Computacenter - Final Results 2022

March 31, 2023

RNS Number : 8609U
Computacenter PLC
31 March 2023

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

Computacenter plc

Final results for the year ended 31 December 2022

Computacenter plc (**"Computacenter"** or the "**Group**"), a leading independent technology partner trusted by large corporate and public sector organisations, today announces unaudited results for the year ended 31 December 2022.

Financial highlights	**2022**	**2021 (restated)**	**Percentage Change Increase / (Decrease)**
<u>Financial Performance</u>			
Technology Sourcing gross invoiced income (*£ million*)	**7,481.6**	5,472.6	36.7
Services revenue (*£ million*)	**1,570.6**	1,450.9	8.3
Gross invoiced income (*£ million*)	**9,052.2**	6,923.5	30.7
Technology Sourcing revenue (*£ million*)	**4,899.9**	3,583.6	36.7
Services revenue (*£ million*)	**1,570.6**	1,450.9	8.3
Revenue (*£ million*)	**6,470.5**	5,034.5	28.5
Adjusted[1] profit before tax (*£ million*)	**263.7**	255.6	3.2
Adjusted[1] diluted earnings per share (*pence*)	**169.7**	165.6	2.5
Dividend per share (*pence*)	**67.9**	66.3	2.4
Profit before tax (*£ million*)	**249.0**	248.0	0.4
Diluted earnings per share (*pence*)	**159.1**	160.9	(1.1)
<u>Cash Position</u>			
Cash and cash equivalents (*£ million*)	**264.4**	273.2	
Adjusted net funds[3] (*£ million*)	**244.3**	241.4	

Net funds (*£ million*)	**117.2**	95.3
Net cash inflow from operating activities *(£ million*)	**242.1**	224.3

Reconciliation to Adjusted[1] Measures

Adjusted[1] profit before tax (*£ million*)	**263.7**	255.6
Exceptional and other adjusting items:		
Amortisation of acquired intangibles (*£ million*)	**(10.9)**	(7.6)
Unwinding of discount relating to acquisition of a subsidiary (*£ million*)	**(2.0)**	-
Costs relating to acquisition of a subsidiary (*£ million*)	**(1.8)**	-
Profit before tax (*£ million*)	**249.0**	248.0

The comparative information is restated on account of a change in accounting policy for Technology Sourcing revenue and cost of sales, see note 3.

Operational highlights:

- Eighteenth consecutive year of adjusted[1] earnings per share growth.
- Customer accounts with gross profit of over £1 million per annum increased by 10.7 per cent, showing our ability to retain and develop long-term customer relationships.
- Services revenue increased by 8.3 per cent, demonstrating our development of customer value.
- Continued significant programme of investments to underpin our long-term resilience, competitiveness and growth.
- North American Segment continued to progress and increased its gross profit by over 18 per cent in constant currency[2], in line with our plans and illustrating the long-term opportunity.
- India offshore headcount grew to 1,100, a key source of skills and competitive advantage in the years ahead.
- Achieved carbon neutral status for Scope 1 and 2 emissions in 2022, making us one of the first companies in our industry to reach this milestone.
- Over 20,000 people employed at the end of 2022, highlighting the remarkable scale of our skills and resources globally.

Mike Norris, Chief Executive of Computacenter plc, commented:

At Computacenter, we are pleased to have shown adjusted[1] earnings per share growth in 2022 over the previous year considering the challenging headwind from the unravelling of temporary Covid-related cost base reduction benefits. In 2023, we do not have anywhere near the same challenge as we have faced in 2022. By the end of the first half of 2022, almost all of the Covid benefits had disappeared from the business. Demand from most of our largest customers remains solid, particularly for IT infrastructure on which their businesses rely. We have seen top-line revenue extremely buoyant so far this year and expect this trend to continue. Our challenges for the coming year include, to a small extent, Technology Sourcing margins, due to the fact it is the largest customers, which are dilutive to margins, that are spending most, and, more significantly, Services margins due to price pressure in the market and salary inflation. Supply constraints have eased materially and while some will always remain, we are now operating at close to normal market conditions. Aligned with this, our inventory levels started to fall at the start of the fourth quarter of last year and we expect further reduction this year, which will continue to decrease the working capital required in the business. As previously communicated Computacenter is currently going through a significant internal IT investment phase which we expect to last for a further two or three years. While this has put pressure on our profitability in the short term, we believe it is the right thing to do so as we can take advantage of the long-term growth opportunities in the market and enhance our competitive position to take market share. We remain positive about the outlook in the short, medium, and long term. While there are plenty of challenges due to the macroeconomic environment, we continue to expect 2023 to be a year of progress.

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-year revenues down from £6,725.8 million as reported at 31 December 2021 to £5,034.5 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 profit 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. This change has been applied from 2022 and, retrospectively, we have restated our prior-year 2021 revenues. The equivalent adjustment is not available for years prior to 2021 as it is not practicable to calculate. 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 within this announcement.

The result for the year benefited from £187.8 million of revenue (2021: £1.3 million), and £5.4 million of adjusted[1] profit before tax (2021: £0.4 million), resulting from all acquisitions made since 1 January 2021. All figures reported throughout this announcement include the results of these acquired entities. The results of these acquisitions are excluded where narrative discussion refers to 'organic' growth in 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 in the Group Finance Director's review, 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 within 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-year local currency financial results using the current year average exchange rates and comparing these recalculated amounts to our current year results or by presenting the results in the equivalent local currency amounts. Wherever the performance of the Group, or its overseas Segments, are presented in constant currency, or equivalent local currency amounts, the equivalent prior-year measure is also presented in the reported pound sterling equivalent, using the exchange rates prevailing at the time. 2022 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 9 to the summary financial information within 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 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 Balance Sheet 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 4 to the summary financial information within 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 Group's 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.

Chair's statement

During 2022, we announced one particularly significant piece of news - the planned retirement of our long-term Group Finance Director, Tony Conophy. Tony has been instrumental in establishing Computacenter as a successful listed company. His passion, commitment and expertise have made a lasting contribution to Computacenter's performance and culture. We thank him for his incredible service and wish him a long and happy retirement when he leaves the business early in the second half of 2023.

2022 was another year of good progress for Computacenter. This was achieved without the additional Covid-related volume and associated cost reductions that we saw in 2021 and, in the context of unpredictable economic conditions in our major markets, this made the performance of our team even more commendable.

Rising interest rates, rising inflation and significant supply chain shortages have placed the emphasis on strong, pragmatic execution to deliver our results. We are particularly pleased with the performance of our business in Germany and the continued progress of our enlarged United States presence.

Financial performance and dividend

Revenue for the full year increased by 28.5 per cent to £6,470.5 million (2021: £5,034.5 million). Gross invoiced income grew by 30.7 per cent to £9,052.2 million (2021: £6,923.5 million). The Group generated adjusted[1] profit before tax of £263.7 million (2021: £255.6 million), and adjusted[1] diluted EPS of 169.7 pence (2021: 165.6 pence). On a reported basis, the Group saw profit before tax of £249.0 million (2021: £248.0 million) and diluted EPS of 159.1 pence (2021: 160.9 pence).

We are proposing a final dividend of 45.8 pence per share. If approved by shareholders at Computacenter's 2023 Annual General Meeting, this will bring the full-year dividend for 2022 to 67.9 pence per share. This represents an increase of 2.4 per cent over that paid for 2021, and remains in line with our stated long-term dividend policy of paying a dividend that is covered between 2.0 and 2.5 times by adjusted[1] diluted EPS.

The Group's cash position finished strongly at the end of the year, with adjusted net funds[3] of £244.3 million as at 31 December 2022 (2021: £241.4 million). The Board continues to review our approach to capital allocation, so that it ensures balance sheet efficiency and appropriate returns for shareholders. Our use of cash continues to prioritise organic growth, the development of our business, and merger and acquisitions activity which aligns with our strategy, such as the acquisition of Business IT Source in the United States. Where available opportunities to invest in this way are limited, the Board will consider returning value to shareholders.

The Board in 2022

During 2022, there was one change to the Board, as Rene Haas decided to step down. We thank him for his commitment and contribution during his tenure.

We announced as his successor René Carayol, who brings a wealth of relevant experience and will be a valuable addition to

our team.

As previously mentioned, we also announced the planned retirement of Tony Conophy, during 2023, as Group Finance Director. We followed a robust process to identify his successor, assisted by an external search firm. This produced an impressive and diverse list of internal and external candidates, and we were delighted to announce that Christian Jehle will be appointed as Chief Financial Officer (CFO) when he joins the Company in June 2023.

Following René's appointment, half of the Board (excluding the Chair) remain as Independent Non-Executive Directors. We have just over 33 per cent female representation on the Board. New Listing Rules have now been introduced relating to Board diversity, which will be effective for our reporting in 2023. The Nominations Committee will consider these as part of its Board succession planning discussions during the year.

Environmental, Social and Governance

The Board has continued its focus on sustainability, diversity and inclusion, and ensuring our governance practices evolve. These subjects are regarded as very important by both the Board and the people across Computacenter. Our approach to Environmental, Social and Governance (ESG) matters reflects our Winning Together Values and supports the achievement of Our Purpose, in helping our customers change the world.

In terms of concrete commitments and results, we were carbon neutral in 2022 for Scope 1 and 2 emissions, which include all our direct emissions, such as our facilities, and some of our indirect emissions, such as electricity purchased. We remain committed to our target to be Net Zero for Scope 1, 2 and 3 by 2040. Scope 3 emissions include all other indirect emissions, including our business travel and transportation, as well as those from sources that we do not own or directly control, including our supply chain.

The year ahead

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

The impact of the global Covid pandemic now appears to be broadly under control and should not impact our business in 2023.

The fundamental demand drivers for our business continue to look strong as we enter 2023. We do recognise, however, that the prevailing economic conditions in our main markets mean that we will need to continue to execute strongly, as corporate and public sector organisations focus on controlling costs. However, they continue to invest in their digital transformations and this, alongside the confidence we have in our people and investments, makes us believe that 2023 will be another year of continued progress.

Peter Ryan
Chair
30 March 2023

Chief Executive's strategic review

Following a very strong fourth quarter, 2022 has proven to be a good year for Computacenter. The Group achieved an 18th consecutive year of adjusted[1] diluted earnings per share growth. Whilst the in-year performance was helped by the currency impact of a strong US dollar, and a small acquisition in the United States in the second half of the year, this assistance was far outweighed by significant headwinds faced by the business, as the Group and its stakeholders started to move towards business as usual and away from practices adopted to reflect Covid-related restrictions.

The headwinds faced were as a result of two main factors, which were both Covid-related. During the pandemic, Computacenter experienced high availability and high utilisation of our Services personnel, creating unsustainably high Services margins. By the fourth quarter of 2022, Services margins were broadly in line with pre-Covid levels. However, the ongoing impact of inflation, which looks set to continue in the short term within a number of our core countries, and particularly in Europe, will make it challenging to maintain these at their current level through this year. Additionally, we saw costs return which had declined during the pandemic, such as those related to travel. Given these factors, we are satisfied with the performance in 2022, which represented continued progress after two outstanding years in 2020 and 2021.

We continue to operate in accordance with our values, and therefore remain focused on our long-term success. In 2023, we will embark on incremental investment in two areas which have already seen sustained and consistent investment by the Group. Staying ahead of the increasingly challenging cyber security threat landscape remains a key focus. We will continue and step up our investment in the scaling and sophistication of our global security capabilities to protect our customers, systems and services. The Group also has an ambitious investment programme to enhance our competitive position and sustain our long-term performance. We have started a programme of significant IT upgrades and enhancements to our customer-facing systems, our core processes, and our sales enablement. Whilst the programme started in the middle of 2022, this investment will be made over a multi-year period and should help to provide a platform for future growth. We

also continue to invest to spread our business geographically, increase our productivity and broaden the range and quality of offering we deliver for our customers.

Whilst we place our customers at the heart of everything we do, Computacenter is a people business. We are a highly commercial, performance-driven company. A hallmark of our progress over the last 40 years has been our ability to deal with the unexpected, and to turn challenge into opportunity. You cannot do this without great people. I take this opportunity to thank them, not just for their continued hard work in 2022, but for the way that they dealt with all the challenges that Covid-19 brought, and especially the way in which they continued to deliver for our customers during that time.

The Group continues to invest in growing its employee base, particularly in technical skills, and our attrition rate remains comparatively low within our sector. Across the Group, Computacenter recruited approximately 4,500 new people in 2022, bringing our total number of employees at the end of the year to just over 20,000. A particular focus in this area has been growing our offshore operations in India where, encouragingly, we have found significant availability of high-end skills to meet our customers' demands around Services delivery. At the end of 2022, the number of our employees in India had grown to over 1,100 people.

Indeed, across Managed Services, regardless of geographical location, size or type of business, our customers continue to demand innovation that reduces their cost base and enhances the experience of their users. We remain convinced that this challenge must be addressed through the development and increasing sophistication of our systems and automation, and also through offshoring.

We have also seen demand for technology from large corporate and public sector organisations remain buoyant. This has delivered significant growth in our Technology Sourcing business. Whilst margins remain robust in all other geographies, the outstanding growth in volumes with a certain North American hyperscaler, at lower-than-average Group margins, has lowered the North American, and Group, Technology Sourcing margin rates overall. The IT industry supply chain shortages experienced in 2021 continued through the first three quarters of the year, impacting the Group's levels of inventory, use of working capital, and cash position. Whilst significant delays remain with networking products, the shortages eased materially as the year has unfolded. The amount of inventory that we are carrying for our customers remains significant but has started to reduce as supply becomes more plentiful.

This issue has meant that we have not generated the level of cash we have come to expect. However, the improvement made in the last three months of the year is clear evidence that we are now trending in the right direction again, and we are expecting a significant strengthening of our balance sheet in the months ahead.

You will find as you read about our Financial and Operating Performance that this varied somewhat across our core countries. Our German business had another year of excellent growth, and remains the most profitable in the Group, with a particularly successful Professional Services business. The UK business had a challenging year, which was slightly disappointing, albeit understandable given that it had benefited most from pandemic-related business practices, when compared with the rest of the Group. UK Government spend was particularly low during 2022. In France, performance was again held back by the integration of our acquisition made in late 2020. However, the performance of our traditional core business was encouraging, and we hope to see continued improvement there in 2023. Our Belgian business had another successful year, and we continued to make progress in the Netherlands. Our Swiss business had a difficult 12 months.

Our North American business continued to make significant progress in 2022, building on that in recent years. We continue to focus on organic growth and integrating the acquisitions we have made. We will continue to look for further opportunities to grow and, in the event that we identify acquisition targets which are strategically and culturally aligned to our business, we will consider these.

As many of you will already know, during the year we undertook a search to replace Tony Conophy, our long-term Group Finance Director, who will be retiring in 2023. This search has now completed successfully, and I am pleased that Christian Jehle will join the Company in June 2023 as Chief Financial Officer. Let me take this opportunity to thank Tony for his commitment to Computacenter, and his unwavering support for me personally, over the past 28 years. We wish him all the very best for his upcoming retirement.

We have made a number of other executive management changes throughout 2022 and into the early part of 2023. These include new country leadership in North America, France and the United Kingdom, as we strengthen our team to maximise our ability to capitalise on the investments we are making in our customer service offerings.

At Computacenter, we are fortunate to have a customer base which includes some of the most highly regarded corporate and public sector organisations in the world. We thank them for their faith in our Group. Our Purpose is helping our customers to change the world. We look forward to the rest of 2023 with confidence that our culture, people and investments will enable us to do so.

Mike Norris
Chief Executive Officer

30 March 2023

Our Performance in 2022

Group

Financial performance

Our business model is built on the three primary service lines of Technology Sourcing, Professional Services and Managed Services, and reinforces our position as having the largest services business of any value-added reseller, as well as the largest value-added reseller capability of any services business worldwide. Executing this business model supports Our Purpose of helping our customers change the world.

Our strong trading performance over the year to 31 December 2022 continues to demonstrate the resilience of our business model. There were a number of challenges ahead of us when we reported our Interim Results on 9 September 2022 and we are pleased that we have overcome each of these challenges. Ensuring another year of adjusted[1] diluted earnings per share (EPS) growth, achieving full-year gross invoiced income growth in the United Kingdom Segment, arresting the growth in our inventory to improve our cash position and stabilising our Services margins were all key to our success in the second half of the year and the full year as a whole.

Results	**2022 £m**	2021 £m	**Percentage change**	2021 £m constant currency[2]	**Percentage change**
Professional Services revenue	**636.6**	552.4	**15.2%**	560.1	**13.7%**
Managed Services revenue	**934.0**	898.5	**4.0%**	897.6	**4.1%**
Services revenue	**1,570.6**	1,450.9	**8.3%**	1,457.7	**7.7%**
Technology Sourcing gross invoiced income	**7,481.6**	5,472.6	**36.7%**	5,665.7	**32.1%**
Total gross invoiced income	**9,052.2**	6,923.5	**30.7%**	7,123.4	**27.1%**
Professional Services revenue	**636.6**	552.4	**15.2%**	560.1	**13.7%**
Managed Services revenue	**934.0**	898.5	**4.0%**	897.6	**4.1%**
Services revenue	**1,570.6**	1,450.9	**8.3%**	1,457.7	**7.7%**
Technology Sourcing revenue	**4,899.9**	3,583.6	**36.7%**	3,712.3	**32.0%**
Total revenue	**6,470.5**	5,034.5	**28.5%**	5,170.0	**25.2%**
Gross profit	**947.1**	867.8	**9.1%**	885.3	**7.0%**
Adjusted[1] total administrative expenses	**(678.0)**	(605.0)	**12.1%**	(619.5)	**9.4%**
Adjusted[1] operating profit	**269.1**	262.8	**2.4%**	265.8	**1.2%**
Net adjusted[1] finance costs	**(5.4)**	(7.2)	**(25.0%)**	(7.5)	**(28.0%)**
Adjusted[1] profit before tax	**263.7**	255.6	**3.2%**	258.3	**2.1%**
Gross profit	**947.1**	867.8	**9.1%**		
Total administrative expenses	**(690.7)**	(612.6)	**12.7%**		
Operating profit	**256.4**	255.2	**0.5%**		
Net finance costs	**(7.4)**	(7.2)	**2.8%**		
Profit before tax	**249.0**	248.0	**0.4%**		

Adjusted[1] diluted EPS
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. In 2021 an abnormally high percentage of our full-year profits came in the first half of the year, which means we had a more challenging comparison for the first half of 2022 than for the second half.

During 2022, we saw these unusual buying patterns reversing and the re-emergence of seasonality that is closer to our historical norms. Adjusted[1] profit before tax for the first half of 2022 was therefore behind that in the first half of 2021.

In line with our expectations, adjusted[1] profit before tax was down in the first half of the year against the first half of 2021 by nearly six per cent, which created a material headwind for the second half of 2022. We are therefore very pleased with the profit growth which we subsequently achieved for the year as a whole, and the significant momentum that we will carry into 2023, including in our previous and in-year North American acquisitions, which have continued to make good progress, both in terms of profit growth and cash generation.

The result for the year benefited from £187.8 million of revenue (2021: £1.3 million), and £5.4 million of adjusted[1] profit before tax (2021: £0.4 million), resulting from all acquisitions made since 1 January 2021. All figures reported throughout this announcement include the results of these acquired entities.

Computacenter finished the year with a record fourth quarter, which resulted in an 18th consecutive year of adjusted[1] diluted EPS growth. Whilst our performance in 2022 was helped by a strong US dollar, and a small acquisition in the second half of the year, this assistance was far outweighed by the headwinds faced by the business as the Covid-related benefits it experienced in 2020 and 2021 unwound, particularly impacting our Services margins. Adjusted[1] diluted EPS, the Group's primary EPS measure, increased by 2.5 per cent in 2022 to 169.7 pence (2021: 165.6 pence). Diluted EPS decreased by 1.1 per cent to 159.1 pence (2021: 160.9 pence).

United Kingdom revenues
The United Kingdom saw 12.6 per cent growth in gross invoiced income following an astonishingly strong finish to the year. This top-line growth occurred even as the product mix changed significantly from hardware, which decreased, towards software and resold services where, with software in particular, longer-term framework contracts are becoming prevalent and drove the United Kingdom result in the second half of the year.

Inventory
Supply chain constraints remain in the forefront of our customers' minds and their planning. Whilst product availability varies by vendor and product line, product shortages materially affected the supply of key networking equipment for our customers throughout 2021 into 2022, with some orders being substantially delayed or only partly fulfilled. We saw this situation materially reverse throughout the last quarter of 2022 where supply returned to much more stable levels, with the exception of certain networking products.

The Group continues to carry more inventory than normal. When customers realised that even their size of order would not guarantee supply, they switched to ordering much further in advance of their requirement than normal. This spiked our product order backlogs and, as we placed orders, manufacturers delivered as soon as product was available and even when only partly available. This led to inventory levels increasing rapidly. Earlier in the year we were holding stock for orders that we could not deliver without a critical part or where customers had ordered early and subsequently delayed delivery, as their data center facilities or other project requirements, were not ready. We continue to work to return and vendors, to reflect the improved supply of hardware products.

The Group had £417.7 million of inventory as at 31 December 2022, an increase of 22.4 per cent during the year (31 December 2021: £341.3 million), and an increase of 12.3 per cent in constant currency[2]. Total inventory across the Group was therefore £76.4 million higher at 31 December 2022 than at 31 December 2021, and higher by £18.4 million since 30 June 2022. Inventory was, however, lower by £115.0 million since 30 September 2022, which was the high point for inventory during the year.

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 is a largely risk-free position.

Further commentary on progress and initiatives in reducing our inventory and improving our cash generation is available in the Group Finance Directors' Review.

Services margins

Computacenter, like most companies, is affected by wage inflation associated with the macroeconomic disruption, and supply chain shortages, but these will offer us opportunities to differentiate from our competition with superior execution.

Services margins are broadly in line with pre-Covid-19 levels, matching the Services margin percentage achieved in 2018, but 373 basis points down from the all-time high achieved in 2021. During 2020 and 2021, the Group benefited from cost savings within its Services margins that have now unwound, proving themselves temporary in nature. These temporary benefits included significantly increased utilisation of our engineers, working remotely through the pandemic, who no longer had to spend otherwise billable time travelling to customer sites and had improved availability due to lower sickness, a substantial reduction in the use of external contractors and lower travel costs. These trends reversed in 2022 and have led to a significant Covid-19 headwind of approximately £58 million of gross profit, calculated by applying 2021 margin rates against 2022 Services volumes. The Group absorbed this in 2022 through superior execution in other areas of the business. Services margins, more than any other aspect of the business performance, was the area that most improved the Group's performance during Covid-19, much more so than Technology Sourcing volumes. We believe that these Covid-19 factors have now washed through our results and will not impact comparative numbers moving forward, allowing the continued robustness of the Services top-line growth to flow through to gross profit unhindered by this one-time reversal in margins due to the Covid-19 effect.

Enhanced bid governance processes have resulted in better underlying margins on new contracts, although inflationary pressures will make it challenging to maintain these levels in the short term. It is important to note that less than 20 per cent of our employees now reside in the United Kingdom, so the impact of these inflationary pressures should be considered on a more global basis than simply on the macroeconomic performance within the United Kingdom itself. Further, 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 United Kingdom and Germany, which is also reflected in the margin performance for 2022.

Technology Sourcing trading performance

Our Technology Sourcing product sales remained extremely strong through the second half of the year and into the early months of 2023, with strong demand in all of the countries in which we operate. Trading across all of our major geographies was pleasing throughout the year, with double-digit growth in gross invoiced income in each Segment.

Group gross invoiced income grew by 30.7 per cent including the effects of acquisitions made in the middle of 2022, and by 27.1 per cent in constant currency[2]. As discussed further in the Group Finance Directors' Review, we changed our revenue recognition accounting policies during the year, including retrospectively.

The United Kingdom has seen a further shift in product mix away from hardware into software and resold Services, which experienced strong growth in the second half of the year.

German Technology Sourcing sales continued to grow strongly, with a growing workplace business now complementing the other areas of Technology Sourcing that are more of a traditional source of strength for the German business.

We remain extremely pleased by the scale of our growth in North America which, after removing the very strong growth in our largest North American customer, and the impact of the BITS acquisition, still saw nearly nine per cent growth in Technology Sourcing gross invoiced income. Whilst gross profits grew significantly, margins were lower due to the aforementioned growth from one North American hyperscaler customer which saw lower margins than the average margins achieved across the rest of the business.

French Technology Sourcing gross invoiced income saw excellent growth, made even more pleasing by a product mix shift away from workplace to higher margin data center and networking products, to address a customer set with increasing demand.

The Technology Sourcing performance in the International Segment saw strong growth, with astonishing progress in the Netherlands business.

As demand has remained high, with order books continuing to build, the driver of customers' IT purchasing has focused on the short- to medium-term impacts of the economic downturn, as they look to re-engineer 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. We believe that IT spend remains strategic to our customers rather than discretionary and will be amongst the last expenditure categories to be retrenched if the forecast global economic recession becomes a reality. The strength of the overall Technology Sourcing result is driven by the spread of the customer base across multiple market Segments, technology lines and geographies, which create durability and sustainability within the business model through diversification.

Our product order backlogs, which are the total value of outstanding orders with our vendors, across all geographies, are at all-time highs and considerably larger than at the end of 2021. The committed order backlog at the year-end was £2,913.9 million of confirmed purchase orders for delivery within 12 months, on a gross invoiced income basis, a 76.2 per cent

increase since 31 December 2021 (£1,654.1 million) in constant currency[2]. We have modified this measure since that presented within the 2022 Interim Report and Accounts to exclude committed purchase orders for delivery beyond 12 months. 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 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.

Overall Group Technology Sourcing margins, based on gross profit as a percentage of revenue, decreased by 167 basis points during the year, mainly due to customer and product mix changes.

Services trading performance

Our Services revenue performance was strong during the year and we are confident of continued Services revenue growth fuelled by the continuing success story that is our Professional Services business and the strength of recent wins within Managed Services.

Professional Services in Germany has continued its excellent recent track record, with another year of rapid growth across all solutions lines. The United Kingdom saw a Professional Services decline due to the change in product mix in Technology Sourcing, particularly the reduction in workplace, that meant a follow-on reduction in deployment programmes. French Professional Services saw good growth, rebounding from the performance in 2021 with a return of projects in both public sector and within our Managed Services contracts. Professional Services in North America saw a large expansion through a number of very significant projects in 2022, increasingly demonstrating the scale of the business which is now approaching the size of the UK business, furthering our geographical diversification.

Professional Services is an essential part of our integrated business model - to help us create significant value for our customers and to be a volume-revenue and profit-growth driver for our business. We now have a Professional Services business with more than 6,000 people who completed over 1,900 projects in 2022, with more than 1.4 million billed consultancy hours in that time. We are committed to growing and enhancing our Professional Services business even further by having a broader and scalable portfolio across all countries, based on a common operating framework and a strong sales approach.

Managed Services saw robust revenue increases in all geographies, apart from the United Kingdom which was impacted by 2021 contract losses and a delay in the commencement of new contract revenue streams. Germany saw increased revenues due to wins from 2021 as the contracts come on stream. France was impacted by the expected cessation of legacy Computacenter NS contracts, although this was more than offset by new business. The North American Segment saw substantial growth, albeit from a low base, but will enjoy further growth from wins in 2022.

Whilst the recent EPS performance of peer services businesses remains suppressed when compared to those of our VAR competitors, we continue to focus on the importance of our Services businesses within the context of our overall business model offering to our customers. Managed Services in particular is important to the longevity of customer relationships with us. The ability to cross-sell and upsell Professional Services and Technology Sourcing to our Managed Services customers increases our share of the overall IT wallet in those customers and makes those customers stick with Computacenter. More than three-quarters of our major European headquartered customers have at least £0.5 million of Managed Services spend per annum.

Our Services margin performance was impacted in 2022 by the unwinding of Covid-19-related benefits during the year, and inflationary pressures which we expect to continue into 2023 as noted above.

Outlook

At Computacenter, we are pleased to have shown adjusted[1] earnings per share growth in 2022 over the previous year considering the challenging headwind from the unravelling of temporary Covid-related cost base reduction benefits. In 2023, we do not have anywhere near the same challenge as we have faced in 2022. By the end of the first half of 2022, almost all of the Covid benefits had disappeared from the business.

Demand from most of our largest customers remains solid, particularly for IT infrastructure on which their businesses rely. We have seen top-line revenue extremely buoyant so far this year and expect this trend to continue. Our challenges for the coming year include, to a small extent, Technology Sourcing margins, due to the fact it is the largest customers, which are dilutive to margins, that are spending most, and, more significantly, Services margins due to price pressure in the market and salary inflation.

Supply constraints have eased materially and while some will always remain, we are now operating at close to normal market conditions. Aligned with this, our inventory levels started to fall at the start of the fourth quarter of last year and we expect further reduction this year, which will continue to decrease the working capital required in the business.

As previously communicated Computacenter is currently going through a significant internal IT investment phase which we

expect to last for a further two or three years. While this has put pressure on our profitability in the short term, we believe it is the right thing to do so as we can take advantage of the long-term growth opportunities in the market and enhance our competitive position to take market share. We remain positive about the outlook in the short, medium, and long term. While there are plenty of challenges due to the macroeconomic environment, we continue to expect 2023 to be a year of progress.

United Kingdom

Financial performance

We have continued to invest to broaden our customer base and have been successful in growing the number of target-market customers. This will bear fruit in future years, as we work with those customers and increase the range and value of our sales to them.

Our people costs have increased as inflation has pushed salaries up and we intend to pass most of this on to our customers, through higher prices. During the year, our people increasingly came back to the office and met our customers face to face. We opened new collaboration spaces in our United Kingdom head office in Hatfield.

Higher administrative costs reflected the impact of inflation on people costs, the expansion of our sales force in the previous year to grow our customer base, and the return of domestic and international travel. We are carefully managing travel by using technology, while applying a carbon travel levy to ensure that we make carbon-efficient choices. Travel overall remains below pre-pandemic levels.

Demand from public sector customers has diminished since the pandemic, and there were a small number of non-renewals within public sector contracts in 2021 which impacted 2022. Political uncertainty also delayed spending decisions in the second half of the year. However, the corporate sector performed better as more employees returned to their offices. We also benefited from customers who value our international capabilities, as we can serve their operations in the United Kingdom, Europe, North America and Asia-Pacific.

With economic conditions becoming more difficult, some customers are slowing down their investments, particularly for hardware upgrade projects. However, we believe this is creating pent-up demand and that we will benefit as they resume investing in their businesses.

Overall gross margins in the United Kingdom increased by 160 basis points, with total adjusted[1] gross profit at 20.4 per cent of revenues (2021: 18.8 per cent). This result was impacted by the significant swing from hardware to software and resold services within Technology Sourcing. This gross margin ratio increase was assisted by a higher proportion of software and resold services during the year, where the margins are recorded directly as net revenue as a result of our recent change in revenue recognition accounting policies.

Results	**2022 £m**	2021 £m	**Percentage change**
Professional Services revenue	**147.5**	154.6	**(4.6%)**
Managed Services revenue	**312.8**	327.6	**(4.5%)**
Services revenue	**460.3**	482.2	**(4.5%)**
Technology Sourcing gross invoiced income	**1,864.2**	1,581.5	**17.9%**
Total gross invoiced income	**2,324.5**	2,063.7	**12.6%**
Professional Services revenue	**147.5**	154.6	**(4.6%)**
Managed Services revenue	**312.8**	327.6	**(4.5%)**
Services revenue	**460.3**	482.2	**(4.5%)**
Technology Sourcing revenue	**809.1**	943.2	**(14.2%)**
Total revenue	**1,269.4**	1,425.4	**(10.9%)**
Gross profit	**259.2**	268.2	**(3.4%)**
Adjusted[1] administrative expenses	**(178.7)**	(165.3)	**8.1%**

Adjusted[1] operating profit	**80.5**	102.9	**(21.8%)**

Technology Sourcing performance
The reduction in Technology Sourcing revenues reflected a shift in product mix towards software and resold services, which improved margins but had less impact on reported revenue as they are booked on an agency or net basis. Our gross invoiced income increased by 17.9 per cent year on year. Technology Sourcing margins, based on gross profit as a percentage of revenue, increased by 450 basis points compared to 2021, due to the change in product mix described above.

We saw lower demand for hardware during the year, primarily in workplace, as some customers completed their Windows 10 rollouts. The reduced workplace activity affected utilisation and cost absorption of our Integration Centers, where we add value for customers, for example by configuring their devices.

Our software business grew rapidly, in particular through longer-term framework contracts, and we also expanded our resold services. Neither of these areas had the supply chain issues that affected hardware sales, allowing us to rapidly fulfil customer demand. In the enterprise solution areas, we are seeing good growth in our data center and cloud business, again driven by software sales.

We have seen improved availability of hardware components for workplace and data center but this remains an issue for networking. The committed order backlog at the year-end was £331.0 million of confirmed purchase orders for delivery within 12 months, on a gross invoiced income basis, a 70.1 per cent increase since 31 December 2021 (£194.6 million).

Services performance
The lower workplace demand in Technology Sourcing also affected Professional Services, which rolls out technology we have sold to our customers. We also saw a slight decline in the number of large programmes of work that are on an outcome-based commercial model. However, we benefited from increased demand for adopting public cloud and for expanding and securing customer networks. We also grew our resources on demand business, where we provide specialist resources to support our customers' operations. Profitability in Services was held back by additional costs to improve performance on a small number of Professional Services contracts, which we addressed during the year. The pipeline for Professional Services is strong, giving us confidence that growth opportunities are realisable.

Revenue in Managed Services was lower, reflecting the full-year impact of contract losses in 2021 and delays to some contract awards we had anticipated in 2022. However, we had a good year for renewals and won a significant contract that will benefit revenues going forwards. In 2021, we won a significant Managed Services contract with a large multinational investment bank and financial services company, to provide a device as a service model with worldwide support coverage and Technology Sourcing embedded in the contract. We have continued to roll the model out globally for the customer and our pipeline for device as a service is growing, with a second contract with a large pharmaceutical company being signed since the year end.

Services margins decreased by 434 basis points when compared to the prior year. This was primarily due to costs returning to the business following the end of the Covid-19 pandemic and resumption of normal working practices.

Germany

Financial performance
After a strong fourth quarter, we are very pleased with the full-year result. We exceeded our revenue growth expectations and despite somewhat weaker margins, the bottom-line result was above plan and the previous year's. This was an excellent performance given the positive cost and capacity utilisation effects in Services in 2021, which we had expected to reverse in 2022.

Despite market uncertainties resulting from the war in Ukraine, ongoing Covid-related restrictions, and continued supply chain issues, we recorded good double-digit overall growth in revenues and gross invoiced income.

It was challenging to recruit skilled people during the year, but our targeted recruitment initiative significantly strengthened the skills base for consulting and project Services and recruitment was a little easier by the end of the year. We had planned to expand our sales force but this proved more difficult than expected, and this is a challenge we will take into 2023. The pressure on salaries, triggered by high inflation, had only a modest effect on costs in 2022 and is more likely to affect the cost base in 2023, especially for our Services businesses.

Throughout the year, our biggest challenge was handling our supply chain business. Customers had switched to a high stocking strategy to ensure availability and we therefore had to manage three times the usual operating levels of inventory on occasions, for which our Integration Center in Kerpen had insufficient storage and logistics space. However, we reacted quickly to reactivate our former Integration Center, doubling our capacity within three months. This enabled us to clear the entire backlog before the year end, and we are now back to normal operating levels. We can now act much more flexibly

and provide additional capacity, which should give us a boost for 2023.

The ongoing macroeconomic difficulties - in particular the energy shortage and high energy prices caused by the war in Ukraine - had very different effects on our customers. Companies that are heavily dependent on energy, especially large chemical companies, are reducing their IT expenditure or postponing investments. Nevertheless, we see the overall effects being less severe, especially in our customer base, and many companies are going into the coming year stronger. Our public sector business remains one of our strengths. Demand here is still high and the pipeline promises good potential. We have started to develop a new customer sector in education and are significantly expanding our sales capacities in almost all federal and state authorities.

In addition to large framework successes discussed in the half-year report, we have extended the network support agreement with an international car manufacturer for the next five years and also integrated additional services. We also extended the network and procurement contract for a major public sector customer and won the associated cloud contract. At the start of 2023, we were the first Cisco partner in Germany to conclude a worldwide 'Whole Portfolio Agreement' with a large German industrial and technology company.

While the geopolitical and economic situation in Germany remains unpredictable, it has become more positive in recent months due to lower energy prices and inflation levelling off. We are convinced that companies, and particularly public sector customers, will continue to invest in IT infrastructure and digitisation projects. Their requirements are becoming increasingly global, which should also benefit us. We expect good overall growth again in 2023, underpinned by our pipeline. Nevertheless, 2023 will be challenging on the cost side, due to inflation-driven cost increases and salary adjustments. Overall, we are assuming slight growth in adjusted[1] operating profitability.

Margins in Germany decreased by 230 basis points, with adjusted[1] gross profit decreasing from 19.9 per cent to 17.6 per cent of revenues, as explained below.

Results	**2022 £m**	2021 £m	**Percentage change**	**2022 €m**	2021 €m	**Percentage change**
Professional Services revenue	**315.7**	273.8	**15.3%**	**370.1**	318.4	**16.2%**
Managed Services revenue	**374.7**	348.6	**7.5%**	**439.5**	405.2	**8.5%**
Services Revenue	**690.4**	622.4	**10.9%**	**809.6**	723.6	**11.9%**
Technology Sourcing gross invoiced income	**1,704.7**	1,427.7	**19.4%**	**1,994.7**	1,662.8	**20.0%**
Total gross invoiced income	**2,395.1**	2,050.1	**16.8%**	**2,804.3**	2,386.4	**17.5%**
Professional Services revenue	**315.7**	273.8	**15.3%**	**370.1**	318.4	**16.2%**
Managed Services revenue	**374.7**	348.6	**7.5%**	**439.5**	405.2	**8.5%**
Services revenue	**690.4**	622.4	**10.9%**	**809.6**	723.6	**11.9%**
Technology Sourcing revenue	**1,153.1**	942.6	**22.3%**	**1,349.7**	1,097.4	**23.0%**
Total revenue	**1,843.5**	1,565.0	**17.8%**	**2,159.3**	1,821.0	**18.6%**
Gross profit	**325.1**	312.0	**4.2%**	**380.8**	363.2	**4.8%**
Adjusted[1] administrative expenses	**(184.2)**	(174.2)	**5.7%**	**(216.0)**	(202.5)	**6.7%**
Adjusted[1] operating profit	**140.9**	137.8	**2.2%**	**164.8**	160.7	**2.6%**

Technology Sourcing performance
Revenue increased significantly compared to 2021. The margin erosion in the first half of the year reversed in the second half and the overall margin situation is stable. Technology Sourcing margins, based on gross profit as a percentage of revenue, remained strong but slipped by 89 basis points over the year. The revenue growth driver is once again the network and security business, followed by a very good workplace business. We also saw strong growth in software licence reselling.

Given the capacity problems in our Integration Center through much of the year, the result was excellent. We solved these

challenges through the commitment of our teams and investments in the infrastructure and are now very well positioned for future growth. Inventory also significantly reduced towards the end of the year and is now close to the normal level.

Looking ahead, we are targeting continued strong growth in 2023. Even if customer requirements decrease, as many customers have invested in their workplace infrastructure in particular in the last two years and are now reaching saturation, we have won new customers and contracts with the potential to ensure sufficient growth. We won a framework agreement which can be leveraged by all European Union central banks. The committed order backlog at the year-end was €362.9 million of confirmed purchase orders for delivery within 12 months, on a gross invoiced income basis, a 20.6 per cent decrease since 31 December 2021 (€457.0 million).

Services performance
Services growth in 2022 was driven by Professional Services, although Managed Services also developed well. We benefited from contracts won in 2021 and the expansion of existing business. In Professional Services, we grew all solution areas and benefited from the nearshore and offshore capacities we had created. We are seeing a notable increase in international revenues in both the Professional Services and Managed Services businesses. Our international presence and the opportunities created by leveraging nearshore and offshore capabilities should give us additional impetus for 2023.

Services gross profits benefited from volume growth but cost and efficiency had a negative impact on margins. Compared to 2021, we recorded increased travel, training and event costs. However, we are still well below the pre-Covid level and within the expected range. We also planned for a slight underutilisation of service resources due to the significant expansion of capacity, primarily due to new business entrants. However, we did not foresee the cold and flu wave that swept over Germany, particularly from October to December. As a result, sick leave increased substantially, leading to lower availability of resources. These three effects have put the Services margins under pressure, with a decrease of 403 basis points over the year.

In summary, we are satisfied with performance in the service area and we have the potential to address even more business with our customers.

We are targeting double-digit revenue growth in 2023, especially in Professional Services, and the persistently high demand from public sector customers assists with this objective. However, we also assume that Services gross profit will be affected by increased salary costs, which we can only recover over time due to long-term contracts that do not allow all price adjustments to be passed on to the customer, and due to the general increase in costs, especially for energy, which will affect our Managed Services contracts. Overall, we assume that we can achieve a small growth in Services gross profit.

France

Financial performance
Our French business made good progress in 2022, mainly thanks to a very strong last quarter in our Technology Sourcing business. Our Integration Center in Gonesse was busy throughout the year and handled record product volumes in December.

Towards the end of 2020, we acquired BT's domestic services operations in France and renamed the subsidiary Computacenter NS (CCNS). CCNS significantly improved our capabilities around networking and security in France. Simultaneously, we have developed our competencies in data center solution design and software licensing solutions. We made good progress in 2022 with leveraging these new capabilities, as evidenced by the shift in our business mix from workplace to data center and networking.

Another notable development in 2022 was the growth of our software licensing business. We grew the traditional reselling of licences and also saw good progress with closing some high-volume, long-term software consumption-based agreements.

The further integration of CCNS progressed according to plan and since 1 January 2023, all CCNS maintenance and data center operations teams have been fully integrated within our Group delivery teams. This means we have integrated 100 per cent of CCNS activities within the Computacenter operating model. At the time of acquisition, we knew that certain CCNS contracts would not be renewed and the total Managed Services Contract Base declined in line with our expectations. It is encouraging that we won a few large network maintenance contracts towards the end of the year and we are determined to further grow our CCNS business.

Computacenter continues to develop its capabilities worldwide. That enables us to propose compelling solutions to our internationally-based French customers in the corporate sector. Moreover, local French customers from both the corporate and public sectors benefit from our worldwide capabilities, as they can use our global, scalable systems and benefit from worldwide vendor relationships and corresponding terms and conditions.

In the second half of the year, Anne Merinville was appointed as the new Country Unit Director for France, allowing her to fully focus on the development of the sales team in France. Together with the country management team, we have defined a future-ready sales structure and believe that we can now fully focus to establish further growth in the French market.

From an economic perspective, while inflation will influence our Technology Sourcing and Services costs and market pricing in 2023, the inflation rate in France is lower than in most European countries, largely because the Government has capped energy price increases. Although there is the prospect of an economic slowdown, we remain confident that customers will continue to invest significantly in their IT, reflecting the importance of technology to delivering their change programmes. This is reflected in our database of identified customer opportunities, which is double the size of a year ago. Margins in France increased by 23 basis points, with adjusted[1] gross profit increasing from 12.3 per cent to 12.5 per cent of revenues.

Results	**2022 £m**	2021 £m	**Percentage change**	**2022 €m**	2021 €m	**Percentage change**
Professional Services revenue	**41.7**	38.0	**9.7%**	**48.9**	44.1	**10.9%**
Managed Services revenue	**136.4**	134.0	**1.8%**	**160.0**	155.9	**2.6%**
Services revenue	**178.1**	172.0	**3.5%**	**208.9**	200.0	**4.5%**
Technology Sourcing gross invoiced income	**606.7**	481.4	**26.0%**	**709.2**	560.0	**26.6%**
Total gross invoiced income	**784.8**	653.4	**20.1%**	**918.1**	760.0	**20.8%**
Professional Services revenue	**41.7**	38.0	**9.7%**	**48.9**	44.1	**10.9%**
Managed Services revenue	**136.4**	134.0	**1.8%**	**160.0**	155.9	**2.6%**
Services revenue	**178.1**	172.0	**3.5%**	**208.9**	200.0	**4.5%**
Technology Sourcing revenue	**435.8**	383.2	**13.7%**	**509.5**	445.5	**14.4%**
Total revenue	**613.9**	555.2	**10.6%**	**718.4**	645.5	**11.3%**
Gross profit	**76.7**	68.1	**12.6%**	**89.5**	79.2	**13.0%**
Adjusted[1] administrative expenses	**(69.6)**	(64.6)	**7.7%**	**(81.5)**	(75.0)	**8.7%**
Adjusted[1] operating profit	**7.1**	3.5	**102.9%**	**8.0**	4.2	**90.5%**

Technology Sourcing performance
Our Technology Sourcing business had a very strong year, despite continued challenges around product shortages worldwide. Towards the end of the year, we saw an improvement in product availability and are hopeful that we can return to normal during 2023.

Due to these shortages and continued high demand, we faced high inventory levels throughout the year. However, inventory reduced towards the end of 2022, evidencing the improvement of product availability at the year end. Technology Sourcing margins increased by 47 basis points, based on gross profit as a percentage of revenue.

The global product shortages in 2020 and 2021 meant that we started 2022 with a very high backlog position. With record revenue in Technology Sourcing in 2022 and improved product availability, we expected that the backlog would decline towards the end of the year. This was not the case, proving the effectiveness of our sales force throughout the year in identifying and closing new opportunities with our customers. The committed order backlog at the year-end was €132.2 million of confirmed purchase orders for delivery within 12 months, on a gross invoiced income basis, a 5.2 per cent increase since 31 December 2021 (€125.7 million).

Services performance
The Services business was challenged in 2022, as it was across the Group. During the pandemic in 2021, our Professional Services consultants worked mainly from home, resulting in optimised utilisation of their time, with less travel and lower sickness levels, and very low travel expenses. With the return to work, these advantages have disappeared. Services margins decreased by 78 basis points.

The continued competitiveness in the labour market for talent throughout 2022 also affected our ability to respond to all the

project opportunities. We have increased our efforts to improve our reputation as an employer of choice in France and are hopeful this will pay off in 2023 and beyond.

Our Managed Services base declined as expected, with the CCNS contracts referred to above coming to an end. Following the win of a few significant Managed Services opportunities in 2021, we have been finalising the take-on of these contracts and worked hard to optimise our service, in order to deliver all the contracts to the agreed service level and within the designed cost model. A great deal of effort also went into renewing and extending a few large existing contracts.

North America

Performance in the year was assisted by the acquisition of Business IT Source (BITS) on 1 July 2022. BITS is one of the fastest growing value-added resellers in the United States and presents good opportunities to expand our coverage of the Mid-West region from its base in Illinois.

We are delighted to have welcomed our new colleagues to Computacenter, who bring strong selling and customer service skills and are an excellent cultural fit.

BITS outperformed our expectations in the first six months of ownership, with revenues of $216.1 million and adjusted[1] operating profit of $8.4 million.

North America continues to manage its system conversions to the Group ERP system. We are preparing to migrate the Pivot and BITS businesses in 2024.

Financial performance

Excluding the BITS acquisition, our organic North American revenue growth was 57.3 per cent on a constant currency[2] basis. This was due to continued growth of hyperscale customers, as well as new customer wins, with growth in both Technology Sourcing and Services. The Technology Sourcing business saw significant revenue growth, although this was concentrated in a small number of hyperscale customers where account margins are materially lower than average. Global supply chain challenges continue to affect the Technology Sourcing business, although the impact materially reduced over the second half of 2022.

Our growth is reflected in the number of customer accounts that exceed £1 million of gross profit per year, which increased from 37 to 44 during the year. We have also expanded the business that we do with other customers and grown the average gross profit per customer.

Margins in North America decreased by 412 basis points, with adjusted[1] gross profit decreasing from 13.6 per cent to 9.5 per cent of revenues. The acquisition of BITS did not significantly impact the overall margin percentage.

The increase in adjusted[1] administrative expenses was the result of higher variable remuneration due to the increase in gross profit, investments in additional capabilities to support customers and higher than historical average increases in compensation, due to wage inflation. Travel and living expenses rose as Covid-19 restrictions loosened. These were partly offset by lower facility costs and foreign currency exchange gains.

Facility costs were lower as we reduced the size of certain offices or combined office locations in similar regions. North America is expanding its Integration Center capability overall, with a larger facility in Washington State and a new facility in Indiana to better manage capacity across our expanding geographical footprint in the United States. The acquisition of BITS also increases our Integration Center capacity, with a facility in Illinois. In the medium term we will look to further integrate and align the capacity once supply chains have normalised and the Group ERP systems are implemented throughout the operational units.

Excluding BITS, North America's adjusted[1] operating profit was up by 33.6 per cent to $56.9 million. The year-on-year increase in adjusted[1] operating profit was achieved while investing in new capabilities and expanding the portfolio, largely focused on adding workplace capabilities and continued hyperscale capability which more than offset short-term declines in our rack business. Whilst higher volumes drove the growth, a less favourable customer mix meant adjusted[1] operating profit lagged the increase in revenue.

We continue to leverage the synergies of our North American and European businesses, for example by increasing our focus on the financial services market in the United States North-East for existing European customers.

While we are anticipating a downturn in the North American economy, we have less than one per cent share of the market, giving us significant potential to grow as we invest to take market share.

Results	**2022**	2021	**Percentage**	**2022**	2021	**Percentage**

	£m	£m	change	$m	$m	change
Professional Services revenue	**122.5**	77.5	**58.1%**	**150.3**	106.5	**41.1%**
Managed Services revenue	**26.9**	18.6	**44.6%**	**33.2**	25.8	**28.7%**
Services revenue	**149.4**	96.1	**55.5%**	**183.5**	132.3	**38.7%**
Technology Sourcing gross invoiced income	**3,131.7**	1,869.2	**67.5%**	**3,836.2**	2,562.8	**49.7%**
Total gross invoiced income	**3,281.1**	1,965.3	**67.0%**	**4,019.7**	2,695.1	**49.1%**
Professional Services revenue	**122.5**	77.5	**58.1%**	**150.3**	106.5	**41.1%**
Managed Services revenue	**26.9**	18.6	**44.6%**	**33.2**	25.8	**28.7%**
Services revenue	**149.4**	96.1	**55.5%**	**183.5**	132.3	**38.7%**
Technology Sourcing revenue	**2,357.9**	1,226.3	**92.3%**	**2,887.1**	1,682.8	**71.6%**
Total revenue	**2,507.3**	1,322.4	**89.6%**	**3,070.6**	1,815.1	**69.2%**
Gross profit	**238.3**	180.2	**32.2%**	**292.4**	247.6	**18.1%**
Adjusted[1] administrative expenses	**(185.3)**	(149.2)	**24.2%**	**(227.1)**	(205.0)	**10.8%**
Adjusted[1] operating profit	**53.0**	31.0	**71.0%**	**65.3**	42.6	**53.3%**

Technology Sourcing performance

Excluding BITS, Technology Sourcing gross invoiced income increased by 40.9 per cent on an organic basis. The organic growth was driven by increased spending by hyperscale customers and growth in sales to international customers with operations in the United States. 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 fewer opportunities to add value to the transaction and decreases the utilisation of our facilities and personnel, leading to lower cost absorption. We continue to see significant activity and opportunity for our Integration Centers, 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.

The Technology Sourcing margin decreased by 422 basis points, based on gross profit as a percentage of revenue, as a result of significant revenue growth with hyperscale customers that command a lower-margin profile, combined with the investment growth in Integration Center capacity and a reduction in our higher-margin rack fabrication volumes. The acquisition of BITS was beneficial to gross profit while resulting in no change in overall margins as BITS has a similar margin profile to the rest of the business.

Compared to 2021, we saw a similar technology spending mix among major partners and technologies, particularly in the data center and networking solution areas.

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.

The committed order backlog at the year-end was $2,557.4 million of confirmed purchase orders for delivery within 12 months, on a gross invoiced income basis, a 130.5 per cent increase since 31 December 2021 ($1,109.5 million). This was driven by a single major hyperscale customer, whose backlog almost doubled over the prior year. Excluding this customer, the backlog increased by 9 per cent, with growth in the backlog slowing due in part to reduced lead times as supply chain performance improves.

Services performance

The acquisition of BITS did not have a significant impact on Services revenue.

North American Services revenue growth was primarily due to significant deployment projects, with several large ongoing

projects with countrywide retail customers. Project activity continued to recover during 2022 after customers delayed expected projects while they responded to Covid-19 in 2020 and 2021. Our pipeline in Professional Services is encouraging and we have secured two new Managed Services contracts, which will ensure this part of this business grows again in 2023 and will allow us to leverage some of our Group investments.

Professional Services margins were down compared to the prior year despite higher volume, as a result of a less favourable customer mix and the impact of wage inflation rising faster than our ability to pass these costs on to our customers. The Managed Services business also reported lower margins year-on-year, due to a combination of customer mix and lower margins on transition projects in their early stages. Overall, Services margins were down by 274 basis points.

International

The International Segment comprises a number of trading entities, nearshore and offshore Service Center locations and countries in which we have other support operations.

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. The newly acquired Emerge 360 Japan k.k (Emerge) business has joined the International Segment, with Services delivery locations in Japan, Australia, Singapore and Hong Kong.

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

Financial performance
Performance varied in each of our international trading entities.

The Belgian business had a very strong year across all areas. Our investments of the last few years to increase our capabilities in data center and networking solutions have resulted in good growth in these areas and were rewarded by the prestigious 'Partner of the Year' award from Cisco, as well as the 'Rising Star' award from HPE.

Our Dutch entity also delivered a strong performance for the year, due to an international Technology Sourcing and Services framework contract in the corporate sector and continued good performance in the public sector. Meanwhile we have completed a reorganisation project and our location strategy, with a full refurbishment of our Amstelveen offices and the start of a project to move our logistics capabilities to a new Integration Center in Moordrecht, with completion targeted for the second quarter of 2023.

Our Swiss operations had a challenging year, as customers reviewed the scope of our main Services contracts after the pandemic. These contracts were large contributors to the Swiss business and to compensate for their reduction, we have further intensified our cooperation with the rest of the Computacenter Group and focused on international clients with a decision-making entity in Switzerland. We have also made good progress in completing our services and solutions portfolio, increased our sales capacity and acquired important certifications to win new customers, such as the ISO 27001 information security certification.

Overall, margins in the International Segment decreased by 338 basis points, with adjusted[1] gross profit decreasing from 23.6 per cent to 20.2 per cent of revenues.

Results	**2022 £m**	2021 £m	**Percentage change**	2021 £m constant currency[2]	**Percentage change**
Professional Services revenue	**9.2**	8.5	**8.2%**	8.8	**4.5%**
Managed Services revenue	**83.2**	69.7	**19.4%**	70.9	**17.3%**
Services revenue	**92.4**	78.2	**18.2%**	79.7	**15.9%**
Technology Sourcing gross invoiced income	**174.3**	112.8	**54.5%**	112.9	**54.4%**
Total gross invoiced income	**266.7**	191.0	**39.6%**	192.6	**38.5%**

Professional Services revenue	**9.2**	8.5	**8.2%**	8.8	**4.5%**

Managed Services revenue	**83.2**	69.7	**19.4%**	70.9	**17.3%**
Services revenue	**92.4**	78.2	**18.2%**	79.7	**15.9%**
Technology Sourcing revenue	**144.0**	88.3	**63.1%**	88.8	**62.2%**
Total revenue	**236.4**	166.5	**42.0%**	168.5	**40.3%**
Gross profit	**47.8**	39.3	**21.6%**	40.0	**19.5%**
Adjusted[1] administrative expenses	**(36.5)**	(28.0)	**30.4%**	(28.1)	**29.9%**
Adjusted[1] operating profit	**11.3**	11.3	**-**	11.9	**(5.0%)**

Technology Sourcing performance

Reductions in supply chain delays towards the end of the year gave a boost to the product volumes we could ship to our customers and helped to expedite networking and data center infrastructure projects. Our international product business in workplace remains strong and together with our strategic partners, we identified and onboarded new target customers.

Compared to their local competition, the trading entities in our International Segment can gain an advantage from the Group's Centres of Excellence, which advise, design, build, transition and ensure compliance for large, complex and international hardware and software opportunities. We have seen good examples in Belgium, the Netherlands and Switzerland from international contract wins, thanks to our international capabilities.

We expect that the global component shortages will reduce in severity during the course of 2023, mainly in the data center and networking areas. The committed order backlog at the year-end was £24.2 million of confirmed purchase orders for delivery within 12 months, on a gross invoiced income basis, a 1.5 per cent increase since 31 December 2021 (£23.9 million) in constant currency[2].

Technology Sourcing margins have decreased by 194 basis points, based on gross profit as a percentage of revenue.

Services performance

In comparison with the Group's larger Segments, the Services business in the International Segment produced a good performance in 2022.

Our Belgian Managed Services business again had a very strong year, with growth and the renewal of two key international accounts. One of these customers, in financial services, has already trusted Computacenter for 22 years to deliver global end-user Managed Services.

Our Dutch business had a stable year in Services. We grew both revenues and gross profit in our main contracts and have created a good pipeline to establish further growth in 2023.

As mentioned above, our Swiss business saw a significant decline in its two largest Services contracts. The team has therefore focused throughout the year on reviewing the size and structure of our delivery teams. We now have a more flexible and optimised delivery model to meet future needs and we are pleased that we were able to start some projects in the public and corporate sectors.

Group Finance Director's review

During 2022, the Group generated continued strong revenue growth in both Technology Sourcing and Services. Growth across all Segments was excellent, apart from the United Kingdom where, despite strong growth in gross invoiced income, we saw a decline in reported Technology Sourcing revenues as the product mix changed and both Professional Services and Managed Services declined, due to lower workplace projects and contract losses in 2021 respectively.

Whilst the United Kingdom 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 change to our accounting policy for agent versus principal recognition. See below and notes 3 to 5 of the summary financial information within this announcement for more information on the impact of our change in accounting policy.

A small number of very high-volume customers continue to recognise and value our capability to source and deliver product for their needs, in a very 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.

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.

Investments

Computacenter resells, deploys and manages vendor technology for customers. This means we are fundamentally a people-centric business. Customers remain loyal to Computacenter because of the quality of our people and service and this will always be the case. However there are a number of other assets that we employ to deliver to our customers 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 that we transact for customers puts massive pressure on our operations and systems, as customers call off stored technology piecemeal and at short notice, often to thousands of different users' home addresses. We prioritise our plans for systems development, and other investments in time and capital, in response to the ever-changing environment in which we operate.

We have continued to refine our systems investment roadmap through to the end of 2026, with a multi-million pound programme to replace legacy systems that enable our Technology Sourcing and Services businesses. Investing in best-of-breed tools will lower cost to serve, improve the quality of our offerings and enhance our relevance to customers in the marketplace.

We continue to invest in our nearshore and offshore capabilities, with over 100 professionals now based in our specialist application development consultancy within our Romanian business that started in 2021. We have grown our workforce in India from 15 employees in 2019 to approximately 1,100 at the end of 2022. This business now serves a range of our biggest customers and, with an ability to continue to scale whilst increasing the complexity of offering, we expect to have a business of up to 5,000 employees in the medium term.

In Germany, our focus on growing the workplace business has absorbed significant capacity in our Integration Center facility, leading to its expansion through the addition of a second, co-located, facility in Kerpen. The very strong growth in workplace in Germany has stretched our onsite handling and configuration capacities. Germany already had a higher percentage of workplace product delivered via our Integration Centers, versus direct delivery from the vendors, than our other geographies. The larger volumes fully utilised our existing facilities. This led to higher handling costs for these inventories, as they are moved around increasingly scarce space in our Integration Centers. We implemented a mitigation strategy towards the end of the first half of 2022, with this additional Integration Center capacity being added near to our existing facility. The new facility has alleviated the pressure on the German business, and improved efficiencies and customer satisfaction.

On 13 July 2022, the Group announced that it had acquired one of the fastest-growing value-added resellers in the United States, Business IT Source (BITS) effective from July 2022. The Group has paid an initial $32.0 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, United States, approximately 45 minutes from downtown Chicago. BITS recorded gross invoiced income in 2021 of approximately $245 million with adjusted[1] operating profit of approximately $8.9 million for the full year. Since we acquired the business in July 2022, BITS has achieved gross invoiced income of $221 million and adjusted[1] operating profit of $8.4 million in six months of ownership.

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 review additional inorganic opportunities to improve our positioning in this important market. BITS gives us a much stronger presence in the Mid-West 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 Mid-West 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 personalised service while leveraging Computacenter's capabilities and balance sheet to best serve customers and partners.

On 25 May 2022, the Group acquired 100 per cent of the share capital in Emerge and the associated Asia Pacific (APAC)

operations from Emerge 360, Inc., for consideration of $3.5 million. 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 1,100. 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 Service Center capability, our 80 new people from Emerge 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 and BITS onto Group systems is planned for 2023 and 2024 respectively, and will benefit from the recent migration of FusionStorm and the legacy North American business, which transitioned to the Group ERP in September 2021. This is by no means an easy task and operational issues will no doubt arise as these businesses adapt to Group processes. Further, a number of next-generation upgrades to the customer relationship management and configure price quote systems were implemented within the North American rollout. These are being progressively introduced through the rest of the Group, and will continue to evolve the way we do business with our customers, ensuring that ordering capability and cost-to-serve efficiencies are improved.

Combined, these acquisitions, and the ITL logistics acquisition made during 2021, added £187.8 million of revenue (2021: £1.3 million) and £5.4 million of adjusted[1] profit before tax (2021: £0.4 million) to the Group's reported results.

Revenue accounting policy change

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 service 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 profit 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 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 to assist Management and the users of the Reports and Accounts in understanding revenue growth on a 'principal' basis and to assist their assessment of working capital movements in the Consolidated Balance Sheet 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 within this announcement. A reconciliation to adjusted[1] measures is provided below. Further details are provided in note 2.5 to the summary financial information within this announcement, adjusted[1] measures.

Reconciliation to adjusted[1] measures for the year ended 2022

		Adjustments			
	Reported full-year results £m	**Principal element on agency contracts £m**	**Amortisation of acquired intangibles £m**	**Exceptionals and others £m**	**Adjusted[1] full-year results £m**
Revenue	**6,470.5**	2,581.7	-	-	**9,052.2**
Cost of sales	**(5,523.4)**	(2,581.7)	-	-	**(8,105.1)**
Gross profit	**947.1**	-	-	-	**947.1**

	Reported full-year results £m	Adjustments: Principal element on agency contracts £m	Adjustments: Amortisation of acquired intangibles £m	Adjustments: Exceptionals and others £m	Adjusted[1] full-year results £m
Administrative expenses	**(691.8)**	-	10.9	1.8	**(679.1)**
Impairment loss on trade receivables and contract assets	**1.1**	-	-	-	**1.1**
Operating profit	**256.4**	-	10.9	1.8	**269.1**
Finance income	**2.4**	-	-	-	**2.4**
Finance costs	**(9.8)**	-	-	2.0	**(7.8)**
Profit before tax	**249.0**	-	10.9	3.8	**263.7**
Income tax expense	**(64.8)**	-	(2.3)	(0.2)	**(67.3)**
Profit for the year	**184.2**	-	8.6	3.6	**196.4**

Reconciliation to adjusted[1] measures for the year ended 2021

	Reported full-year results £m	Adjustments: Principal element on agency contracts £m	Adjustments: Amortisation of acquired intangibles £m	Adjustments: Exceptionals and others £m	Adjusted[1] full-year results £m
Revenue	**5,034.5**	1,889.0	-	-	**6,923.5**
Cost of sales	**(4,166.7)**	(1,889.0)	-	-	**(6,055.7)**
Gross profit	**867.8**	-	-	-	**867.8**
Administrative expenses	**(612.0)**	-	7.6	-	**(604.4)**
Impairment loss on trade receivables and contract assets	**(0.6)**	-	-	-	**(0.6)**
Operating profit	**255.2**	-	7.6	-	**262.8**
Finance income	**0.3**	-	-	-	**0.3**
Finance costs	**(7.5)**	-	-	-	**(7.5)**
Profit before tax	**248.0**	-	7.6	-	**255.6**
Income tax expense	**(61.5)**	-	(2.1)	-	**(63.6)**
Profit for the year	**186.5**	-	5.5	-	**192.0**

Operating profit

Overall, gross profit growth lagged behind the excellent revenue growth due to Technology Sourcing customer and product mix. Surging levels of business with a small number of North American hyperscalers during the year have negatively impacted gross margins for the Group due to the generally tighter margins on these high-volume accounts. Lower Services margins occurred due to cost inflation and lower utilisations and returning costs within our Services business, following the unwinding of the impact of the Covid-19 pandemic as described earlier. Overall, Group gross margins, expressed as gross profits as a percentage of revenue, fell to 14.6 per cent (2021: 17.2 per cent).

Administrative expenses increased by 12.7 per cent to £690.7 million (2021: £612.6 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 hybrid working. Adjusted[1] administrative expenses increased by 12.1 per cent to £678.0 million (2021: £605.0 million), and by 9.4 per cent in constant currency[2].

Profit before tax

The Group's profit before tax for the year increased by 0.4 per cent to £249.0 million (2021: £248.0 million). Adjusted[1] profit before tax increased by 3.2 per cent to £263.7 million (2021: £255.6 million) and by 2.1 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 £14.7 million (2021: net costs of £7.6 million) from exceptional and other adjusting items, which relates wholly to costs associated with the acquisition of BITS and the amortisation of acquired intangibles as a result of recent North American acquisitions. Further information on these items can be found below.

Net finance charge

Net finance charge in the year amounted to £7.4 million (2021: £7.2 million). The main items included within the net charge for the year were £4.9 million of interest charged on lease liabilities recognised under IFRS 16 (2021: £5.2 million) and exceptional interest costs of £2.0 million relating to the unwinding of the discount on the contingent consideration for the purchase of BITS, which was excluded on an adjusted[1] basis. Outside of the specific items above, net finance charges of £0.5 million were recorded (2021: £2.0 million).

On an adjusted[1] basis, the net finance cost was £5.4 million during the year (2021: £7.2 million).

Taxation

The tax charge was £64.8 million (2021: £61.5 million) on profit before tax of £249.0 million (2021: £248.0 million). This represented a tax rate of 26.0 per cent (2021: 24.8 per cent). This 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 the short- to medium-term profitability in this geography.

The tax credit related to the amortisation of acquired intangibles was £2.3 million (2021: £2.1 million). The £10.9 million of amortisation of intangible assets was almost entirely a result of the recent North American acquisitions (2021: £7.6 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.

During 2022, a tax credit of £0.2 million (2021: nil) was recorded on expenses related to the acquisition of BITS. As this credit was related to the acquisition and not operational activity within BITS, and is a one-off, we have classified this as an exceptional tax item, outside of our adjusted[1] tax charge, consistent with similar treatments in prior years.

The adjusted[1] tax charge for the year was £67.3 million (2021: £63.6 million), on an adjusted[1] profit before tax for the year of £263.7 million (2021: £255.6 million). The effective tax rate (ETR) was therefore 25.5 per cent (2021: 24.9 per cent) on an adjusted[1] basis.

During the second half of 2022 a number of one-off tax items were processed that substantially reduced the tax charge, and therefore the adjusted[1] ETR, for the year as a whole. Recognising deferred tax assets for the future utilisation of carry forward losses in the Netherlands and France, as noted above, resulted in a one-time credit to the tax expense of £3.1 million. Several other one-off items were incurred in the year in North America and reduced the tax expense by a further £1.4 million in aggregate. These include the closure of a number of historical tax positions, some of which relate to events preceding the acquisition of the Pivot subsidiary.

Together, these combined items resulted in a one-time credit benefit to the tax expense of £4.5 million (2021: £5.5 million). Excluding these items, the underlying adjusted[1] tax expense would be £71.8 million (2021: £69.1 million), resulting in an adjusted[1] ETR of 27.2 per cent (2021: 27.0 per cent).

Had the one-off items not impacted during the year, and the Group result reflected an adjusted[1] ETR of 27.2 per cent, the adjusted[1] diluted EPS would have been 165.8 pence per share (2021: 160.9 pence per share). Assuming an unchanged dividend payment policy, the proposed final dividend, and the total dividend for the year, would have been 44.3 pence per share and 66.4 pence per share respectively.

The adjusted[1] ETR is therefore outside the full-year range that we indicated in our 2022 Interim Results, which showed an ETR of 27.9 per cent (H1 2021: 28.6 per cent), due to the unforecasted positive impacts described above.

We expect that the ETR in 2023 will be subject to upwards pressure, due to an increasing reweighting of the geographic split of adjusted[1] profit before tax away from the United Kingdom to Germany and the United States, where tax rates are higher, and also as governments across our primary jurisdictions come under fiscal and political pressure to increase corporation tax rates. Substantially enacted tax increases will take effect in the United Kingdom from 1 April 2023, with a rise from 19 per cent to 25 per cent.

The Group Tax Policy was reviewed during the year and approved by the Audit Committee and the Board, with no material changes from the prior year. We make every effort to pay all the tax attributable to profits earned in each jurisdiction that we operate. We do not artificially inflate or reduce profits in one jurisdiction to provide a beneficial tax result in another and maintain approved transfer pricing policies and programmes, to meet local compliance requirements. Virtually all of the tax charge in 2022 was incurred in either the United Kingdom, Germany or United States tax jurisdictions, as it was in 2021. Computacenter France, which includes the Computacenter NS acquisition within a tax group, has returned to a broadly break-even position, reducing the amount of tax paid locally.

There are no material tax risks across the Group. Computacenter will recognise provisions and accruals in respect of tax where there is a degree of estimation and uncertainty, including where it relates to transfer pricing, such that a balance cannot fully be determined until accepted by the relevant tax authorities. For 2022, the Group Transfer Pricing policy implemented in 2013 resulted in a licence fee of £38.7 million (2021: £30.3 million), charged by Computacenter UK to Computacenter Germany, Computacenter France and Computacenter Belgium. The licence fee is equivalent to 1.0 per cent of revenue and reflects the value of the best practice and know-how that is owned by Computacenter UK and used by the Group. It is consistent with the requirements of the Organisation for Economic Co-operation and Development (OECD) base erosion and profit shifting. The licence fee is recorded outside the Segmental results found in note 4 to the summary financial information within this announcement, which analyses Segmental results down to adjusted[1] operating profit.

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

	2022 £m	2021 £m
Tax charge	**64.8**	61.5
Adjustments to exclude:		
Tax on amortisation of acquired intangibles	**2.3**	2.1
Tax on exceptional items	**0.2**	-
Adjusted[1] tax charge	**67.3**	63.6
Effective tax rate	**26.0%**	24.8%
Adjusted[1] effective tax rate	**25.5%**	24.9%

Profit for the year

The profit for the year decreased by 1.2 per cent to £184.2 million (2021: £186.5 million). The adjusted[1] profit for the year increased by 2.3 per cent to £196.4 million (2021: £192.0 million) and by 1.4 per cent in constant currency[2].

Exceptional and other adjusting items

The net loss from exceptional and other adjusting items in the year was £12.2 million (2021: loss of £5.5 million). Excluding the tax items noted above, which resulted in a gain of £2.5 million (2021: gain of £2.1 million), the profit before tax impact was a net loss from exceptional and other adjusting items of £14.7 million (2021: gain of £7.6 million).

An exceptional loss during the year of £1.8 million resulted from costs directly relating to the acquisitions made during the year of BITS and Emerge. These costs include professional advisor fees and seller's fees that were paid on completion of the transaction. These costs are non-operational in nature, material in size and unlikely to recur and have therefore been classified as outside our adjusted[1] results. A further £2.0 million relating to the unwinding of the discount on the contingent consideration for the purchase of BITS has been removed from the adjusted[1] net finance expense and classified as exceptional interest costs.

There were no exceptional items in 2021.

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 £10.9 million (2021: £7.6 million), primarily relating to the amortisation of the intangibles acquired as part of the recent North American acquisitions. This includes the amortisation of a number of short-term acquired intangibles relating to the valuation of BITS order backlogs, due to the expiration of the valued assets.

Gross invoiced income (GII)

	Half 1 £m	Half 2 £m	Total £m
2020	2,462.2	2,979.1	5,441.3
2021	3,287.6	3,635.9	6,923.5
2022	**3,971.9**	**5,080.3**	**9,052.2**
2022/21	20.8%	39.7%	30.7%

Adjusted[1] profit before tax

	Half 1		Half 2		Total	
	£m	% GII	£m	% GII	£m	% GII
2020	74.6	3.0	125.9	4.2	200.5	3.7
2021	118.9	3.6	136.7	3.8	255.6	3.7
2022	**111.9**	**2.8**	**151.8**	**3.0**	**263.7**	**2.9**
2022/21	(5.9%)		11.1%		3.2%	

Gross invoiced income by Segment

	2022			2021		
	Half 1 £m	Half 2 £m	Total £m	Half 1 £m	Half 2 £m	Total £m
UK	**1,169.7**	**1,154.8**	**2,324.5**	1,031.5	1,032.2	2,063.7
Germany	**996.1**	**1,399.0**	**2,395.1**	929.7	1,120.4	2,050.1
France	**341.1**	**443.7**	**784.8**	313.1	340.3	653.4
North America	**1,344.2**	**1,936.9**	**3,281.1**	922.4	1,042.9	1,965.3
International	**120.8**	**145.9**	**266.7**	90.9	100.1	191.0
Total	**3,971.9**	**5,080.3**	**9,052.2**	3,287.6	3,635.9	6,923.5

Adjusted[1] operating profit by Segment

	2022					
	Half 1		Half 2		Total	
	£m	% GII	£m	% GII	£m	% GII
UK	**45.0**	**3.8**	**35.5**	**3.1**	**80.5**	**3.5**
Germany	**55.4**	**5.6**	**85.5**	**6.1**	**140.9**	**5.9**
France	**0.5**	**0.1**	**6.6**	**1.5**	**7.1**	**0.9**
North America	**20.3**	**1.5**	**32.7**	**1.7**	**53.0**	**1.6**
International	**4.6**	**3.8**	**6.7**	**4.6**	**11.3**	**4.2**
Central corporate costs	**(11.6)**		**(12.1)**		**(23.7)**	
Total	**114.2**	**2.9**	**154.9**	**3.0**	**269.1**	**3.0**

	2021					
	Half 1		Half 2		Total	
	£m	% GII	£m	% GII	£m	% GII

UK	51.7	5.0	51.2	5.0	102.9	5.0
Germany	61.1	6.6	76.7	6.8	137.8	6.7
France	(2.0)	(0.6)	5.5	1.6	3.5	0.5
North America	18.7	2.0	12.3	1.2	31.0	1.6
International	4.1	4.5	7.2	7.2	11.3	5.9
Central corporate costs	(11.1)		(12.6)		(23.7)	
Total	122.5	3.7	140.3	3.9	262.8	3.8

Earnings per share

Diluted EPS decreased by 1.1 per cent to 159.1 pence per share (2021: 160.9 pence per share). Adjusted[1] diluted EPS increased by 2.5 per cent to 169.7 pence per share (2021: 165.6 pence per share).

	2022	**2021**
Basic weighted average number of shares (excluding own shares held) (m)	**112.8**	113.0
Effect of dilution:		
Share options	**2.1**	2.2
Diluted weighted average number of shares	**114.9**	115.2
Profit for the year attributable to equity holders of the Parent (£m)	**182.8**	185.3
Basic earnings per share (pence)	**162.1**	164.0
Diluted earnings per share (pence)	**159.1**	160.9
Adjusted[1] profit for the year attributable to equity holders of the Parent (£m)	**195.0**	190.8
Adjusted[1] basic earnings per share (pence)	**172.9**	168.6
Adjusted[1] diluted earnings per share (pence)	**169.7**	165.6

Dividend

The Board recognises the importance of dividends to shareholders and the Group prides itself on a long track record of paying dividends and other special one-off cash returns.

Computacenter's approach to capital management is to ensure that the Group has a robust capital base and maintains a strong credit rating, whilst aiming to maximise shareholder value. The Group remains highly cash generative and adjusted net funds[3] continues to increase on the Consolidated Balance Sheet, which allowed acquisitions such as FusionStorm in 2018, Pivot in 2020 and BITS in 2022, alongside a number of other small acquisitions.

If further funds are not required for investment within the business, either for fixed assets, working capital support or acquisitions, and the distributable reserves are available in the Parent Company, we will aim to return the additional cash to shareholders through one-off returns of value, as we did in February 2018. As a business that has returned £885 million through a combination of dividends and share buybacks since flotation, with no additional investment required from shareholders over that time, we are committed to managing the cash position for shareholders and would look to return up to 10 per cent of the market capitalisation of the Company as soon as cash reserves have replenished to enable us to do so and, assuming no further acquisitions, we would aim to do this by the end of 2024 at the latest.

Dividends are paid from the standalone balance sheet of the Parent Company and, as at 31 December 2022, the distributable reserves were £246.3 million (31 December 2021: £199.3 million).

The Board is pleased to propose a final dividend for 2022 of 45.8 pence per share (2021: 49.4 pence per share). Together with the interim dividend, this brings the total ordinary dividend for 2022 to 67.9 pence per share, representing a 2.4 per cent increase on the 2021 total dividend per share of 66.3 pence.

The Board has consistently applied the Company's dividend policy, which states that the total dividend paid will result in a dividend cover of 2 to 2.5 times based on adjusted[1] diluted EPS. In 2022, the cover was 2.5 times (2021: 2.5 times).

Subject to the approval of shareholders at our 2023 Annual General Meeting, the date of which will be confirmed by way of separate announcement by the Company, the proposed dividend will be paid on Friday 14 July 2023. The dividend record

date is set as Friday 16 June 2023, and the shares will be marked ex-dividend on Thursday 15 June 2023.

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.

Total central corporate costs were flat on last year at £23.7 million (2021: £23.7 million). Within this:

- Board expenses, related public company costs and costs associated with Group Executive members not aligned to a specific geographic trading entity, decreased to £7.2 million (2021: £9.1 million). This level is comparable to that of 2020 with 2021 containing certain one-off costs in relation to the cancellation of Group-wide central meetings;
- share-based payment charges associated with Group Executive members as identified above, including the Group Executive Directors, decreased from £3.8 million in 2021 to £1.7 million in 2022, due primarily to the decreased value of Computacenter plc ordinary shares and the overall outlook for the vesting of in-flight PSP awards; and
- strategic corporate initiatives are designed to increase capability and therefore competitive position, enhance productivity or strengthen systems which underpin the Group. During the year this spend was £14.8 million (2021: £10.8 million), in line with forecasts, as the Group increases the pace at which it replaces legacy systems and consolidates around modern toolsets.

Cash flow

The Group delivered an operating cash inflow of £242.1 million for 2022 (2021: £224.3 million inflow).

During the year, net operating cash outflows from working capital, including inventories, trade and other receivables and trade and other payables, were £60.8 million (2021: £77.8 million outflow).

The Group had £417.7 million of inventory as at 31 December 2022, an increase of 22.4 per cent on the balance as at 31 December 2021 of £341.3 million. Whilst the closing balance was higher than the year before, it was materially lower than the high point of £532.6 million seen at the end of the third quarter.

Working capital cash flows during 2022 continued to be affected by both the revenue growth and the elevated inventory levels, in particular within our North American and German businesses. Throughout the year, a number of hyperscale customers continued to place advance orders of product with delayed delivery, due to the significant product shortages seen during the 18 months to 31 December 2022, to ensure continuity of supply. Additionally, inventory increased as we deliberately invested in working capital by pre-ordering inventory, once a committed purchase order had been received from the customer, thereby using the strength of our balance sheet to support our customers during product shortages. Further, a number of rack build orders took longer than expected to complete, sometimes due to shortages of smaller components required to complete the rack build. Finally, the transition of the FusionStorm business to the Group ERP, whilst now complete, did result in short-term operational issues that impacted working capital, as the picking and shipping of complex inventory items, invoicing and cash collection in particular experienced significant delays late in 2021. Whilst there is still scope for further efficiencies and process optimisation, this position has now significantly improved, as the FusionStorm entity has gained experience in using the system and tools and learnt how to leverage their advantages.

Reductions in inventory during the year were seen across the business, apart from in Germany where the workplace business has increased substantially, and North America. North American inventories, excluding the BITS business acquired during the year, increased by 16.8 per cent to £248.1 million, and increased by 4.5 per cent in constant currency[2]. The increase lagged revenue growth 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 41.8 per cent to £107.5 million, and by 34.4 per cent in constant currency[2] as inventory built up in the Integration Center, waiting for additional components and confirmed customer delivery dates before shipping to customers. We expect this German position to continue to improve during 2023. An additional Integration Center facility has been added near to the existing facility in Kerpen, which was running at record levels of capacity and utilisation, to provide additional inventory storage space and processing capacity which will, in turn, increase the throughput overall.

The implementation of additional inventory holding approval controls in the final quarter of the year, the continued focus from the Group Technology Sourcing and Finance teams, and the pending re-implementation of internal inventory holding charges across the sales teams from April 2023 has all contributed to this improvement. The sales teams are working with customers to realign inventory support expectations, now that the supply situation has materially improved across the industry. We expect that levels of inventory will continue to reduce towards historical operational norms during H1 2023.

At the end of 2022, as in 2021, the Group again saw significant levels of early payments from customers. Once again, we elected to retain the cash on the Group's balance sheet rather than make early payments to suppliers, to offset the extraordinary investments in working capital throughout 2022, as reflected in the closing inventory levels.

Capital expenditure in the year was £35.5 million (2021: £30.3 million) representing, primarily, investments in IT equipment and software tools, to enable us to deliver improved service to our customers.

The Group's Employee Benefit Trust (EBT) made market purchases of the Company's ordinary shares of £34.4 million (2021: £25.5 million) to satisfy maturing PSP awards and Sharesave schemes and to reprovision the EBT in advance of future maturities. During the year the Company received savings from employees of £6.2 million to purchase options within the Sharesave schemes (2021: £6.2 million).

During the year the Group made two acquisitions. The first was BITS, as described above, with the initial consideration paid of £26.6 million and net cash acquired of £0.6 million. The second was for Emerge for £3.0 million with net cash acquired of £0.7 million.

The Group reduced loans and credit facilities during the year by £16.6 million (2021: £89.0 million). We made regular repayments towards the loan related to the construction of the German headquarters in Kerpen and fully repaid the amount drawn under the Pivot credit facility and retired the arrangement, 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, which will then recover payment from the customer on terms agreed with them. The cost of such an arrangement is borne by the customer, either directly or indirectly, enabling us to receive the full amount of payment in line with our standard terms. The benefit to the cash and cash equivalents position of such arrangements as at 31 December 2022 was £45.1 million (31 December 2021: £53.7 million). During December 2022, the Group engaged in a limited factoring programme of trade receivables within the German business, on a non-recourse basis, to provide assurance against unforeseen liquidity issues which did not, in the event, arise due to the continued aforementioned strength of cash receipts in the final weeks of the year. This factoring was for £46.1 million or 2.7 per cent of the trade receivables before provisions balance as at 31 December 2022. The Group had no other debt factoring at the end of the year, outside this normal course of business. There was no debt factoring activity in December 2021 outside the normal course of business described above.

Cash and cash equivalents and net funds

Cash and cash equivalents as at 31 December 2022 were £264.4 million, compared to £273.2 million at 31 December 2021. Net funds as at 31 December 2022 were £117.2 million (31 December 2021: £95.3 million).

The Group excluded £127.1 million, as at 31 December 2022 (31 December 2021: £146.1 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.

Adjusted net funds[3] as at 31 December 2022 were £244.3 million, compared to adjusted net funds[3] of £241.4 million as at 31 December 2021.

Net funds as at 31 December 2022 and 31 December 2021 were as follows:

	31 December 2022 £m	**31 December 2021 £m**
Cash and short-term deposits	**275.1**	285.2
Bank overdraft	**(10.7)**	(12.0)
Cash and cash equivalents	**264.4**	273.2
Bank loans	**(20.1)**	(31.8)
Adjusted net funds[3] (excluding lease liabilities)	**244.3**	241.4
Lease liabilities	**(127.1)**	(146.1)
Net funds	**117.2**	95.3

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

The Group had five specific credit facilities in place during the year and no other material borrowings.

At the start of the year, Pivot had a substantially unutilised $100 million senior secured asset-based revolving credit facility, from a lending group represented by JPMorgan Chase Bank, N.A. This was repaid in full during 2022 and all security was released on termination of the arrangement.

In addition, Pivot had £9.7 million (31 December 2021: £9.4 million) financed with a major technology partner for hardware, software and resold technology partner maintenance contracts that the Company had purchased as part of a contract to lease these items to a key North American customer.

The recently acquired BITS subsidiary maintains a ringfenced 'accounts receivable and inventory flooring arrangement' facility with Wells Fargo of up to $100 million, secured on the assets of that subsidiary. The facility is provided on a rolling basis and the latest amendment was signed on 5 July 2022. There was $2.5 million interest-bearing debt relating to supplier invoices as at 31 December 2022, with an interest rate of 6.08 per cent.

On 9 December 2022, the Group entered into a multicurrency revolving loan committed facility of £200 million. This replaced the previous committed facility of £60 million which was terminated and all security was released. This new facility has a term of five years plus two one-year extension options exercisable on the first and second anniversary of the facility. The Group is subject to certain key financial covenants under this syndicated facility with Barclays, Lloyds, HSBC, BNP Paribas, JPMorgan Chase and PNC Bank. These covenants, as defined in the agreement, are monitored regularly to ensure compliance. As at 31 December 2022, the Group was in compliance with all covenants.

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 £10.4 million at 31 December 2022 (31 December 2021: £14.7 million).

There were no interest-bearing trade payables as at 31 December 2022 (31 December 2021: nil).

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

Trade creditor arrangements

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

Financial instruments

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

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

The main risks arising from the Group's financial instruments are interest rate, liquidity and foreign currency risks. The overall financial instruments strategy is to manage these risks in order to minimise their impact on the Group's financial results. The policies for managing each of these risks are set out below.

Interest rate risk

The Group finances its operations through a mixture of retained profits, bank borrowings, leases and loans for certain customer contracts. The Group's general bank borrowings, other facilities and deposits are at floating rates. No interest rate derivative contracts have been entered into. The undrawn committed facility of £200 million is at floating rates. However, the borrowing facility for the operational headquarters in Germany is at a fixed rate.

Liquidity risk

The Group's policy is to ensure that it has sufficient funding and facilities to meet any foreseeable peak in borrowing requirements. The Group's positive net cash was maintained throughout 2022 and at the year end was £264.4 million, with net funds of £117.2 million after including the Group's two specific borrowing facilities and lease liabilities recognised under IFRS 16. Excluding lease liabilities, adjusted net funds[3] was £244.3 million at the year end.

During the year, as the working capital of the Group increased, partly in order to support customers with longer lead times on hardware orders, that resulted in significantly higher inventory, the Group activated its uncommitted revolving credit facility and drew down £30 million to assure additional liquidity in the face of the working capital challenges, which the Group worked through towards the end of the third quarter of the year. This was fully repaid, and the facility was subsequently retired, before year end.

Due to strong cash generation over many years, the Group can currently finance its operational requirements from its cash balance, and it operates an informal cash pooling arrangement for the majority of Group entities. The Group has a committed facility of £200 million, which replaced previous facilities, that has an expiry date of 8 December 2027.

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

Foreign currency risk
The Group operates primarily in the United Kingdom, Germany, France and the United States of America, with smaller operations in Australia, Belgium, Canada, China, Hong Kong, Hungary, India, Ireland, Japan, Malaysia, Mexico, the Netherlands, Poland, Romania, South Africa, Singapore, Spain and Switzerland. The Group uses an informal cash pooling facility to ensure that its operations outside the UK are adequately funded, where principal receipts and payments are denominated in euros and US dollars. For countries within the Eurozone, the level of non-euro denominated sales is small and, if material, the Group's policy is to eliminate currency exposure through forward currency contracts. For our North American operations, most transactions are denominated in US dollars.

For the UK, the majority of sales and purchases are denominated in pounds sterling and any material trading exposures are eliminated through forward currency contracts.

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

In 2022, the Group recognised a loss of £2.5 million (2021: loss of £0.9 million) through other comprehensive income in relation to the changes in fair value of related forward currency contracts, where the cash flow hedges relating to firm commitments were assessed to be highly effective.

The Group reports its results in pounds sterling. The weakness of sterling against most currencies during 2022, in particular the US dollar, positively impacted our revenues and profitability as a result of the conversion of our foreign earnings. The euro exchange rates during the year were not materially dissimilar to those seen in 2021.

The impact of restating 2021 results at 2022 exchange rates would be an increase of £135.4 million in 2021 revenue and an increase of £2.8 million in 2021 adjusted[1] profit before tax.

Credit risk
The Group principally manages credit risk through customer credit limits. The credit limit is set for each customer based on its creditworthiness, using credit rating agencies as a guide, and the anticipated levels of business activity. These limits are determined when the customer account is first set up and are regularly monitored thereafter. There are no significant concentrations of credit risk within the Group. The Group's major customer, disclosed in note 4 to the summary financial information within this announcement, is a hyperscale North American technology company who typically settles outstanding amounts on shorter than average payment terms. The maximum credit risk exposure relating to financial assets is represented by their carrying value as at the balance sheet date.

Going Concern
Computacenter's business activities, business model, strategic priorities and performance are set out within the Group Finance Director's review.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out within the Group Finance Director's review.

The Directors have, after due consideration, and as set out in note 2 to the summary financial information within this announcement, a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the Consolidated Financial Statements. Thus, they continue to adopt the Going Concern basis of accounting in preparing the Consolidated Financial Statements.

Viability Statement

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

Viability timeframe

The Directors have assessed the Group's viability over a period of three years from 31 December 2022. This period was selected as an appropriate timeframe for the following reasons, based on the Group's business model:

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

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

- the continuing macroeconomic, diplomatic and trade environment, following the departure of the UK from the European Union, introduces greater uncertainty into a forecasting period longer than three years;
- the prolonged macroeconomic impact of Covid-19, and in particular the effect on certain of our customers from the worsening global economic outlook, and the current increasing pace of change of technology adoption as a result;
- continuing short-term product shortages, resulting primarily from the Covid-19 impact on supply chains; and
- the likely short- to medium-term impact of the Russian invasion of Ukraine on the global macroeconomic environment, and the current economic crisis, including an exacerbation of supply chain issues currently being experienced and higher inflation.

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

With regard to the principal risks, the Directors remain assured that the business model will be valid beyond the period of this Viability Statement. There will continue to be demand for both our Professional Services and Managed Services businesses, and Management is responsible for ensuring that the Group remains able to meet that demand at an appropriate cost to our customers. The Group's value-added, product reselling Technology Sourcing business only appears vulnerable to disintermediation at the low-end of the product range, as the Group continues to provide a valuable service to customers and technology vendors alike. The Group has seen significant business growth due to the end-to-end Technology Sourcing and Professional Services capability that it can deliver from its Integration Centers, which is a significant differentiating factor in this market.

Prospects of the Group assessment process and key assumptions

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

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

On a rolling annual basis, the Board considers a three-year business plan (the Plan) consisting of the detailed bottom-up financial target for the following year (2023) and forecast information for two further years (2024 and 2025), which is driven by top-down assumptions overlaid on the detailed target year (2023). Key assumptions used in formulating the forecast information include organic revenue growth, margin impacts and cost control, continued strategic investments through the Consolidated Income Statement, and forecast Group effective tax rates, with no changes to dividend policy or capital structure beyond what is known at the time of the forecast. The financial target for 2023 was considered and approved by the Board on 8 December 2022, with amendments and enhancements to the target as part of the full Plan considered and approved by the Board on 16 March 2023.

Impact of risks and assessment of viability

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

The potential impact of the principal risks and uncertainties is then applied to the Plan. This assessment includes only those

risks and uncertainties that, individually or in plausible combination, would threaten the Group's business model, future performance, solvency or liquidity over the assessment period and which are considered to be severe but reasonable scenarios. It also takes into account an assessment of how the risks are managed and the effectiveness of any mitigating actions.

The combined effect of the potential occurrence of several of the most impactful risks and uncertainties is then compared to the cash position generated throughout the sensitised Plan, to assess whether the business will be able to continue in operation.

For the current period, the primary downside sensitivity relates to a modelled, but not predicted, severe downturn in Group revenues, beginning in 2023, simulating a continued impact for some of our customers from the Covid-19 crisis, a reduction in customer demand due to the current economic crisis, and ongoing impact on the Group's revenues from 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 due to the current economic crisis. A further impact on the Group's Technology Sourcing revenues through the second half of 2023 from possible ongoing vendor-related supply shortage issues has also been included in the sensitivity analysis.

Conclusion

Based on the period and assessment above, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities, as they fall due, over the three-year period to 31 December 2025.

This Strategic Report was approved by the Board on 30 March 2023 and was signed on its behalf by:

MJ Norris	FA Conophy
Chief Executive Officer	Group Finance Director

Consolidated Income Statement

For the year ended 31 December 2022 (unaudited)

	Note	2022 £m unaudited	2021 £m (restated)
Revenue	4,5	**6,470.5**	5,034.5
Cost of sales		**(5,523.4)**	(4,166.7)
Gross profit	4	**947.1**	867.8
Administrative expenses		**(691.8)**	(612.0)
Impairment reversal/(loss) on trade receivables and contract assets		**1.1**	(0.6)
Operating profit		**256.4**	255.2
Finance income		**2.4**	0.3
Finance costs		**(9.8)**	(7.5)
Profit before tax		**249.0**	248.0
Income tax expense	7	**(64.8)**	(61.5)
Profit for the year		**184.2**	186.5
Attributable to:			
Equity holders of the Parent		**182.8**	185.3
Non-controlling interests		**1.4**	1.2
Profit for the year		**184.2**	186.5

Earnings per share:

	Note	2022 £m unaudited	2021 £m (restated)
- basic	8	**162.1p**	164.0p
- diluted	8	**159.1p**	160.9p

The comparative information is restated on account of a change in accounting policy for Technology Sourcing revenue and cost of sales, see note 3.

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022 (unaudited)

	2022 £m unaudited	2021 £m audited
Profit for the year	**184.2**	186.5
Items that may be reclassified to the Consolidated Income Statement:		
Loss arising on cash flow hedge	**(2.5)**	(0.9)
Income tax effect	**1.0**	0.2
	(1.5)	(0.7)
Exchange differences on translation of foreign operations	**47.5**	(9.6)
	46.0	(10.3)
Items not to be reclassified to the Consolidated Income Statement:		
Remeasurement of defined benefit plan	**1.7**	1.2
Other comprehensive expense for the year, net of tax	**47.7**	(9.1)
Total comprehensive income for the year	**231.9**	177.4
Attributable to:		
Equity holders of the Parent	**229.9**	176.2
Non-controlling interests	**2.0**	1.2
Total comprehensive income for the year	**231.9**	177.4

Consolidated Balance Sheet

As at 31 December 2022 (unaudited)

	Note	2022 £m unaudited	2021 £m audited
Non-current assets			
Property, plant and equipment		**94.1**	90.0
Right-of-use assets		**119.4**	138.1
Intangible assets		**342.1**	273.7
Investment in associate		**0.1**	0.1
Deferred income tax assets		**11.3**	30.2
Prepayments	5	**19.4**	16.6
		586.4	548.7
Current assets			
Inventories		**417.7**	341.3

Trade and other receivables		**1,713.2**	1,275.2
Income tax receivable		**14.6**	8.8
Prepayments	5	**130.5**	103.0
Accrued income	5	**135.2**	148.1
Derivative financial instruments		**7.5**	3.6
Cash and short-term deposits	9	**275.1**	285.2
		2,693.8	2,165.2
Total assets		**3,280.2**	2,713.9
Current liabilities			
Bank overdraft	9	**10.7**	12.0
Trade and other payables		**1,857.5**	1,410.4
Deferred income	5	**265.3**	249.3
Financial liabilities		**7.5**	15.1
Lease liabilities		**36.9**	43.0
Derivative financial instruments		**8.7**	2.5
Income tax payable		**56.4**	47.9
Provisions		**3.8**	3.5
		2,246.8	1,783.7
Non-current liabilities			
Financial liabilities		**12.6**	16.7
Lease liabilities		**90.2**	103.1
Deferred income	5	**7.9**	8.3
Retirement benefit obligation		**23.0**	21.8
Provisions		**7.0**	9.7
Deferred income tax liabilities		**20.7**	25.8
		161.4	185.4
Total liabilities		**2,408.2**	1,969.1
Net assets		**872.0**	744.8
Capital and reserves			
Issued share capital		**9.3**	9.3
Share premium		**4.0**	4.0
Capital redemption reserve		**75.0**	75.0
Own shares held		**(127.7)**	(115.5)
Translation and hedging reserve		**50.7**	5.4
Retained earnings		**854.4**	762.3
Shareholders' equity		**865.7**	740.5
Non-controlling interests		**6.3**	4.3
Total equity		**872.0**	744.8

Approved by the Board on 30 March 2023.

MJ Norris Chief Executive Officer	FA Conophy Group Finance Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022 (unaudited)

	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 2022	**9.3**	**4.0**	**75.0**	**(115.5)**	**5.4**	**762.3**	**740.5**	**4.3**	**744.8**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**182.8**	**182.8**	**1.4**	**184.2**
Other comprehensive income/(expense)	**-**	**-**	**-**	**-**	**45.3**	**1.8**	**47.1**	**0.6**	**47.7**
Total comprehensive income/(expense)	**-**	**-**	**-**	**-**	**45.3**	**184.6**	**229.9**	**2.0**	**231.9**
Cost of share-based payments	**-**	**-**	**-**	**-**	**-**	**8.6**	**8.6**	**-**	**8.6**
Tax on share-based payments	**-**	**-**	**-**	**-**	**-**	**(4.6)**	**(4.6)**	**-**	**(4.6)**
Exercise of options	**-**	**-**	**-**	**22.2**	**-**	**(16.0)**	**6.2**	**-**	**6.2**
Purchase of own shares	**-**	**-**	**-**	**(34.4)**	**-**	**-**	**(34.4)**	**-**	**(34.4)**
Equity dividends	**-**	**-**	**-**	**-**	**-**	**(80.5)**	**(80.5)**	**-**	**(80.5)**
At 31 December 2022	**9.3**	**4.0**	**75.0**	**(127.7)**	**50.7**	**854.4**	**865.7**	**6.3**	**872.0**
At 1 January 2021	9.3	4.0	75.0	(111.7)	15.7	635.5	627.8	3.1	630.9
Profit for the year	-	-	-	-	-	185.3	185.3	1.2	186.5
Other comprehensive income/(expense)	-	-	-	-	(10.3)	1.2	(9.1)	-	(9.1)
Total comprehensive income/(expense)	-	-	-	-	(10.3)	186.5	176.2	1.2	177.4
Cost of share-based payments	-	-	-	-	-	10.6	10.6	-	10.6
Tax on share-based payments	-	-	-	-	-	7.6	7.6	-	7.6
Exercise of options	-	-	-	21.7	-	(15.5)	6.2	-	6.2
Purchase of own shares	-	-	-	(25.5)	-	-	(25.5)	-	(25.5)
Equity dividends	-	-	-	-	-	(62.4)	(62.4)	-	(62.4)
At 31 December 2021	9.3	4.0	75.0	(115.5)	5.4	762.3	740.5	4.3	744.8

Consolidated Cash Flow Statement

For the year ended 31 December 2022 (unaudited)

	Note	2022 £m unaudited	2021 £m audited
Operating activities			
Profit before taxation		**249.0**	248.0

Net finance cost		**7.4**	7.2
Depreciation of property, plant and equipment		**21.5**	24.8
Depreciation of right-of-use assets		**50.5**	50.6
Amortisation of intangible assets		**18.9**	15.3
Share-based payments		**8.6**	10.6
Loss on disposal of intangibles		**-**	0.5
Loss/(Gain) on disposal of property, plant and equipment		**0.5**	(1.3)
Net cash flow from inventories		**(7.0)**	(131.5)
Net cash flow from trade and other receivables (including contract assets)		**(317.2)**	(238.5)
Net cash flow from trade and other payables (including contract liabilities)		**263.4**	292.2
Net cash flow from provisions and employee benefits		**(0.7)**	(1.7)
Other adjustments		**(0.1)**	1.3
Cash generated from operations		**294.8**	277.5
Income taxes paid		**(52.7)**	(53.2)
Net cash flow from operating activities		**242.1**	224.3
Investing activities			
Interest received		**2.4**	0.3
Acquisition of subsidiaries, net of cash acquired		**(28.3)**	(2.5)
Purchases of property, plant and equipment		**(23.7)**	(18.8)
Purchases of intangible assets		**(11.8)**	(11.5)
Proceeds from disposal of property, plant and equipment		**1.1**	7.5
Net cash flow from investing activities		**(60.3)**	(25.0)
Financing activities			
Interest paid		**(2.9)**	(2.3)
Interest paid on lease liabilities		**(4.9)**	(5.2)
Dividends paid to equity shareholders of the Parent		**(80.5)**	(62.4)
Proceeds from exercise of share options		**6.2**	6.2
Purchase of own shares		**(34.4)**	(25.5)
Repayment of loans and credit facility		**(20.6)**	(99.7)
Payment of capital element of lease liabilities		**(50.3)**	(50.2)
Borrowings		**4.0**	10.7
Net cash flow from financing activities		**(183.4)**	(228.4)
(Decrease)/increase in cash and cash equivalents		**(1.6)**	(29.1)
Effect of exchange rates on cash and cash equivalents		**(7.2)**	(7.5)
Cash and cash equivalents at the beginning of the year	9	**273.2**	309.8
Cash and cash equivalents at the year end	9	**264.4**	273.2

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

2 Summary of significant accounting policies
The accounting policies adopted are consistent with those of the previous financial year as applied in the 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') explained in note 3.2.1.

Effective for the year ending 31 December 2022
Apart from the changes discussed within note 3.2.1, no new standards, interpretations or amendments not yet effective are expected to have a material effect on the Group's financial statements.

2.1 Basis of preparation
These condensed Financial Statements have not been audited. Computacenter has completed its preparation of the Group's 2022 Annual Report and Accounts. The Group has, however, been advised by its auditor, KPMG, that their audit procedures are not yet fully complete and that they are therefore not yet in a position to sign their audit report on the Group's Statutory Consolidated Financial Statements for the year to 31 December 2022 and the Group's 2022 Annual Report and Accounts.

The Group is planning for the 2022 Statutory Consolidated Financial Statements to be signed by the Directors on 06 April 2023 to allow sufficient time for documentation to be sent to shareholders prior to the Annual General Meeting of the Company. However, based on the latest guidance from KPMG, the audit remains open, subject primarily to address KPMG's administrative and documentation procedures, and a further delay is possible. KPMG has confirmed to Computacenter that at the present time KPMG are not aware of any matters that may give rise to a modification to their audit report.

The summary financial information set out above does not constitute the Group's Statutory Consolidated Financial Statements for the years ended 31 December 2022 or 2021. The summary financial information set out above is derived from the Statutory Consolidated Financial Statements for the Group for the year ended 31 December 2021, prepared in accordance with adopted IFRS, which have been delivered to the Registrar of Companies. The auditor has reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of any emphasis without qualifying their opinion and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. The Statutory Consolidated Financial Statements for the Group for the year ended 31 December 2022 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the registrar of companies in due course.

This preliminary announcement does not constitute the Group's full financial statements for 2022. This report is based on accounts which are in the process of being audited and will be approved by the Board and subsequently filed with the Registrar of Companies in the United Kingdom. Accordingly, the financial information for 2022 is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the United Kingdom Companies Act 2006.

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

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

As described in note 3.2.1 and in accordance with IAS 8, a retrospective restatement of the prior year reported Financial Statements for 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.

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

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

The potential impact of the principal risks and uncertainties is then applied to the Plan. This assessment includes only those risks and uncertainties that, individually or in plausible combination, would threaten the Group's business model, future performance, solvency or liquidity over the assessment period and which are considered to be severe but reasonable scenarios. It also takes into account an assessment of how the risks are managed and the effectiveness of any mitigating actions.

For the current year, the primary downside sensitivity relates to a modelled, but not predicted, severe downturn in the Group's revenues, beginning in 2023, the primary downside sensitivity relates to a modelled, but not predicted, severe downturn in Group revenues, beginning in 2023, simulating a continued impact for some of our customers from the Covid-19 crisis, a reduction in customer demand due to the current economic crisis, and ongoing impacts on the Group's revenues from 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 due to the current economic crisis. A further impact on the Group's Technology Sourcing revenues through the second half of 2023 from possible ongoing vendor-related supply shortage issues has also been

included in the sensitivity analysis.

Our cash and borrowing capacity provides sufficient funds to meet the foreseeable needs of the Parent and Group. At 31 December 2022, the Group had cash and short-term deposits of £275.1 million and bank debt, primarily related to the recently built headquarters in Germany and operations in North America, of £20.1 million. On 9 December 2022, the Group entered into a new unsecured multicurrency revolving loan facility of £200.0 million in order to rationalise its treasury operations. The new facility has a term of five years plus two one-year extension options exercisable on the first and second anniversary of the facility. The Group-specific committed facility of £60.0 million that was due to expire on 8 September 2023 was terminated and all security was released. The revolving credit facility which its subsidiary, Pivot, had with JPMorgan Chase Bank, N.A. (JPMC) of $100.0 million that was due to expire on 14 May 2024 was also repaid in full and all security was released.

The Group has a resilient balance sheet position, with net assets of £872.0 million as at 31 December 2022. The Group made a profit after tax of £184.2 million, and delivered net cash flows from operating activities of £242.1 million, for the year ended 31 December 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 Parent and Group are well placed to manage business and financial risks in the current economic environment. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Parent and Group will be able to continue in operation and meet their liabilities as they fall due over the period of not less than 12 months from the date of signing the Consolidated Financial Statements and therefore have prepared the Consolidated Financial Statements on a going concern basis.

2.2 Basis of consolidation

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

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

Subsidiaries are consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which the Group no longer retains control. Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented separately from Parent shareholders' equity in the Consolidated Balance Sheet.

2.2.1 Foreign currency translation

Each entity in the Group determines its own functional currency and items included in the Financial Statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction or where relevant the rate of a specific forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the Consolidated Balance Sheet date. All differences are taken to the Consolidated Income Statement except foreign currency differences arising from the translation of qualifying cash flow hedges, which are recognised in the Consolidated Statement of Comprehensive Income, to the extent that the hedges are effective.

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

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

2.3 Revenue

Revenue is recognised when the Group's performance obligations are fulfilled to the extent of the amount which is expected to be received from customers as consideration for the transfer of goods and services to the customer.

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

revenue is then assessed for recognition purposes based upon the nature of the activity and the terms and conditions of the associated customer contract relating to that specific distinct performance obligation.

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

2.3.1 Technology Sourcing
The Group supplies hardware, software and resold third-party services (together as 'goods') to customers that are sourced from and delivered by a number of suppliers.

Technology Sourcing revenue is recognised when the Group's performance obligations are fulfilled at a point in time when control of the goods has been transferred to the customer. Typically, customers obtain control of the goods when they are delivered to and have been accepted at their premises, depending on individual customer arrangements. Invoices are routinely generated at despatch from our Integration Centers or, in the case of direct delivery by supplier, upon receipt at customer locations. At each reporting date, a process is undertaken to ensure revenue is not recognised for goods that have not been received by customers at that reporting date. Payment for the goods is generally received on, or before, industry-standard payment terms, ordinarily within 30 days. Refer to note 3.2.2 for 'bill and hold' transactions.

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

There are a variety of discounts and rebates provided to customers, which are assessed on a case-by-case basis as to whether the resulting payment to customers is for a distinct good or service (such as marketing) or for a promotional discount.

Technology Sourcing principal versus agent recognition
Management assesses the classification of certain revenue contracts for Technology Sourcing revenue recognition on either an agent or principal basis. Because the identification of the principal in a contract is not always clear, Management makes a determination by evaluating the nature of our promise to our customer as to whether it is a performance obligation to pass control of the specified goods or services ourselves, in that we are the principal, or to arrange for those goods or services to be provided by the other party, where we are the agent. See note 3.2.1 Technology Sourcing principal versus agent recognition for further information on this critical judgement. We determine whether we are a principal or an agent for each specified good or service promised to the customer by evaluating the nature of our promise to the customer against a non-exhaustive list of indicators that a performance obligation could involve an agency relationship:

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

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

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

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

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

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

A provision for forecast excess costs over forecasted revenue is made as soon as a loss is foreseen (see note 2.12.1 for further detail).

Payment for the Services, which are invoiced monthly, is generally on industry standard payment terms.

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

The specific performance obligations and invoicing conditions in our Managed Services contracts are typically related to the number of calls, interventions or users that we manage and therefore the customer simultaneously receives and consumes the benefits of the services as they are performed. The Group elects to use the practical expedient in IFRS 15.B16, as we have a right to consideration from our Managed Services customers in an amount that corresponds directly with the value to our customer of the Group's performance completed to date. The practical expedient applied permits the Group to recognise Managed Services revenue in the amount to which the entity has a right to invoice. Managed Services revenue is therefore recognised throughout the term of the contract, as services are delivered, with amounts recognised based on monthly invoiced amounts, as this corresponds to the service delivered to the customer and the satisfaction of the Group's performance obligations.

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

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

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

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

1. Win fees - The Group pays 'win fees' to certain employees as bonuses for successfully obtaining customer contracts. As these are incremental costs of obtaining a customer contract, they are deferred along with any associated payroll tax expense to the extent they are expected to be recovered. These balances are presented within prepayments in the Consolidated Balance Sheet. The win fee balance that will be realised after more than 12 months is disclosed as non-current.
2. Fulfilment costs - The Group often incurs costs upfront relating to the initial set-up phase of an outsourcing contract, which the Group refers to as Entry Into Service. These costs do not relate to a distinct performance obligation in the contract, but rather are accounted for as fulfilment costs under IFRS 15 as they are directly related to the future performance on the contract. They are therefore capitalised to the extent that they are expected to be recovered. These balances are presented within prepayments in the Consolidated Balance Sheet.

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

Any bid costs incurred by the Group's Central Bid Management Engines are not capitalised or charged to the contract, but instead directly charged to selling, general and administrative expenses as they are incurred. These costs associated with bids are not separately identifiable nor can they be measured reliably as the Group's internal bid teams work across multiple bids at any one time.

2.3.4 Contract assets and liabilities
A contract asset is recognised when the Group has a right to consideration for goods or services which have been transferred to the customer but have not been billed, therefore excluding receivable balances. Contract assets typically relate to longer term Professional and Managed services contracts where work has been performed but has not been invoiced to the customer, and are included within either prepayments or accrued income on the Consolidated Balance Sheet.

A contract liability is recognised when a customer pays the Group, or the Group has a right to consideration that is

unconditional, before the transfer of the goods or services to which it relates. Contract liabilities typically relate to longer-term Professional and Managed services contracts where consideration has been received under agreed billing timelines for which work has yet to be performed, and are included within deferred income on the Consolidated Balance Sheet.

2.3.5 Finance income
Income is recognised as interest accrues.

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

2.5 Adjusted[1] measures
The Group uses a number of non-Generally Accepted Accounting Practice (non-GAAP) financial measures in addition to those reported in accordance with IFRS. The Directors believe that these non-GAAP measures, set out below, assist in providing additional useful information on the underlying trends, performance and position of the Group. The non-GAAP measures are also used to enhance the comparability of information between reporting periods by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid the user in understanding the Group's performance.

Consequently, non-GAAP measures are used by the Directors and Management for performance analysis, planning, reporting and incentive-setting purposes. Adjusted measures have remained consistent with the prior year 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 3.2.1 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 *announcement* in understanding revenue growth on a 'Principal' basis and to assist in their assessment of working capital movements in the Consolidated Balance Sheet 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: 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 acquisitions, expenses related to material acquisitions, amortisation of acquired intangibles, utilisation of deferred tax assets (where initial recognition was as an exceptional item or a fair value adjustment on acquisition), and the related tax effect of these exceptional and other adjusting items, as Management does not consider these items when reviewing the underlying performance of the Segment or the Group as a whole.

A reconciliation to adjusted measures is provided in the Group Finance Director's review which details the impact of exceptional and other adjusting items when comparing to the non-GAAP financial measures, in addition to those reported in accordance with IFRS. Further detail is also provided within note 4, Segment information.

2.6 Impairment of assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where an asset does not have independent cash flows, the recoverable amount is assessed for the cash-generating unit (CGU) to which it belongs. These assets are tested across an aggregation of CGUs that utilise the asset. The recoverable amount is the higher of the fair value less costs to sell and the value-in-use of the asset or CGU. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the Consolidated Income Statement in those expense categories consistent with the function of the impaired asset.

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

that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. As the Group has no assets carried at revalued amounts, such reversal is recognised in the Consolidated Income Statement.

2.7 Property, plant and equipment

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

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

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

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

2.8 Leases

2.8.1 Group as lessee

Recognition of a lease

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

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

The Group elects to separate the non-lease components.

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

Right-of-use asset

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

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

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

Lease liability

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

Leases of low-value assets and short term

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

2.8.2 Group as a lessor

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

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

2.9 Intangible assets

2.9.1 Software and software licences

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

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

2.9.2 Software under development

Costs that are incurred and that can be specifically attributed to the development phase of management information systems for internal use are capitalised only if the expenditure can be measured reliably, the management information system is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Directly attributable costs that are capitalised typically include professional fees and cost of material/services consumed.

Capitalised development costs are recorded as intangible assets and amortised over their useful life from the point at which the management information system is ready for use.

Costs associated with maintaining in-use software programmes are recognised as an expense as incurred.

2.9.3 Other intangible assets

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

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

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable and expected useful lives are reviewed on a yearly basis.

2.9.4 Goodwill

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

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

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

2.10 Inventories

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

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

2.11 Financial assets

Financial assets are recognised at their fair value, which initially equates to the sum of the consideration given and the

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

2.11.1 Trade and other receivables
Trade receivables, which generally have 30- to 90-day credit terms, are initially recognised and carried at their original invoice amount less an allowance for any uncollectable amounts. The business model for trade receivables is that they are held for the collection of contractual cash flows, therefore they are subsequently measured at amortised cost. The trade receivables are derecognised on receipt of cash from the customer. The Group sometimes uses debt factoring, without recourse, to manage liquidity and, as a result, the business model for factored trade receivables is that they are not held for the collection of contractual cash flows. As a result, subsequent to initial recognition, they are measured at fair value through other comprehensive income (except for the recognition of impairment gains and losses and foreign exchange gains and losses, which are recognised in profit or loss).

Factored trade receivables are derecognised on receipt of cash from the factoring party. Given the short lives of the trade receivables, there are generally no material fair value movements between initial recognition and the derecognition of the receivable.

The Group assesses for doubtful debts (impairment) using the expected credit losses model as required by IFRS 9. For trade receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. Material or high-risk balances are reviewed and provided for individually based on a number of factors including:

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

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

For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts, where the overdrafts are repayable on demand and are part of the Group's cash management.

2.12 Financial liabilities
Financial liabilities are initially recognised at their fair value and, in the case of loans and borrowings (including credit facility), net of directly attributable transaction costs.

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

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

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

Customer contract provisions
Management monitors continually the financial performance of contracts, and where there are indicators that a contract could result in a negative margin, the future financial performance of that contract will be reviewed in detail. If, after further financial analysis, the full financial consequence of the contract can be reliably estimated, and it is determined that the contract is potentially loss-making, then the best estimate of the losses expected to be incurred until the end of the contract will be provided for.

In establishing if future costs are forecast to exceed the future revenue, Management will take into account the anticipated inflationary impact on the cost base, offset by any rights to increase pricing under Cost of Living Adjustment (COLA) clauses that have been incorporated in the customer contract.

The Group applies IAS 37 - 'Provisions, Contingent Liabilities and Contingent Assets' in its assessment of whether contracts are considered onerous and in subsequently estimating the provision. The Group's approach is to apply the Full cost approach which considers total estimated costs (i.e. directly attributable variable costs and fixed allocated costs) as included in the assessment of whether the contract is onerous or not and in the measurement of the provision.

A provision for onerous contracts is made as soon as a loss is foreseen and is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on incremental costs necessary to fulfil the obligation under the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

2.12.2 Restructuring provisions

The Group recognises a restructuring provision when there is a programme planned and controlled by Management that changes materially the scope of the business or the manner in which it is conducted.
Further to the Group's general provision recognition policy, a restructuring provision is only considered when the Group has a detailed formal plan for the restructuring identifying, as a minimum: the business or part of the business concerned; the principal locations affected; the location, function and approximate number of employees who will be compensated for terminating their services; the expenditures that will be undertaken; and when the plan will be implemented. The Group will only recognise a specific restructuring provision once those affected have a valid expectation that the Group will carry out the restructuring created by either the commencement of the restructuring implementation plan or the announcement of its main features to those affected by it.

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

2.12.3 Pensions and other post-employment benefits

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

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

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

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

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

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

2.13 Derecognition of financial assets and liabilities

2.13.1 Financial assets

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

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

2.13.2 Financial liabilities

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

2.14 Derivative financial instruments and hedge accounting

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

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of both the hedging instrument and the hedged item or transaction and then the economic relationship between the two, including whether the hedging instrument is expected to offset changes in cash flow of the hedged item. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows. The Group designates the full change in the fair value of the forward contract (including forward points) as the hedging instrument. Forward contracts are initially recognised at fair value on the date that the contract is entered into and are subsequently remeasured at fair value at each reporting date. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Forward contracts are recorded as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

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

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

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

2.15 Taxation

2.15.1 Current tax

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

2.15.2 Deferred income tax

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

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

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

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

2.16 Share-based payment transactions

Employees (including Executive Directors) of the Group can receive remuneration in the form of share-based payment

transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

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

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

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

Movements in the estimated employer's National Insurance liability related to the awards, carried on the Consolidated Balance Sheet, are recognised in the Consolidated Income Statement.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 8).

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

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

2.18 Fair value measurement
The Group measures certain financial instruments at fair value at each balance sheet date.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

3 Critical accounting estimates and judgements

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

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

During the year, Management reconsidered the critical accounting estimates and judgements for the Group. This process included reviewing the last reporting period's disclosures, the key judgements required on the implementation of forthcoming standards and the current period's challenging accounting issues. Where Management deemed an area of accounting to be no longer a critical estimate or judgement, an explanation for this decision is found in note 3.3 to the

summary financial information within this announcement.

3.1 Critical estimates
Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the year in which the estimates are revised and in any future years affected. The are no areas involving significant risk resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

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

Because the identification of the principal in a contract is not always clear, Management will make a determination by evaluating the nature of our promise to our customer as to whether it is a performance obligation to pass control of the specified goods or services ourselves, in that we are the principal, or to arrange for those goods or services to be provided by the other party, where we are the agent.

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

The Committee did not reach a definitive conclusion on the submission received, as it maintained that 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 standard software and have an impact on those 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 the following non-exhaustive list of indicators that a

performance obligation could involve an agency relationship:

- we do not control each specified good or service before that good or service is delivered 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.

As a result, 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 year Financial Statements and, in accordance with IAS8, a retrospective restatement of the relevant prior year reported Financial Statements:

- Revenue and cost of sales decreased by the value of revenue assessed as being recognised on an agency basis by £2,581.7 million in 2022 (2021: £1,889.0 million). The retrospective application of the agenda decision resulted in a reduction of previously reported revenue and cost of sales for 2021 by £1,691.3 million.
- Gross profit, operating profit, and profit before and after taxes have 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	**Adjustment to gross invoiced income for income recognised as agent £m**	**Revenue £m**	**Gross invoiced income £m**	**Adjustment to gross invoiced income for income recognised as agent £m**	**Revenue £m**
Year to 31 December 2021	**6,923.5**	**197.7**	**6,725.8**	**6,923.5**	**1,889.0**	**5,034.5**

3.2.2 Bill and hold

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

A bill and hold arrangement is only put in place when a customer lacks the physical space to store the product or the product previously ordered is not yet needed in accordance with the customer's schedule and the customer wants to guarantee supply of the product. In order to determine the bill and hold arrangements, the following criteria must be met:

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

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

£386.9 million of product sold is held by the Group for bill and hold transactions as at 31 December 2022 (2021: £281.9 million).

3.2.3 Exceptional items

Exceptional items remain a core focus of Management with the alternative performance measure regulations providing further guidance in this area.

Management is required to exercise its judgement in the classification of certain items as exceptional and outside of the Group's adjusted[1] results. The overall goal of Management is to present the Group's underlying performance without

distortion from one-off or non-trading events regardless of whether they are favourable or unfavourable to the underlying result.

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

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

Further details of the individual exceptional items, and the reasons for their disclosure treatment, are set out in note 6.

3.3 Change in critical estimates and critical judgements
During the year, Management reassessed the critical estimates and critical judgements.

Exceptional items have been included as a critical judgement since these are a core focus of Management when reporting alternative performance measures and require consideration of materiality, infrequency and nature of the items.

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

4 Segment information
The Segment information is reported to the Board and the Chief Executive Officer. The Chief Executive Officer is the Group's Chief Operating Decision Maker (CODM). The operating Segments remain unchanged from those reported at 31 December 2021.

The Segmental reporting structure is the basis on which internal reports are provided to the Chief Executive Officer, as the CODM, for assessing performance and determining the allocation of resources within the Group, in accordance with IFRS 8.25. Segmental performance is measured based on external revenues, gross profit, adjusted[1] operating profit and adjusted[1] profit before tax. Central Corporate Costs continue to be disclosed as a separate column within the Segmental note.

Segmental performance for the years ended 31 December 2022 and 31 December 2021 were as follows:

Year ended 31 December 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	**1,864.2**	**1,704.7**	**606.7**	**3,131.7**	**174.3**	**-**	**7,481.6**
Adjustment to gross invoiced income for income recognised as agent	**(1,055.1)**	**(551.6)**	**(170.9)**	**(773.8)**	**(30.3)**	**-**	**(2,581.7)**
Total Technology Sourcing revenue	**809.1**	**1,153.1**	**435.8**	**2,357.9**	**144.0**	**-**	**4,899.9**
Services revenue							
Professional Services	**147.5**	**315.7**	**41.7**	**122.5**	**9.2**	**-**	**636.6**
Managed Services	**312.8**	**374.7**	**136.4**	**26.9**	**83.2**	**-**	**934.0**
Total Services revenue	**460.3**	**690.4**	**178.1**	**149.4**	**92.4**	**-**	**1,570.6**
Total revenue	**1,269.40**	**1,843.5**	**613.9**	**2,507.3**	**236.4**	**-**	**6,470.5**
Results							
Gross profit	**259.2**	**325.1**	**76.7**	**238.3**	**47.8**	**-**	**947.1**
Adjusted[1] administrative expenses	**(178.7)**	**(184.2)**	**(69.6)**	**(185.3)**	**(36.5)**	**(23.7)**	**(678.0)**
Adjusted[1] operating profit/(loss)	**80.5**	**140.9**	**7.1**	**53.0**	**11.3**	**(23.7)**	**269.1**

	UK £m	Germany £m	France £m	North America £m	International £m	Central Corporate Costs £m	Total £m
Net interest	**2.6**	**(2.2)**	**(0.8)**	**(4.2)**	**(0.8)**	**-**	**(5.4)**
Adjusted[1] profit/(loss) before tax	**83.1**	**138.7**	**6.3**	**48.8**	**10.5**	**(23.7)**	**263.7**
Exceptional items:							
- unwinding of discount relating to acquisition of a subsidiary							**(2.0)**
- costs relating to acquisition of a subsidiary							**(1.8)**
Total exceptional items							**(3.8)**
Amortisation of acquired intangibles							**(10.9)**
Profit before tax							**249.0**

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

Year ended 31 December 2022

	Total £m
Adjusted[1] operating profit	**269.1**
Amortisation of acquired intangibles	**(10.9)**
Exceptional items	**(1.8)**
Operating profit	**256.4**

Year ended 31 December 2022

	UK £m	Germany £m	France £m	North America £m	International £m	Central Corporate Costs £m	Total £m
Other Segment information							
Property, plant and equipment	**29.6**	**40.7**	**5.6**	**11.7**	**6.5**	**-**	**94.1**
Right-of-use assets	**10.3**	**53.8**	**18.2**	**22.5**	**14.6**	**-**	**119.4**
Intangible assets	**49.5**	**17.5**	**10.4**	**250.6**	**14.1**	**-**	**342.1**
Capital expenditure:							
Property, plant and equipment	**7.2**	**7.8**	**2.2**	**3.9**	**2.6**	**-**	**23.7**
Right-of-use assets	**2.6**	**22.6**	**4.8**	**10.5**	**4.5**	**-**	**45.0**
Software	**10.5**	**0.5**	**0.3**	**0.1**	**0.4**	**-**	**11.8**
Depreciation of property, plant and equipment	**6.9**	**6.8**	**2.2**	**3.3**	**2.3**	**-**	**21.5**
Depreciation of right-of-use assets	**4.6**	**30.2**	**4.9**	**5.5**	**5.3**	**-**	**50.5**
Amortisation of software	**5.7**	**0.4**	**0.1**	**1.4**	**0.4**	**-**	**8.0**
Share-based payments	**5.9**	**1.9**	**0.1**	**0.7**	**-**	**-**	**8.6**

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**
Adjustment to gross invoiced income for income recognised as agent	(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**

* The comparative information is restated on account of a change in accounting policy for Technology Sourcing revenue and cost of sales, see note 3. Gross profit, operating profit, and profit before and after taxes have remained unchanged.

The reconciliation of adjusted[1] 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**

	UK £m	**Germany £m**	**France £m**	**North America £m**	**International £m**	**Central Corporate Costs £m**	**Total £m**
Other Segment information							
Property, plant and equipment	30.4	37.7	5.3	9.2	7.4	-	**90.0**
Right-of-use assets	12.5	77.2	17.4	15.0	16.0	-	**138.1**
Intangible assets	44.6	16.5	10.2	191.4	11.0	-	**273.7**
Capital expenditure:							
Property, plant and equipment	5.2	4.4	2.1	3.6	3.5	-	**18.8**
Right-of-use assets	3.0	52.3	8.0	4.1	2.8	-	**70.2**
Software	6.1	0.2	0.1	4.6	0.5	-	**11.5**

Depreciation of property, plant and equipment	10.3	6.2	3.1	2.9	2.3	-	**24.8**
Depreciation of right-of-use assets	3.2	31.7	4.4	4.8	6.5	-	**50.6**
Amortisation of software	5.6	0.6	0.1	1.2	0.2	-	**7.7**
Share-based payments	7.4	2.1	0.3	0.7	0.1	-	**10.6**

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

Information about major customers

Included in revenues arising from the North American Segment are revenues of approximately £975.3 million (2021: £651.7 million) which arose from sales to the Group's largest customer.

5 Revenue

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

	2022 £m	**2021 (Restated*) £m**
Revenue by type		
Gross invoiced income	**7,481.6**	5,472.6
Adjustment to gross invoiced income for income recognised as agent	**(2,581.7)**	(1,889.0)
Technology Sourcing revenue	**4,899.9**	3,583.6
Services revenue		
Professional Services	**636.6**	552.4
Managed Services	**934.0**	898.5
Total Services revenue	**1,570.6**	1,450.9
Total revenue	**6,470.5**	5,034.5

*The comparative information is restated on account of a change in accounting policy for Technology Sourcing revenue and cost of sales, see note 3.

Contract balances

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

	31 December 2022 £m	**31 December 2021 £m**
Trade receivables	**1,666.9**	1,239.8
Contract assets, which are included in prepayments	**23.7**	20.2
Contract assets, which are included in accrued income	**135.2**	148.1
Contract liabilities, which are included in deferred income	**273.2**	257.6

The prepayments balance within the Consolidated Balance Sheet of £149.9 million consists of £23.7 million contract assets and £126.2 million other prepayments.

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

allowance under IFRS 9. Specific provisions are made against material or high-risk balances based on trading experience or where doubt exists about the counterparty's ability to pay. The expected credit losses on contract assets which are within prepayments and accrued income are considered to be immaterial.

Significant changes in contract assets and liabilities
Contract assets are balances due from customers under long-term contracts as work is performed and therefore a contract asset is recognised over the period in which the performance obligation is fulfilled. This represents the Group's right to consideration for the services transferred to date. Amounts are generally reclassified to trade and other receivables when these have been certified or invoiced to a customer. Refer to note 2.11.1 for credit terms of trade receivables.

The increase in trade receivables mainly in the UK, Germany and North American Segments is driven by growth in revenue, as the Group experienced a particularly strong fourth quarter of the year.

Win fees, deferred contract costs and fulfilment costs are included in the prepayments balance above. The Consolidated Income Statement impact of the win fees was a recognition of a net income in 2022 of £2.7 million, with a corresponding cost to tax of £0.6 million for the year. As at 31 December 2022, the win fee balance was £11.4 million. The Consolidated Income Statement impact of fulfilment costs was a recognition of a net income in 2022 of £3.1 million, with a corresponding tax of charge of £1.1 million for the year.

As at 31 December 2022, the fulfilment costs balance was £4.9 million. No impairment loss was recorded for win fees or fulfilment costs during the year.

Revenue recognised in the reporting period from accrued income was £21.8 million, with a debit to foreign exchange of £8.9 million. No impairment loss was recorded for accrued income during the year.

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was £178.4 million. No revenue was recognised in the reporting period from performance obligations that were satisfied or partially satisfied in previous periods.

Remaining performance obligations (work in hand)
Contracts which have remaining performance obligations as at 31 December 2022 and 31 December 2021 are set out in the table below. The table below discloses the aggregate transaction price relating to those remaining performance obligations, excluding both (a) amounts relating to contracts for which revenue is recognised as invoiced and (b) amounts relating to contracts where the expected duration of the ongoing performance obligation is one year or less.

Managed Services

	Less than one year £m	**One to two years £m**	**Two to three years £m**	**Three to four years £m**	**Four years and beyond £m**	**Total £m**
As at 31 December 2022	**729.1**	**513.2**	**374.0**	**266.7**	**226.8**	**2,109.8**
As at 31 December 2021	720.4	466.4	315.8	209.0	226.7	1,938.3

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

6 Exceptional items

	2022 £m	**2021 £m**
Operating profit		
Costs relating to acquisition of a subsidiary	**(1.8)**	**-**
Exceptional operating loss	**(1.8)**	**-**
Interest cost relating to acquisition of a subsidiary	**(2.0)**	**-**
Loss on exceptional items before taxation	**(3.8)**	**-**
Income tax		
Tax credit relating to acquisition of a subsidiary	**0.2**	**-**
Loss on exceptional items after taxation	**(3.6)**	**-**

Included within 2022 are the following exceptional items:

- An exceptional cost during the year of £1.8 million resulted from costs directly relating to the acquisition of BITS

and Emerge. These costs primarily related to advisor's fees and seller's costs that were paid on completion of the transaction. As these costs are non-operational and unlikely to recur they have been classified as exceptional items, consistent with our prior-year treatment of acquisition costs on material transactions.

- A further £2.0 million relating to the unwinding of the discount on the contingent payment for the purchase of BITS have been classified as exceptional interest costs.
- A credit of £0.2 million arising from the tax benefit on the BITS exceptional acquisition costs has been recognised as tax on the above exceptional items. As this credit is related to the acquisition and not operational activity within BITS and is of a one-off nature, it was classified as an exceptional tax item.

7 Income tax

a) Tax on profit from ordinary activities

	2022 £m	2021 £m
Tax charged in the Consolidated Income Statement		
Current income tax		
UK corporation tax	**15.1**	23.8
Foreign tax:		
- operating results before exceptional items	**49.0**	45.1
- exceptional items	**(0.2)**	-
Total foreign tax	**48.8**	45.1
Adjustments in respect of prior years	**(5.1)**	0.2
Total current income tax	**58.8**	69.1
Deferred income tax		
Operating results before exceptional items:		
- origination and reversal of temporary differences	**1.0**	(4.2)
- change in tax rates	**0.6**	(3.3)
- adjustments in respect of prior years	**4.4**	(0.1)
Total deferred income tax	**6.0**	(7.6)
Tax charge in the Consolidated Income Statement	**64.8**	61.5

b) Reconciliation of the total tax charge

	2022 £m	2021 £m
Profit before income tax	**249.0**	248.0
At the UK standard rate of corporation tax of 19 per cent (2021: 19 per cent)	**47.3**	47.1
Expenses not deductible for tax purposes	**1.2**	0.3
Non-deductible element of share-based payment charge	**2.3**	0.1
Adjustments in respect of prior years	**(0.7)**	0.1
Effect of different tax rates of subsidiaries operating in other jurisdictions	**17.6**	16.2
Change in tax rate	**0.6**	(3.3)
Other differences	**0.5**	0.3
Overseas tax not based on earnings	**1.1**	1.6
Previously unrecognised tax losses used to reduce deferred income tax expense	**(3.2)**	-
Previously unrecognised tax losses used to reduce current tax expense	**(0.9)**	-
Tax effect of income not taxable in determining taxable profit	**(1.0)**	(0.9)
At effective income tax rate of 26.0 per cent (2021: 24.8 per cent)	**64.8**	61.5

Taxation for subsidiaries operating in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions, these being a blended rate of 32 per cent in Germany (2021: 32 per cent) and a blended (Federal/State) rate of 25 per cent in the US (2021: 27 per cent), which mainly drive the 'Effect of different tax rates of subsidiaries operating in other

jurisdictions' above.

c) Tax losses

Deferred income tax assets of £3.9 million (2021: £0.6 million) have been recognised in respect of losses carried forward, primarily in France. In considering the probable utilisation of the carried forward tax losses, and therefore the likely recoverability of these assets, the Group makes an assessment based upon a reasonably foreseeable timeframe, being typically up to three years, taking into account the future expected profit profile and business model of each relevant company or country. The reasonably foreseeable timeframe is derived based on the confidence the Group has in the performance of these companies or countries and therefore the reliability of forecasts over the timeframe in which the asset would be recovered. If the reasonably foreseeable timeframe is extended to five years for our French business, an additional £0.9 million of deferred income tax asset would be recognised.

As at 31 December 2022, there were further unused tax losses across the Group of £293.5 million (2021: £295.8 million) for which no deferred income tax asset has been recognised. Of these losses, £263.5 million (2021: £261.3 million) arise in France, £26.3 million (2021: £25.7 million) arise in Germany and £3.7 million (2021: £8.8 million) arise in the Netherlands. No deferred tax has been recognised on these losses due to the potential uncertainty around whether future taxable profits would be available against which these tax losses can be utilised. A significant proportion of the losses arising in Germany have been generated in statutory entities that no longer have significant levels of trade.

The Group has other timing differences, primarily in France, of £28.7 million, for which no deferred tax asset has been recognised. These timing differences mainly relate to the retirement benefit obligation which is of a long-term nature. The amount that would be recognised over our reasonably foreseeable timeframe of up to three years would therefore be immaterial.

In addition, there are unutilised capital tax losses as at 31 December 2022 of £7.4 million (2021: £7.4 million) but no deferred tax asset has been recognised as it is not considered probable that these losses will be utilised in the foreseeable future.

d) Deferred income tax

Deferred income tax as at 31 December 2022 and 31 December 2021 relates to the following:

	Consolidated Balance Sheet		**Consolidated Income Statement**		**Consolidated Statement of Comprehensive Income**	
	2022 £m	**2021 £m**	**2022 £m**	**2021 £m**	**2022 £m**	**2021 £m**
Deferred income tax assets/(liabilities)						
Property, plant and equipment	**(3.2)**	2.8	**(5.8)**	(0.2)	**-**	-
Intangible assets	**(29.9)**	(26.6)	**(0.2)**	0.5	**-**	-
Inventories	**3.9**	4.4	**(0.9)**	3.0	**-**	-
Derivative financial instruments	**1.2**	0.2	**-**	-	**1.0**	0.2
Share-based payments	**6.8**	14.6	**(0.8)**	2.6	**-**	-
Tax losses carried forward	**3.9**	0.6	**3.2**	0.1	**-**	-
Other temporary differences	**7.9**	8.4	**(1.5)**	1.6	**-**	-
Deferred income tax (charge)/credit			**(6.0)**	7.6	**1.0**	0.2
Net deferred income tax asset/(liabilities)	**(9.4)**	4.4				
Disclosed on the Consolidated Balance Sheet						
Deferred income tax assets	**11.3**	30.2				
Deferred income tax liabilities	**(20.7)**	(25.8)				
Net deferred income tax asset/(liabilities)	**(9.4)**	4.4				

Deferred tax is not recognised in respect of the Group's investments in subsidiaries where Computacenter is able to control the timing of remittance, or other realisation, of unremitted earnings and where remittance or realisation is not probable in the foreseeable future.

e) Factors affecting current and future tax charge

The main rate of UK Corporation tax for financial year 2022 is 19 per cent, as enacted in the Finance Act 2020. The March 2021 Budget announced that a rate of 25 per cent will apply with effect from 1 April 2023, and this change was substantively enacted on 11 March 2021. The deferred income tax in the summary financial information within this announcement reflects this.

We are closely monitoring the Organisation for Economic Co-operation and Development's Two Pillar Solution to address the tax challenges arising from the Digitalisation of the Economy, which are expected to come into force on 31 December 2023. The accounting implications under IAS 12 will be determined when the relevant legislation is available.

8 Earnings per share

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

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

	2022 £m	**2021 £m**
Profit attributable to equity holders of the Parent	**182.8**	185.3

	2022 £m	**2021 £m**
Basic weighted average number of shares (excluding own shares held)	**112.8**	113.0
Effect of dilution:		
Share options	**2.1**	2.2
Diluted weighted average number of shares	**114.9**	115.2

	2022 pence	**2021 pence**
Basic earnings per share	**162.1**	164.0
Diluted earnings per share	**159.1**	160.9

9 Analysis of changes in net funds

	At 1 January 2022 £m	**Cash flows in year £m**	**Non-cash flow £m**	**Exchange differences £m**	**At 31 December 2022 £m**
Cash and short-term deposits	**285.2**	**(2.9)**	**-**	**(7.2)**	**275.1**
Bank overdrafts	**(12.0)**	**1.3**	**-**	-	**(10.7)**
Cash and cash equivalents	**273.2**	**(1.6)**	**-**	**(7.2)**	**264.4**
Bank loans and credit facility	**(31.8)**	**12.9**	**-**	**(1.2)**	**(20.1)**
Adjusted net funds[3] (excluding lease liabilities)	**241.4**	**11.3**	**-**	**(8.4)**	**244.3**
Lease liabilities	**(146.1)**	**55.2**	**(28.7)**	**(7.5)**	**(127.1)**
Net funds	**95.3**	**66.5**	**(28.7)**	**(15.9)**	**117.2**

	At 1 January 2021 £m	**Cash flows in year £m**	**Non-cash flow £m**	**Exchange differences £m**	**At 31 December 2021 £m**
Cash and short-term deposits	309.8	(17.1)	-	(7.5)	285.2
Bank overdrafts	-	(12.0)	-	-	(12.0)
Cash and cash equivalents	309.8	(29.1)	-	(7.5)	273.2
Bank loans and credit facility	(121.2)	89.0	-	0.4	(31.8)

Adjusted net funds[3] (excluding lease liabilities)	188.6	59.9	-	(7.1)	241.4
Lease liabilities	(137.5)	55.4	(71.5)	7.5	(146.1)
Net funds	51.1	115.3	(71.5)	0.4	95.3

10 Related-party transactions

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

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

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

	2022 £m	**2021 £m**
Biomni Limited		
Sales to related parties	**-**	-
Purchase from related parties	**0.6**	0.6

There is no outstanding balance as at 31 December 2022 (31 December 2021: nil).

Terms and conditions of transactions with related parties

Outstanding balances at the year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related-party receivables. The Group has not recognised any allowance for expected credit losses relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel (including Directors)

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

	2022 £m	**2021 £m**
Short-term employee benefits	**2.1**	2.8
Social security costs	**0.5**	0.4
Share-based payment transactions	**3.4**	3.9
Pension costs	**0.1**	0.1
Total compensation paid to key management personnel	**6.1**	7.2

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