields, Management has revised the discount rate assumption to 3.2 per cent (31 December 2021: 1.0 per cent). This change has resulted in an unrealised actuarial gain of £5.6 million which has been recognised in the Consolidated Statement of Comprehensive Income for the period ended 30 June 2022. The level of unrealised actuarial gains or losses is sensitive to further changes in the discount rate, which is affected by market conditions and therefore subject to variation.

An updated estimation of the retirement benefit obligation for IAS 19 financial reporting purposes will be completed for the annual financial statements for the year ending 31 December 2022, making use of an independent actuarial valuation. At that time any actuarial gains/losses arising throughout the year will be recognised, including those arising from a change in all key assumptions applied for the estimation.

The Group made £0.3 million of payments during H1 2022 under this obligation (H1 2021: £nil).

The net retirement benefit charge to the Consolidated Income Statement for H1 2022 of £0.8 million (H1 2021: £0.8 million) represents the relevant proportion of the annual amounts expected to be recognised for the year ending 31 December 2022.

15 Post balance sheet event
Acquisition of Business IT Source Holdings, Inc.
On 13 July 2022 the Group announced that it acquired one of the fastest-growing value-added resellers in the United States of America, Business IT Source Holdings, Inc. ("BITS") for an initial cash consideration of approximately USD 35.1 million effective from 1 July 2022. Two further earn-out payments in April 2023 and April 2024 are contingent on the future performance of the acquired business through to 31 December 2023. The value of these contingent payments will be determined in accordance with the share purchase agreement.

16 Publication of non-statutory accounts
The financial information contained in this announcement does not constitute statutory accounts as defined in section 435 of the Companies Act 2006.

The comparative figures for the financial year ended 31 December 2021 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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