Computacenter - Final Results 2023

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Computacenter plc

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Computacenter plc

Final results for the year ended 31 December 2023

Computacenter plc ("Computacenter" or the "Group"), a leading independent technology and services provider, today announces audited results for the year ended 31 December 2023.

Financial highlights	**2023**	2022	**Change**	**Change in constant currency**[1]
Technology Sourcing gross invoiced income (*£m*)	**8,444.9**	7,481.6	12.9%	13.1%
Services revenue (*£m*)	**1,636.5**	1,570.6	4.2%	3.1%
Gross invoiced income[1] (*£m*)	**10,081.4**	9,052.2	11.4%	11.3%
Technology Sourcing revenue (*£m*)	**5,286.3**	4,899.9	7.9%	8.1%
Services revenue (*£m*)	**1,636.5**	1,570.6	4.2%	3.1%
Revenue (*£m*)	**6,922.8**	6,470.5	7.0%	6.9%
Gross profit *(£m)*	**1,044.0**	947.1	10.2%	9.8%
Gross margin *(%)*	**15.1%**	14.6%	+44bps	
Adjusted[1] operating profit *(£m)*	**271.5**	269.1	0.9%	0.6%
Adjusted[1] profit before tax (*£m*)	**278.0**	263.7	5.4%	5.1%
Adjusted[1] diluted earnings per share (*p*)	**174.8**	169.7	3.0%	
Dividend per share (*p*)	**70.0**	67.9	3.1%	
Net cash inflow from operating activities *(£m)*	**410.6**	242.1	69.6%	
Adjusted[1] net funds (*£m*)	**459.0**	244.3	87.9%	
Statutory measures	**2023**	2022	**Change**	
Operating profit (*£m*)	**268.8**	256.4	4.8%	
Profit before tax *(£m)*	**272.1**	249.0	9.3%	
Diluted EPS (*p*)	**173.2**	159.1	8.9%	
Net funds (*£m*)	**343.6**	117.2	193.2%	

[1]Alternative performance measures (APMs) and other terms are used throughout this announcement. These are defined in full in the appendix to this announcement.

Financial highlights - 19th consecutive year of adjusted EPS growth

- Another record year of revenue, gross profit and adjusted EPS while continuing to invest for future growth
- Gross invoiced income of over £10bn, up 11.4%, driven by strong growth in Technology Sourcing and solid growth in Services, with gross profit up 10.2%

- Adjusted PBT up 5.4% reflecting higher levels of strategic investment; adjusted diluted EPS up 3.0%
- Excellent cash generation driven by effective inventory management with adjusted net funds increasing by £214.7m to £459.0m

Operational and strategic highlights

- Strong Group performance reflects the benefits of our integrated Technology Sourcing and Services model as well as our broad geographic diversity
- Technology Sourcing gross invoiced income growth of 13.1% in constant currency, driven by resilient large enterprise spend and further market share gains
- Services revenue growth of 3.1% in constant currency, with gross margin performance improving across the year
- Continued momentum in Germany with adjusted operating profit increase of 13.8% in constant currency, reinforcing our leading market position
- Strong growth in North America with adjusted operating profit increase of 24.0% in constant currency, demonstrating the scale of the long-term growth opportunity
- £28.1m of investment in strategic initiatives (2022: £14.8m) to improve our capabilities, enhance productivity and secure future growth
- 2032 mid-term and 2040 Net Zero targets approved by SBTi as part of our Sustainability roadmap

Shareholder returns

- Proposed final dividend of 47.4p, increasing the full year dividend by 3.1% to 70.0p
- Given the strength of our balance sheet we continue to evaluate a number of capital allocation options

Outlook

- Expect to make further progress in 2024 with growth weighted to the second half of the year, reflecting a significantly more challenging comparison in the first half of the year than in the second half

Mike Norris, Chief Executive Officer of Computacenter plc, commented:
"We delivered our nineteenth consecutive year of growth in adjusted earnings per share, outperforming our markets in 2023, as our large customers continued to invest heavily in new technology. We managed an uncertain macroeconomic backdrop and inflationary pressures effectively, reduced our inventory significantly, resulting in a record net cash position. As planned, we stepped up our investment in strategic initiatives to underpin our competitiveness and future growth.

"Overall we expect 2024 to be another year of progress with growth weighted to the second half, while continuing to invest for future growth. Looking further ahead, the combination of the strength of our integrated Technology Sourcing and Services model and our geographic diversity, gives us continued confidence in our long-term growth prospects."

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About Computacenter:

Computacenter is a leading independent technology and services provider, trusted by large corporate and public sector organisations. We are a responsible business that believes in winning together for our people and our planet. We help our customers to Source, Transform and Manage their technology infrastructure to deliver digital transformation, enabling people and their business. Computacenter plc is a public company quoted on the London Stock Exchange (CCC.L) and a member of FTSE 250. Computacenter employs over 20,000 people worldwide.

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 Computacenter plc 2023 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.

Chief Executive Officer's review

2023 was another record year for Computacenter, with further growth in gross profit, adjusted profit before tax and adjusted earnings per share. This reflects the strength and benefits of our integrated Technology Sourcing and Services model, as well as our geographic diversity. We achieved this result despite the uncertain macroeconomic backdrop and elevated inflation, while increasing our investment in strategic initiatives to secure future growth.

By staying faithful to our strategy and focusing on customer needs, over the last five years we have grown organically and also significantly expanded our geographic footprint through targeted acquisitions in North America. This enlarged platform has delivered a step change in profits, with adjusted profit before tax and adjusted earnings per share more than doubling over the same period.

We now have more than 20,000 colleagues worldwide and their commitment to our customers drives our success. We believe in empowering our people and helping them to make good business decisions. With an average service length of over nine years, many have devoted significant parts of their careers to Computacenter and I thank them all for their contribution and agility, especially in navigating the various significant unexpected events of recent years.

Outperforming our markets

In 2023 we grew faster than both the market and our major competitors and have gained further market share as a result. We benefited from our target market, the largest organisations, proving the most resilient and continuing to invest in technology, combined with the breadth of our capability across Technology Sourcing and Services. Notable features of 2023 have been the ongoing growth of our share with some existing large customers, in addition to acquiring some strategically significant new customers, with whom we expect to grow in the coming years. We are grateful for their faith in us and look forward to supporting their ambitions.

Technology Sourcing

Technology Sourcing grew by 12.9% on a gross invoiced income basis and by 13.1% in constant currency, fuelled by strong growth in networking and data center. Workplace-related activity remained subdued following the significant spend during the pandemic but will naturally recover as customers refresh the workplace environment and implement new technologies, including AI. During the year, and notably in the first half of 2023 we benefited from exceptional demand from certain customers, which we expect to normalise in 2024. Gross margin performance was robust, reflecting our scale benefits and changes in product mix.

Industry supply chains and customer ordering behaviours have returned to pre-Covid normalised levels, with customers no longer placing long lead-time orders due to the improved availability of product. Backlogs for most of our geographies have therefore decreased and as a consequence we responded by managing down our inventory position very effectively, which has helped drive very strong cash generation.

We continue to invest in and develop our value-added services to ensure our customers have consistently great experiences. Our Integration Centers are benefiting from investment in greater automation to improve efficiency and agility. Our international reach, which matches the footprint of many of our large multi-national customers, is helping us to win new business and is an ongoing source of differentiation. Our Circular Services capability is also helping customers deliver on their sustainability agendas.

Services

Services, which encompasses Professional and Managed Services, is critical to our business model. In 2023 Services revenue increased by 4.2% and by 3.1% in constant currency. Our Services gross margin was impacted by inflation during the year. However it remains healthy versus historical levels and improved as the year progressed, as we made efficiencies and took advantage of contractual opportunities to recover cost increases.

Customers value our highly skilled consultants, engineers and programme managers across our Professional Services business, using them to deploy new digital technology, from complex network and data center integrations to workplace rollouts. Professional Services has been a strong driver of growth for Services over the last five years, and we see it as an important future revenue and profit-growth driver for the Group.

In 2023, we grew Professional Services revenue by 6.6% and by 5.7% in constant currency, fuelled by another strong performance in Germany, which reflects the strength and breadth of our capability and depth of relationships with large corporate and public sector customers. We are committed to growing and enhancing Professional Services by having a broader and scalable portfolio across all countries, based on a common operating framework and a strong sales approach.

Managed Services generates visible long-term contract revenue, as we maintain, support and manage our customers' IT

infrastructure and operations, to improve quality and flexibility while reducing costs. These services are important to the longevity of our customer relationships, with more than three-quarters of our major European headquartered customers contracting with us, supported by our Service Centers globally.

In 2023, we grew Managed Services revenue by 2.5% and by 1.3% in constant currency. Managed Services contracts generally have specific cost of living adjustment clauses within them that enable us to increase our rate card prices and recover increases in our costs at a later date which helped our margin performance as the year progressed. Towards the end of the year, we won some significant new contracts which will contribute from 2024 onwards.

To offer increased value to our customers we continue to invest in new and improved systems, greater automation and offshoring. We now have nearly 1,400 colleagues in India versus 1,100 at the end of 2022, serving our customers. The market opportunity for Managed Services is substantial in our core areas of workplace, networking, infrastructure and cloud.

Diversified across markets

Germany had an excellent year, continuing its strong growth trajectory in 2023 as it consolidated its market-leading position for large corporate and public sector customers. Germany's performance reflects our deep capabilities in technology areas such as networking and cyber and our ability to support customers at every stage of the IT lifecycle.

In North America, the largest market globally, we have a clear long-term growth opportunity as we continue to leverage Computacenter's broader capability and resources. In 2023, we further integrated the businesses we have acquired and at the same time delivered a strong financial performance.

We are also pleased to see positive momentum in France, where our enlarged business is starting to deliver on its potential, as well as strong performances in Belgium and the Netherlands. Our UK performance was disappointing, reflecting in part higher exposure to subdued workplace demand. We responded by making changes to our UK leadership team and our sales approach and saw the benefits start to come through at the end of last year.

Investing to secure future growth

2023 has been a year of significant additional investment in critical strategic initiatives, which will improve our capabilities and productivity, enable us to further leverage AI solutions, and underpin our systems for the future. This investment increased by £13m to £28m and we expect to maintain our spending at this level in 2024.

Most of the investment is focused on our systems. We are not just upgrading but also moving to new systems to obtain the security and support we need and to develop competitive advantage through new toolsets and processes, all of which will help secure future growth.

Cyber security remains one of the greatest risks to our business. It also presents one of the greatest opportunities to differentiate ourselves from our competitors, both through our own resilience and by helping our customers to overcome the same challenges. We will continue to invest significantly to mitigate cyber risks.

Strong inventory management driving excellent cash generation and balance sheet strength

As noted above, the easing of supply chain challenges and better availability of product in 2023 meant customers reverted to more normal ordering patterns and we reduced our inventory significantly as a result. Consequently we generated excellent levels of cash that exceeded our expectations.

The Group had £216.0m of inventory as at 31 December 2023, a decrease of 48.3% since 31 December 2022 (£417.7m). Adjusted net funds increased by £214.7m to £459.0m at the year end.

The strength of our balance sheet provides us with significant optionality, and we continue to evaluate a number of capital allocation options, including potential inorganic growth and the return of surplus capital to shareholders.

Outlook

Looking ahead to 2024, in the context of a continuing uncertain macroeconomic backdrop, the Group is well positioned to continue to compete and gain further market share.

As anticipated, we expect to see Technology Sourcing volumes normalise in 2024 as some of the high-volume, lower-margin projects we delivered, especially in the first half of 2023, were completed. In Services we expect continued growth while inflationary pressures are expected to moderate further.

We will continue to invest in strategic initiatives to enhance our systems and improve our competitive position to sustain our long-term performance. At the same time, we are increasingly focused on delivering productivity benefits across the Group.

Overall we expect to make further progress in 2024 with growth weighted to the second half of the year, reflecting a significantly more challenging comparison in the first half of the year than in the second half.

Looking further ahead, we are excited by the pace of innovation and growth in demand for technology. With our strength in Technology Sourcing, Professional Services and Managed Services, and focus on retaining and maximising customer relationships over the long term, we believe that we are well placed to deliver profitable growth and sustained cash generation.

Technical guidance for 2024:

- Strategic initiatives spend expected to be £28-30m
- Adjusted effective tax rate expected to be 28.5%-30.5%
- Capex expected to be £35-40m
- Dividend cover of 2-2.5x adjusted diluted EPS

Our strategic focus

Focus on Target Market Customers: We focus only on a target market of the largest corporate and public sector organisations in each of our Sales countries. These target market customers require us to offer significant flexibility to meet their specific needs while also being competitive in each part of our portfolio. We invest in sales and customer engagement teams to build long-term relationships which earn customer loyalty. We work hard to get to know our customers, understand their needs and put them at the heart of everything we do.

Build Service Line scale and competitive advantage: We want to be the logical choice for our target market customers in the activities in which we focus. Our Service Lines of Technology Sourcing, Professional Services and Managed Services are focused on building and leveraging capabilities to meet customer needs efficiently and consistently and to build economic advantage.

Empower our People: We work hard to understand the needs of our customers and allow our customer-facing people to make responsible decisions that help us meet the needs of our customers faster. It is an essential part of our culture and helps us to differentiate from our competition, ensuring that we are focused on the needs of our target market customers and that our investments deliver an effective return. We empower our customer-facing people, while ensuring that all decisions are taken within a clear governance framework, supported by strong customer profitability reporting and clear remuneration plans.

We measure our strategic progress as follows:

Customer relationships: retain and maximise the relationships with our large corporate and public sector customers over the long term

In 2023, we finished with 183 customers generating over £1m of gross profit, a decline of five from the previous year. This decline is unusual in a year in which we have maintained positive performance momentum. It is due to a diversity of performance from our customer base - a small number of customers have contributed significantly to our overall gross profit through significant investment programmes, while others have temporarily fallen below the £1m threshold, although they have continued to spend with us. While the decline is due to customer spending patterns, we are not complacent about this measure and have placed renewed focus on improvement in this KPI in the years ahead, through both growth in spend with existing customers as well as new customer acquisition. At the same time, we are pleased that the diversity and breadth of our customer base has delivered resilience in our performance.

Services growth: lead with and grow Services

In 2023, we grew Services revenue by 3.1% in constant currency in the context of a market where some services competitors have been showing revenue decline. Group Professional Services revenue grew by 5.7% in constant currency, despite a decline in the UK. Our Germany business, where we have built greater scale and competitive advantage, continues to set a benchmark for the levels of Professional Services growth achievable, with an increase of 13.5% in constant currency. We believe that we can grow Professional Services across the Group significantly. We have organised our previously disparate Professional Services resources into a single Group Service Line to provide the necessary focus and to leverage our success in Germany across the Group.

Group Managed Services revenue grew by 1.3% in constant currency. Our Managed Services business has continued to make reasonable progress in challenging market conditions. Despite the impact of inflation and resulting upward pressure on our cost base, customers continue to expect productivity gains through systems and automation, the development of which requires sustained and consistent investment. We are particularly pleased with some new Managed Services contract wins towards the end of 2023, which will support our continued growth in the years ahead.

Productivity: increase the adjusted operating profit we retain as a proportion of our gross profit

Productivity is an important driver of value for the Group and we have broadened the way we measure this KPI. We are using gross profit conversion as the best overall productivity measure for our business across all our activities. It measures how much of our gross profit we convert into adjusted operating profit and helps measure how effectively we use our scale to improve operational leverage.

Management has already been incentivised on this KPI internally for some years. Gross profit conversion increased to 30.1% in 2021, as a result of both increased gross profit generation and improved Services productivity as a result of the Covid-19 pandemic. In 2022, Services productivity returned to more normal levels while inflation increased selling, general and administrative costs, resulting in a decline of gross profit conversion to 28.4%.

At the end of 2022 and throughout 2023 we have increased central corporate costs, primarily driven by the increased spend in strategic initiatives, resulting in a reduction in gross profit conversion to 26.0%. We believe this investment is essential to underpin our long-term competitiveness and will continue at an increased level in 2024.

Responsible business

Computacenter continues to make good progress in line with our Sustainability Strategy, maintaining Carbon Neutrality for Scope 1 and 2 emissions for the second year. In 2023, we became one of the first in our industry to have our near-term, long-term and 2040 Net Zero targets approved by SBTi. During the same period, we saw our annual CDP disclosure ranking increase again, this time to A-.

In parallel, we have been creating positive impact for our people, customers and communities as part of our Social Strategy. Within our business, we have increased the percentage of senior roles held by women and the percentage of women across our workforce; we now have 1,400 more women than we did four years ago. This is just one of the areas of progress across our Diversity and Inclusion programmes.

We have also continued in our support of the communities around us, combining fundraising for charities with our own outreach and volunteering initiatives. During 2023, in the UK alone, we reached 21,135 young people through our social outreach programmes delivered by our volunteer network.

Underpinning our responsible business approach is our Sustainable Operations Strategy, which combines the systems and actions we need to ensure our environmental, social and compliance goals are addressed across our business and supply chain.

Summary of 2023 Group performance

In 2023, we continued to see strong demand for Technology Sourcing, with our target market, the largest customers, proving the most resilient and continuing to invest in technology. We grew our share within existing customers and also acquired new customers. Our Services business delivered solid growth during the year, with Professional Services revenue growing faster than Managed Services.

Total gross invoiced income increased by 11.4% and by 11.3% in constant currency and total revenue increased by 7.0% and by 6.9% in constant currency. Gross profit increased by 10.2% on a reported basis and by 9.8% in constant currency, driven by the strength of Technology Sourcing. Group gross margin increased by 44 basis points to 15.1%, reflecting a 74 basis points increase in Technology Sourcing and a 32 basis points decline in Services.

Adjusted operating profit increased by 0.9% on a reported basis and by 0.6% in constant currency, largely reflecting the impact of inflation and incremental investment in strategic initiatives. By geography, Germany and North America delivered strong growth in adjusted operating profit, more than offsetting a weaker performance in the UK.

Adjusted profit before tax increased by 5.4% on a reported basis and by 5.1% in constant currency, benefiting from higher net finance income. Adjusted diluted EPS increased by 3.0%, reflecting an increase in the effective tax rate to 27.6% (2022: 25.5%). Profit before tax increased by 9.3%. The difference between profit before tax and adjusted profit before tax relates

to the Group's net costs of £5.9m from exceptional and other adjusting items, related to exceptional and other adjusting items associated with the acquisitions of Pivot and BITS. Diluted EPS increased by 8.9%.

Our cash performance was excellent as we reduced inventory, resulting in an increase of adjusted net funds of £214.7m to £459.0m.

Group performance

Results	**2023 £m**	2022 £m	Change	Change in constant currency
Technology Sourcing gross invoiced income	**8,444.9**	7,481.6	12.9%	13.1%
Services revenue	**1,636.5**	1,570.6	4.2%	3.1%
Professional Services revenue	**678.8**	636.6	6.6%	5.7%
Managed Services revenue	**957.7**	934.0	2.5%	1.3%
Total gross invoiced income	**10,081.4**	9,052.2	11.4%	11.3%
Technology Sourcing revenue	**5,286.3**	4,899.9	7.9%	8.1%
Services revenue	**1,636.5**	1,570.6	4.2%	3.1%
Professional Services revenue	**678.8**	636.6	6.6%	5.7%
Managed Services revenue	**957.7**	934.0	2.5%	1.3%
Total revenue	**6,922.8**	6,470.5	7.0%	6.9%
Gross profit	**1,044.0**	947.1	10.2%	9.8%
Adjusted total administrative expenses	**(772.5)**	(678.0)	13.9%	13.5%
Adjusted operating profit	**271.5**	269.1	0.9%	0.6%
Net adjusted finance income / (costs)	**6.5**	(5.4)		
Adjusted profit before tax	**278.0**	263.7	5.4%	5.1%
Adjusted diluted earnings per share (p)	**174.8**	169.7	3.0%	
Gross profit	**1,044.0**	947.1	10.2%	
Total administrative expenses	**(783.3)**	(690.7)	13.4%	
Other income related to acquisition of subsidiary	**5.3**	-		
Gain on acquisition of subsidiary	**2.8**	-		
Operating profit	**268.8**	256.4	4.8%	
Net finance income / (costs)	**3.3**	(7.4)		
Profit before tax	**272.1**	249.0	9.3%	
Diluted EPS (p)	**173.2**	159.1	8.9%	

Technology Sourcing

Technology Sourcing achieved strong growth during the year, driven by the spread of the customer base across multiple market segments, technology lines and geographies, which create durability and sustainability through diversification. After a very strong performance in the first half driven by certain high-volume projects, as expected, the second half saw more normalised activity levels as these were completed.

Group Technology Sourcing gross invoiced income grew by 13.1% in constant currency. Technology Sourcing gross margin increased by 74 basis points, reflecting broad-based improvements largely offsetting the impact of certain projects with lower-margin volumes, and a higher-software mix.

By technology area demand has been strongest in networking and data center. Workplace has been subdued reflecting high levels of investment during the pandemic. Customers continue to re-engineer IT structures and employ digital transformation to cope with the ever-evolving technology landscape and the need to reduce non-IT operating costs. The heightened cyber threat landscape continues to drive demand in this area.

By geography, Germany and North America were the key drivers of growth. North America benefited in particular from certain high-volume, lower-margin projects which are expected to normalise in 2024.

Our product order backlog, which is the total value of committed outstanding purchase orders placed with our technology vendors against non-cancellable sales orders for delivery within 12 months, as at 31 December 2023, is significantly lower than the prior-year equivalent. The reduction largely reflects the completion of certain high-volume projects in North America and the return to usual customer ordering behaviour as industry supply chains returned to normal. The product order backlog at 31 December 2023 was £1,222.3m, on a gross invoiced income basis, a 56.3% decrease since 31 December 2022 (£2,794.6m) in constant currency.

The Technology Sourcing backlog, alongside the Managed Services contract base and the Professional Services forward order book, provide visibility of future revenues in these areas.

Services

Our Services performance for the year was solid. Total Services revenue grew by 3.1% in constant currency. Services gross margin decreased by 32 basis points during the year, mainly reflecting the impact of inflation and some onboarding costs for contracts won in 2022. We managed our margin recovery more effectively across the year, resulting in a better margin performance in the second half.

Professional Services revenue grew by 5.7% in constant currency and accounted for 41% of total Services revenue. Germany, our largest source of Professional Services revenue, grew strongly during the year across all solutions lines. This outweighed the weaker performance in the UK, which reflected the softer environment for workplace.

Managed Services revenue grew by 1.3% in constant currency and accounted for 59% of total Services revenue. Germany, our largest source of Managed Services revenue, grew well during the year reflecting contracts won in 2022. The UK experienced a slight decline in revenue in 2023, although a number of contract wins towards the end of the year are expected to support growth in 2024 and beyond.

Trading reviews by geography

United Kingdom

Results	2023 £m	2022 £m	Change
Technology Sourcing gross invoiced income	**1,938.1**	1,864.2	4.0%
Services revenue	**441.9**	460.3	(4.0%)
Professional Services revenue	**132.2**	147.5	(10.4%)
Managed Services revenue	**309.7**	312.8	(1.0%)
Total gross invoiced income	**2,380.0**	2,324.5	2.4%
Technology Sourcing revenue	**771.8**	809.1	(4.6%)
Services revenue	**441.9**	460.3	(4.0%)
Professional Services revenue	**132.2**	147.5	(10.4%)
Managed Services revenue	**309.7**	312.8	(1.0%)
Total revenue	**1,213.7**	1,269.4	(4.4%)
Gross profit	**250.8**	259.2	(3.2%)
Adjusted administrative expenses	**(192.0)**	(178.7)	7.4%
Adjusted operating profit	**58.8**	80.5	(27.0%)

The UK delivered a weaker result in a soft market, especially for workplace activity. Total gross invoiced income increased by 2.4% reflecting growth in Technology Sourcing, partly offset by a 4.0% decline in Services revenue. Total revenue decreased by 4.4% reflecting a higher mix of software. Gross profit decreased by 3.2% with gross margin increasing by 24 basis points. Administrative expenses increased by 7.4% largely reflecting inflation and higher people costs, resulting in adjusted operating profit decreasing by 27.0%.

The UK market softened during the year due to unsettled economic conditions, with businesses and organisations delaying project implementations and investment decisions.

Early in the year, we implemented new leadership followed by significant structural changes, to enhance our focus on our target market of large corporate and public sector organisations and maximise growth. As part of this, we expanded our sales sectors from four to five, allowing us to get closer to our customers, better understand their needs and preferences, and ultimately drive increased sales opportunities. While near-term demand remains uncertain, we are encouraged by some significant Services contract wins towards the end of the year.

Technology Sourcing
Technology Sourcing gross invoiced income increased by 4.0%. Volumes started the year strongly but softened as the year progressed. Gross margin increased by 31 basis points.

Demand for hardware was subdued, particularly in the workplace, although we increased share with our key vendors. This follows customers' significant investments through the pandemic to support home and hybrid working and the completion of a number of large Windows 10 rollouts. As anticipated, this has led to a lag in customer adoption of Windows 11. Workplace activity is an important driver of utilisation at our Integration Centers, where our costs remain largely fixed. Software demand was stronger in areas such as data center and cloud.

We expect the adoption of Windows 11 to gain momentum during the second half of 2024. This will likely drive increased demand for new hardware, as customers upgrade their systems to align with the new operating system.

The product order backlog at 31 December 2023 was £364.3m. This represents a 10.1% increase since 31 December 2022 (£331.0m).

Services
Services revenue declined by 4.0%, with Managed Services decreasing by 1.0% and Professional Services by 10.4%. Gross margin increased by 11 basis points, reflecting good recovery of cost inflation.

The lower demand in Technology Sourcing has had a ripple effect in Professional Services, which led to lower demand for workplace-related activities. This outweighed the significant growth achieved in supporting customers' adoption of public cloud and expanding and securing their networks.

In Managed Services, we concluded a large number of contract renewals during the year. Encouragingly, towards the end of the year we secured a large public sector contract as well as a number of smaller corporate contracts, all of which also provide growth opportunities in Technology Sourcing and Professional Services.

Germany

Results	**2023 £m**	2022 £m	Change	Change in constant currency
Technology Sourcing gross invoiced income	**2,111.5**	1,704.7	23.9%	21.7%
Services revenue	**765.7**	690.4	10.9%	8.7%
Professional Services revenue	**365.4**	315.7	15.7%	13.5%
Managed Services revenue	**400.3**	374.7	6.8%	4.7%
Total gross invoiced income	**2,877.2**	2,395.1	20.1%	17.9%
Technology Sourcing revenue	**1,261.8**	1,153.1	9.4%	7.5%
Services revenue	**765.7**	690.4	10.9%	8.7%
Professional Services revenue	**365.4**	315.7	15.7%	13.5%
Managed Services revenue	**400.3**	374.7	6.8%	4.7%
Total revenue	**2,027.5**	1,843.5	10.0%	8.0%
Gross profit	**374.5**	325.1	15.2%	13.1%
Adjusted administrative expenses	**(211.5)**	(184.2)	14.8%	12.5%
Adjusted operating profit	**163.0**	140.9	15.7%	13.8%

Germany delivered another strong year of growth, reflecting the depth and breadth of our capabilities and customer relationships. Total gross invoiced income increased by 17.9% in constant currency, driven by very strong growth in Technology Sourcing and strong growth in Services revenue. Gross profit increased by 13.1% in constant currency with gross margin increasing by 84 basis points, largely reflecting the strength of the Technology Sourcing performance. Administrative expenses increased by 12.5% in constant currency reflecting higher commissions and inflation, resulting in adjusted operating profit growth of 13.8% in constant currency.

We are benefiting from our strong focus on public sector and enterprise business. We significantly broadened our portfolio with existing customers and expanded our customer base. Our investments in the salesforce and broadening the technology and skills base are showing clear benefits and creating the basis for further growth.

The breadth of our portfolio is a key driver of our growth. For example, we concluded the largest Cisco Whole Portfolio Agreement contract in Europe, with a major international industrial technology group headquartered in Germany. This contract will run for five years. We will continue to equip, modernise, and operate IT infrastructure in all schools for a large southern German state capital in the coming years. This is an important milestone as we develop our offer to the German education market. In the transport sector, we expanded our scope with the largest German transport company and we will now provide a large part of its personal computer client infrastructure from next year onwards. Towards the end of the year, we won a significant IT infrastructure framework agreement with one of Germany's largest airports. In chemical and pharmaceuticals, we won Managed Services business with a global producer and will be responsible for the Global Service Desk. In addition, we significantly expanded our app development and cloud management business following investment in developers based in Cluj, Romania, to support our solution designers and project managers in Germany.

Technology Sourcing

Technology Sourcing gross invoiced income increased by 21.7% in constant currency, well ahead of market growth. This was driven by networking and security but data center and workplace also showed good growth. Technology Sourcing gross margin was very strong, increasing by 255 basis points over the period due to strong product mix and increased share of software volumes.

In addition to the increasingly strong software demand, we are seeing greater customer demand to bundle procurements in bigger framework contracts. This particularly applies to the global requirements of large international customers and to the high demand for infrastructure from our major public sector clients at state and federal level.

We also see demand for the combination of innovative and flexible financing solutions with asset management, deployment and maintenance services. The first international implementation of Computacenter's Device as a Service (DaaS) solution went live for a large German financial institution during the year.

The product order backlog at 31 December 2023 was £234.9m, a 25.6% decrease in constant currency since 31 December 2022 (£315.6m). This decrease largely reflects customer ordering patterns returning to normal.

Services

Services revenue increased by 8.7% in constant currency with 13.5% growth in Professional Services and 4.7% growth in Managed Services. Services gross margin declined by 205 basis points as Managed Services experienced an increase in costs, most of which was inflation-related. In addition, there were one-off costs for onboarding new service contracts won in 2022 and technology refreshes of existing contracts that were up for renewal. Not all of these cost increases could be passed on to customers or offset by cost-reduction measures.

Professional Services saw continuing strong demand from public sector customers for support, engineering and consultancy services. We are excellently positioned here, with a broad base of framework agreements and a very good customer structure, primarily with federal and state authorities and larger local country departments and cities. We expect demand to be robust in the coming years and these areas will remain our focus. We also see a continuing need for project support and skills in our corporate customer segment, especially in networking and security, data center consolidation and cloud management, as well as for expanding modern workplace infrastructures. Our application development business, which we have grown organically, continues to be in high demand with our customers.

In Managed Services we are working hard to mitigate cost inflation by passing on the higher costs to our customers, where contractually appropriate, and by achieving additional savings, for example by using more automation. Our second challenge was to complete the transformational activities and technology refresh at a small number of customers in 2023. We have a very solid pipeline particularly in workplace and networking, where we are very well positioned. An increasing number of our international customers are looking for IT infrastructure service providers with a global capability for these services to improve quality and flexibility while reducing costs.

France

Results	**2023 £m**	2022 £m	Change	Change in constant currency
Technology Sourcing gross invoiced income	**728.5**	606.7	20.1%	18.2%
Services revenue	**183.6**	178.1	3.1%	1.0%
Professional Services revenue	**50.8**	41.7	21.8%	19.2%
Managed Services revenue	**132.8**	136.4	(2.6%)	(4.6%)
Total gross invoiced income	**912.1**	784.8	16.2%	14.3%
Technology Sourcing revenue	**479.9**	435.8	10.1%	8.3%
Services revenue	**183.6**	178.1	3.1%	1.0%
Professional Services revenue	**50.8**	41.7	21.8%	19.2%
Managed Services revenue	**132.8**	136.4	(2.6%)	(4.6%)
Total revenue	**663.5**	613.9	8.1%	6.2%
Gross profit	**87.3**	76.7	13.8%	12.3%
Adjusted administrative expenses	**(78.6)**	(69.6)	12.9%	10.9%
Adjusted operating profit	**8.7**	7.1	22.5%	26.3%

France continued its momentum into 2023 and delivered further strong growth during the period. Total gross invoiced income increased by 14.3% in constant currency, driven by strong growth in Technology Sourcing and a slight increase in Services revenue. Gross profit rose 12.3% in constant currency with gross margin increasing by 66 basis points, largely due to higher infrastructure and software mix. Administrative expenses increased by 10.9% in constant currency, reflecting targeted investment in sales headcount and inflation, resulting in adjusted operating profit increasing by 26.3% in constant

currency to £8.7m.

Demand for Technology Sourcing was stronger than for Managed Services, where decision making was slower. During the year we continued to strengthen our position in networking and data center, aided by the full integration of CCNS, the business we acquired towards the end of 2020.

Technology Sourcing
Technology Sourcing gross invoiced income increased by 18.2% in constant currency, with a strong performance across both our corporate and public sector businesses. Technology Sourcing gross margin increased by 111 basis points, largely reflecting a higher-margin product mix.

The public sector remains the biggest contributor and this is mainly related to growth in multi-year framework agreements. We increased our presence in this area and were successful in winning new software and networking contracts, which we expect to drive growth. We continue to invest in our technical skills and are committed to maintaining the highest levels of accreditations for our priority technology vendors, especially in networking.

The product order backlog at 31 December 2023 was £124.1m representing a 7.9% increase in constant currency since 31 December 2022 (£115.0m).

Services
Services revenue increased by 1.0% in constant currency, with 19.2% growth in Professional Services offset by a 4.6% decline in Managed Services. Services gross margin decreased by 87 basis points, reflecting volume declines in Managed Services and the impact of inflation.

Growth in Professional Services was mainly driven by large workplace and data center projects in the public sector. Our Managed Services contracts are predominantly with corporate customers. We saw a decrease in volume reflecting the lack of significant new contract wins in 2022. It was a good year for contract renewals in 2023 and in many instances, we have been able to expand our scope of work. However, decisions on new contract awards are taking longer, with some larger outcomes now expected in 2024.

North America

Results	**2023 £m**	2022 £m	Change	Change in constant currency
Technology Sourcing gross invoiced income	**3,454.4**	3,131.7	10.3%	11.8%
Services revenue	**146.1**	149.4	(2.2%)	(0.9%)
Professional Services revenue	**118.7**	122.5	(3.1%)	(1.7%)
Managed Services revenue	**27.4**	26.9	1.9%	2.7%
Total gross invoiced income	**3,600.5**	3,281.1	9.7%	11.2%
Technology Sourcing revenue	**2,602.6**	2,357.9	10.4%	11.8%
Services revenue	**146.1**	149.4	(2.2%)	(0.9%)
Professional Services revenue	**118.7**	122.5	(3.1%)	(1.7%)
Managed Services revenue	**27.4**	26.9	1.9%	2.7%
Total revenue	**2,748.7**	2,507.3	9.6%	11.0%
Gross profit	**267.5**	238.3	12.3%	13.7%
Adjusted administrative expenses	**(202.5)**	(185.3)	9.3%	10.7%
Adjusted operating profit	**65.0**	53.0	22.6%	24.0%

North America delivered a strong performance for the year. Gross invoiced income increased by 11.2% in constant currency and by 10.2% on an organic[1] basis, driven by excellent growth in Technology Sourcing, with Services slightly down.

Gross profit increased by 13.7% in constant currency with gross margin increasing by 23 basis points, reflecting an underlying improvement across most of the business, offsetting the impact of high-volume lower-margin business. Administrative expenses increased by 10.7% in constant currency driven by higher commissions and wage inflation, resulting in adjusted operating profit increasing by 24.0% in constant currency and by 22.3% on an organic basis.

During the year, we significantly simplified the way that we go to market in North America. We have reduced the number of customer sectors we work in from 13 to seven, to ensure that we are targeting markets with appropriate sizes and that we can support them effectively. We continue to expand the number of salespeople to support our growth.

At the beginning of the year, we identified a number of prospective customers that we consider to be strategic for us in the long term. We received orders from 24 of these organisations during 2023 and we expect them to become significant customers for us in the future. We continue to focus heavily on operational improvements within the North American business and consolidated our CRM system in 2023. Implementing our Group ERP system remains a top priority.

Technology Sourcing

Technology Sourcing gross invoiced income grew by 11.8% in constant currency and by 10.8% on an organic basis, reflecting exceptional growth with a hyperscale customer. Our gross margin in Technology Sourcing increased by 23 basis points, with the underlying margin improvement across most of the business outweighing the impact of the growth in the hyperscale customer noted above, which commands a lower margin.

We continued to see a higher level of 'drop-ship' revenue driven by hyperscale customers, where products are delivered directly from the vendor rather than passing through our Integration Centers. Utilisation has however improved across the year and we have a significant pipeline of opportunities to grow Integration Center volumes.

We have continued to increase the number of technology vendors we work with and our US presence is helping to strengthen our relationships and programmes with existing vendor partners globally.

BITS, which we acquired in July 2022, delivered good growth for the year, with a large customer order that was deferred in the first half of the year fulfilled in the second half.

The product order backlog at 31 December 2023 was £487.1m, a 75.8% decrease in constant currency since 31 December 2022 (£2,009.0m). This decrease largely reflects the completion of certain high-volume, lower-margin projects.

In 2024 we expect Technology Sourcing volumes to normalise, following the exceptionally strong growth we achieved with certain high-volume, lower-margin customers in 2023. We believe we are well positioned to manage this over time given the structural improvements we have made and our progress with other large corporate customers.

Services

Services revenue declined by 0.9% in constant currency, reflecting a 1.7% decline in Professional Services and 2.7% growth in Managed Services. Services gross margin increased by 23 basis points. Services revenues are currently small but we are excited by the opportunity to expand and leverage our Group-wide tools and systems, in both Professional and Managed Services.

Professional Services was impacted by unsatisfactory returns from one large customer, which has now been addressed. We continue to focus on efficiency to drive margin improvement.

The Managed Services business continues to execute our slow-and-steady growth plan. We went live with a large new customer in the US and won two new contracts in Canada, including one to provide helpdesk, asset and software license management services to a healthcare customer. We also secured a contract to provide a multi-year storage and backup service for a large government entity, which will allow us to sell to a broad range of public sector and non-profit organisations. Towards the end of the year we won a contract with a global automotive customer which will start in 2024, through successful collaboration with our German business.

International

Results	**2023 £m**	2022 £m	Change	Change in constant currency
Technology Sourcing gross invoiced income	**212.4**	174.3	21.9%	19.5%
Services revenue	**99.2**	92.4	7.4%	5.8%
Professional Services revenue	**11.7**	9.2	27.2%	21.9%
Managed Services revenue	**87.5**	83.2	5.2%	3.9%
Total gross invoiced income	**311.6**	266.7	16.8%	14.8%
Technology Sourcing revenue	**170.2**	144.0	18.2%	15.9%
Services revenue	**99.2**	92.4	7.4%	5.8%
Professional Services revenue	**11.7**	9.2	27.2%	21.9%
Managed Services revenue	**87.5**	83.2	5.2%	3.9%
Total revenue	**269.4**	236.4	14.0%	12.0%

Gross profit	**63.9**	47.8	33.7%	34.8%
Adjusted administrative expenses	**(44.1)**	(36.5)	20.8%	20.8%
Adjusted operating profit	**19.8**	11.3	75.2%	81.7%

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. As in other markets, we focus on working with the largest corporate and public sector customers. Our target corporate customers in these geographies typically have an international footprint and we are well placed to support them outside their domestic markets. We have a small number of important Managed Services customers that are managed from our International Segment and delivered using our Group Managed Services capability.

Emerge 360 Japan k.k (Emerge), which we acquired in May 2022, has 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. We established further delivery locations in the Philippines and Brazil during the year.

Financial performance

Total gross invoiced income increased by 14.8% in constant currency, with strong growth in both Technology Sourcing and Services revenue. Gross profit increased by 34.8% in constant currency, with gross margin up 350 basis points. Technology Sourcing gross margin increased by 72 basis points and Services gross margin grew by 972 basis points. Administrative expenses increased by 20.8% in constant currency, resulting in adjusted operating profit rising 81.7% in constant currency.

Belgium delivered a strong performance, driven primarily by growth in Technology Sourcing, especially networking, outweighing weaker demand for workplace. Managed Services also performed strongly helped by new business with existing customers and a new multi-year outsourcing contract with a global customer in the financial settlement services industry.

The Netherlands achieved strong growth and made good progress with new business targets. However, one of the largest public sector Technology Sourcing contracts was not renewed in the second half, which is expected have an impact on 2024 performance.

Switzerland had a challenging year, as customers reviewed their hybrid working approach following the pandemic, resulting in a significant decline in volumes in our main Services contracts. We have taken action including increasing our sales activity for national and international opportunities, while resizing our delivery teams. In Technology Sourcing, we have won some significant public sector contracts, especially in the education sector, and won new business by working closely with our preferred technology vendors.

The combined product order backlog at 31 December 2023 was £12.0m, a 50.3% decrease in constant currency since 31 December 2022 (£24.1m) in constant currency.

Chief Financial Officer's review

2023 was another record year for Computacenter, with growth in gross invoiced income, revenue and all adjusted profit measures. Our cash performance was excellent, driven by strong inventory management, resulting in adjusted net funds of £459.0m at the end of the year. These strong results have been achieved while continuing to invest in the business to secure future growth.

Gross profit

Gross profit grew by 10.2% in the year reflecting strong growth in gross invoiced income and revenue and a robust gross margin performance. Group gross margin increased by 44 basis points with an increase in Technology Sourcing gross margin outweighing a slight decline in Services, as we managed inflationary pressures effectively.

Overall, Group gross margin, expressed as gross profit as a percentage of revenue, increased to 15.1% (2022: 14.6%).

Operating profit

Operating profit grew by 4.8% to £268.8m (2022: 256.4m). Adjusted operating profit grew by 0.9% to £271.5m (2022: £269.1m), and by 0.6% in constant currency.

Administrative expenses increased by 13.4% to £783.3m (2022: £690.7m). We continue to monitor cost-management initiatives across the Group to drive unnecessary cost out of the business. However, we have balanced this with the need to

invest to ensure future growth is protected. During the year we increased our spend on strategic corporate initiatives by 89.8% to £28.1m (2022: £14.8m). Adjusted administrative expenses increased by 13.9% to £772.5m (2022: £678.0m), and by 13.5% in constant currency.

Group gross profit conversion, expressed as adjusted operating profit as a percentage of gross profit, fell to 26.0% (2022: 28.4%) partly reflecting the increase in investment during the year.

Profit before tax

The Group's profit before tax for the year increased by 9.3% to £272.1m (2022: £249.0m). Adjusted profit before tax increased by 5.4% to £278.0m (2022: £263.7m) and by 5.1% in constant currency.

The acquisitions of BITS and Emerge, completed in 2022, added £221.4m of revenue (2022: £187.1m) and £9.3m of adjusted profit before tax (2022: £7.1m) to the Group's reported results.

The difference between profit before tax and adjusted profit before tax relates to the Group's net costs of £5.9m (2022: net costs of £14.7m) from exceptional and other adjusting items, associated with the acquisitions of Pivot and BITS and the amortisation of acquired intangibles as a result of these and other North American acquisitions. Further information on these items can be found below.

Reconciliation to adjusted measures for the year ended 2023

		Adjustments			
	Reported full-year results £m	**Principal element on agency contracts £m**	**Amortisation of acquired intangibles £m**	**Exceptionals and others £m**	**Adjusted full-year results £m**
Revenue	**6,922.8**	3,158.6	-	-	**10,081.4**
Cost of sales	**(5,878.8)**	(3,158.6)	-	-	**(9,037.4)**
Gross profit	**1,044.0**	-	-	-	**1,044.0**
Administrative expenses	**(783.3)**	-	10.8	-	**(772.5)**
Other income related to acquisition of subsidiary	**5.3**	-	-	(5.3)	**-**
Gain related to acquisition of subsidiary	**2.8**	-	-	(2.8)	**-**
Operating profit	**268.8**	-	10.8	(8.1)	**271.5**
Finance income	**13.8**	-	-	-	**13.8**
Finance costs	**(10.5)**	-	-	3.2	**(7.3)**
Profit before tax	**272.1**	-	10.8	(4.9)	**278.0**
Income tax expense	**(72.7)**	-	(4.0)	-	**(76.7)**
Profit for the year	**199.4**	-	6.8	(4.9)	**201.3**

Reconciliation to adjusted 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 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**
Administrative expenses	**(690.7)**	-	10.9	1.8	**(678.0)**
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**

Net finance income

Net finance income in the year amounted to £3.3m (2022: £7.4m charge). The main items included within the net income for the year were £4.7m of interest charged on lease liabilities recognised under IFRS 16 (2022: £4.9m) and exceptional interest costs of £3.2m relating to the unwinding of the discount on the contingent consideration for the purchase of BITS, which was excluded on an adjusted basis (2022: £2.0m). Outside of the specific items above, net finance income of £11.2m was recorded (2022: net finance costs of £0.5m). On an adjusted basis, the net finance income was £6.5m during the year (2022: net finance cost of £5.4m).

Taxation

The tax charge was £72.7m (2022: £64.8m) on profit before tax of £272.1m (2022: £249.0m). This represented a tax rate of 26.7% (2022: 26.0%).

The tax credit related to the amortisation of acquired intangibles was £4.0m (2022: £2.3m). The £10.8m of amortisation of intangible assets was almost entirely a result of the North American acquisitions (2022: £10.9m). As the amortisation is recognised outside of our adjusted profitability, the tax benefit on the amortisation is also reported outside of our adjusted tax charge.

The adjusted tax charge for the year was £76.7m (2022: £67.3m), on an adjusted profit before tax for the year of £278.0m (2022: £263.7m). The effective tax rate (ETR) was therefore 27.6% (2022: 25.5%) on an adjusted basis.

Overall, the adjusted ETR, is continuing to trend upwards due to an increasing reweighting of the geographic split of adjusted profit before tax away from the United Kingdom to Germany and the United States, where tax rates are higher. Further, a substantively enacted tax increase has taken effect in the United Kingdom from 1 April 2023, with a rise from 19% to 25%.

The adjusted ETR is therefore within the full-year range that we indicated at the time of our 2023 Interim Results, which showed an expected ETR for 2023 of 27% to 29.5%. We expect that the full year ETR in 2024 will be subject to increasing upwards pressure, due to the changing mix in where profits are earned geographically to where tax rates are higher, as noted above, and also as governments across our primary jurisdictions come under fiscal and political pressure to increase corporation tax rates.

The Group Tax Policy was reviewed during the year and approved by the Audit Committee and the Board, with no material changes from the prior year. We make every effort to pay all the tax attributable to profits earned in each jurisdiction that we operate. 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 2023 was incurred in either the United Kingdom, Germany or United States tax jurisdictions, as it was in 2022. Computacenter France, which includes the Computacenter NS acquisition within a tax group, has returned to being in a profit-making position, increasing 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 2023, the Group Transfer Pricing policy implemented in 2013 resulted in a licence fee of £36.9m (2022: £38.7m), charged by Computacenter UK to Computacenter Germany, Computacenter France and Computacenter Belgium. The licence fee is equivalent to 1.0% 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 operating profit.

The table below reconciles the tax charge to the adjusted tax charge for the years ended 31 December 2023 and 31 December 2022.

	2023	**2022**
	£m	**£m**

Tax charge	**72.7**	64.8
Items to exclude from adjusted tax:		
Tax credit on amortisation of acquired intangibles	**4.0**	2.3
Tax on exceptional items	**-**	0.2
Adjusted tax charge	**76.7**	67.3
Effective tax rate	**26.7%**	26.0%
Adjusted effective tax rate	**27.6%**	25.5%

Profit for the year
The profit for the year increased by 8.3% to £199.4m (2022: £184.2m). The adjusted profit for the year increased by 2.5% to £201.3m (2022: £196.4m) and by 1.8% in constant currency.

Exceptional and other adjusting items
The net loss from exceptional and other adjusting items in the year was £1.9m (2022: loss of £12.2m). Excluding the tax items noted above, which resulted in a gain of £4.0m (2022: gain of £2.5m), the profit before tax impact was a net loss from exceptional and other adjusting items of £5.9m (2022: loss of £14.7m).

A $9.3m (£7.4m) settlement was received on 8 May 2023 from the Washington State Department of Revenue. The settlement related to litigation contesting a historic, pre-acquisition, sales tax assessment that was paid by antecedent companies related to the acquired Pivot group of companies. Of this amount, $6.7m (£5.3m) has been recognised as other income relating to the acquisition of a subsidiary for the refunded sales tax amount. Further amounts of $1.6m (£1.3m) and $1.0m (£0.8m) have been credited to adjusted interest income, for the refund of statutory overpayment interest receivable on the original payment, and adjusted administrative expenses, to reimburse legal expenses incurred since acquisition, respectively. The element related to the refunded sales tax amount is non-operational in nature, significant in size and unlikely to recur and has therefore been classified as exceptional.

At acquisition, contingent consideration was agreed which required the Group to pay former owners of Business IT Source Holdings, Inc. (BITS), two earn-out payments based on BITS's 2022 and 2023 earnings before interest, taxation, depreciation and amortisation (EBITDA) and indebtedness. During the year, and in accordance with the share purchase agreement, the Group made its first earn-out payment amounting to £17.4m ($21.2m) which was broadly in line with the estimate made as at 31 December 2022.

On 30 June 2023, a renegotiated agreement was signed with the former owners following which, the second earn-out is now based on BITS's 2023 EBIDTA, H1 2024 EBIDTA, and indebtedness over these periods. Having considered a range of possible earn-out scenarios, Management has determined that a gross liability of £21.2m under the revised agreement should be recorded as contingent consideration of £20.2m on a discounted basis as at 31 December 2023. The impact of changes to the payment structures under the renegotiated agreement has resulted in a release during the year of £2.8m. This release related to the acquisition is non-operational in nature, significant in size and has therefore been classified as an exceptional item.

A further £3.2m relating to the unwinding of the discount on the contingent consideration for the purchase of BITS has been removed from the adjusted net finance expense and classified as exceptional interest costs.
During 2022, an exceptional loss during the year of £1.8m 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, significant in size and unlikely to recur and have therefore been classified as outside our adjusted results. A further £2.0m relating to the unwinding of the discount on the contingent consideration for the purchase of BITS has been removed from the 2022 adjusted net finance expense and classified as exceptional interest costs.

We have continued to exclude, as an 'other adjusting item', the amortisation of acquired intangible assets in calculating our adjusted 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 £10.8m (2022: £10.9m), primarily relating to the amortisation of the intangibles acquired as part of the recent North American acquisitions.

Earnings per share
Diluted EPS increased by 8.9% to 173.2p per share (2022: 159.1p per share). Adjusted diluted EPS increased by 3.0% to

174.8p per share (2022: 169.7p per share).

	2023	2022
Basic weighted average number of shares (excluding own shares held) (m)	**112.9**	112.8
Effect of dilution:		
Share options	**1.2**	2.1
Diluted weighted average number of shares	**114.1**	114.9
Profit for the year attributable to equity holders of the Parent (£m)	**197.6**	182.8
Basic earnings per share (p)	**175.0**	162.1
Diluted earnings per share (p)	**173.2**	159.1
Adjusted profit for the year attributable to equity holders of the Parent (£m)	**199.5**	195.0
Adjusted basic earnings per share (p)	**176.7**	172.9
Adjusted diluted earnings per share (p)	**174.8**	169.7

Dividend

The Board recognises the importance of dividends to shareholders and the Group has a long track record of paying dividends and other special 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 is highly cash generative enabling organic and inorganic investment in recent years to be funded from cash reserves.

Dividends are paid from the standalone balance sheet of the Parent Company and, as at 31 December 2023, the distributable reserves were £474.1m (31 December 2022: £257.4m). The distributable reserves have increased as a result of the capital restructure described on below.

The Board is pleased to propose a final dividend for 2023 of 47.4p per share (2022: 45.8p per share). Together with the interim dividend, this brings the total ordinary dividend for 2023 to 70.0p per share, representing a 3.1% increase on the 2022 total dividend per share of 67.9p.

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 diluted EPS. In 2023, the cover was 2.5 times (2022: 2.5 times).

Subject to the approval of shareholders at our Annual General Meeting on 14 May 2024, the proposed dividend will be paid on Friday 5 July 2024. The dividend record date is set as Friday 7 June 2024 and the shares will be marked ex-dividend on Thursday 6 June 2024.

As a business that has returned £945m 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. The strength of our balance sheet provides us with significant optionality, and we continue to evaluate a number of capital allocation options, including potential inorganic growth and the return of surplus capital to shareholders.

Capitalisation issue and capital reductions

The Company's cash generation over recent years has enabled it to have a strong dividend policy and to periodically return additional value to its shareholders, most recently by way of a tender offer in 2018. While the Company has sufficient profits available for distribution (also known as 'distributable reserves') to fund its projected distributions in the immediate future, the Board recently undertook an assessment of the balance sheet to identify any reserves that were not distributable, and which could be converted into distributable reserves to provide flexibility for future returns of value to the Company's shareholders.

Following that assessment, the Board identified certain reserves and commenced a programme of reductions of capital during the first half of 2023 (each a 'capital reduction' and together the 'capital reductions'). In order to achieve this, it was necessary first to convert certain of these reserves into share capital by issuing New Deferred Shares (the 'Capitalisation Issue'), and then cancelling those shares as part of the first capital reduction. The second capital reduction involved the

cancellation of the Company's capital redemption reserve. The capitalisation issue, the changes to the Company's articles of association required in order to effect it, and the subsequent capital reductions were each approved at the Company's Annual General Meeting held on 17 May 2023. The capital reductions were then confirmed by the court in order to become effective.

The capitalisation issue and capital reductions did not result in any change to the nominal value of the Company's ordinary shares, had no impact on the Company's cash position or on its net assets, did not involve any repayment or distribution of capital by the Company, and did not result in any changes to the Company's existing dividend policy.

The capitalisation issue and capital reductions should not result in any UK tax charge for the shareholders.

As a result of the capitalisation issue and capital reductions, the distributable reserves of the Company have been increased by £183.9m as at 31 December 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 separately as 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 administrative expenses.

Total central corporate costs were significantly increased on last year with an 84.8% increase to £43.8m (2022: £23.7m). Within this:

- Board expenses, related public company costs and costs associated with Group Executive members not aligned to a specific geographic trading entity, increased to £12.8m (2022: £7.2m) due to certain project costs, the dual running of several Group Executive members handing over portfolios during the year, and the increase in headcount aligned with central corporate costs;
- share-based payment charges associated with Group Executive members as identified above, including the Group Executive Directors, increased from £1.7m in 2022 to £2.8m in 2023, due primarily to the value of Computacenter plc ordinary shares, the overall outlook for the vesting of in-flight PSP awards and the increase in management personnel aligned with central corporate costs; 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 £28.1m, up 89.9% over 2022 (£14.8m), in line with forecasts, as the Group increases the pace of its investment in new systems, toolsets and cyber resilience.

Investments

In 2023 we nearly doubled our spend on strategic corporate initiatives to £28.1m, all of which was recognised through the income statement. This spend was spread across projects that will improve our capabilities, productivity and underpin our systems of the future.

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 and, in particular, great systems. We invest consistently to improve and support these systems, which give us a competitive advantage in a business which is about scale, repeatability and agility.

Most of the spend is focused on our systems to ensure that they continue to be secure and supportable. We are not just upgrading, but also moving to new systems in order to obtain the security and support we need and develop competitive advantage through continued operational leverage of these new toolsets and processes. We have continued to refine our systems investment roadmap through to the end of 2027, with a 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

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. 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.

Cyber risk remains one of the greatest risks to our business, but also presents one of the greatest opportunities to differentiate from our competitors through our internal resilience and by helping our customers to overcome these same

challenges. We will continue to invest heavily in cyber resilience.

Whilst cyber risk forms part of the Group's overall Principal Risks, it could be argued that cyber risk is the single major risk facing large corporates today.

Cash flow

The Group delivered a substantial increase in net cash flow from operating activities, which totalled £410.6m for 2023 (2022: £242.1m inflow).

During the year, net operating cash inflows from working capital, including inventories, trade and other receivables, and trade and other payables, were £136.7m (2022: £60.8m outflow).

Throughout 2022, customers placed advance orders of product, 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, using the strength of our balance sheet to support our customers during product shortages. During 2023, supply chains returned to more normal conditions and, as a result, customers have returned to normal purchasing patterns. This has naturally led to both reduced levels of inventory and product order backlogs. Our focus on inventory control has delivered substantial reductions in both Germany and North America, the two Segments where we experienced the greatest inventory accumulation through 2022.

The implementation of additional inventory holding approval controls in the final quarter of 2022, the continued focus from the Group Technology Sourcing and Finance teams, and the re-implementation of internal inventory holding charges across the sales teams from April 2023, have also all contributed to this improvement in our overall working capital balance sheet position.

After interest, tax and gross capital expenditure cashflows, our free cash flow was £339.9m (2022: £150.9m).

	31 December 2023 £m	**31 December 2022 £m**
Adjusted operating profit	**271.5**	269.1
Adjusting items	**(2.7)**	(12.7)
Operating profit	**268.8**	256.4
Other non-cash items and adjustments	**47.3**	49.4
Change in working capital	**136.7**	(60.8)
Change in pensions and provisions	**(0.8)**	(0.7)
Depreciation of right-of-use assets	**41.4**	50.5
Cash generated from operations	**493.4**	294.8
Interest and payments related to lease liabilities	**(46.1)**	(55.2)
Adjusted operating cash flow	**447.3**	239.6
Net interest received/(paid)	**10.5**	(0.5)
Tax paid	**(82.8)**	(52.7)
Gross capital expenditure	**(35.1)**	(35.5)
Free cash flow	**339.9**	150.9
Dividends paid	**(77.3)**	(80.5)
Purchase of own shares net of proceeds of exercise of employee share options	**(28.8)**	(28.2)
Acquisition of subsidiaries, including contingent consideration and purchase of non-controlling interests	**(19.3)**	(28.3)

Disposal of assets	**-**	1.1
Net cash flow	**214.5**	15.0
Net debt repayment	**(6.9)**	(16.6)
Increase/(decrease) in cash and cash equivalents	**207.6**	(1.6)
Effect of exchange rates on cash and cash equivalents	**(0.8)**	(7.2)
Cash and cash equivalents at the beginning of the year	**264.4**	273.2
Cash and cash equivalents at the year end	**471.2**	264.4
Opening net funds	**117.2**	95.3
Increase/(decrease) in cash and cash equivalents including impact of exchange rates	**206.8**	(8.8)
Movements in borrowings	**7.9**	11.7
Movements in lease liabilities	**11.7**	19.0
Closing net funds	**343.6**	117.2
Opening adjusted net funds	**244.3**	241.4
Increase/(decrease) in cash and cash equivalents including impact of exchange rates	**206.8**	(8.8)
Movements in borrowings	**7.9**	11.7
Closing adjusted net funds	**459.0**	244.3

The Group had £216.0m of inventory as at 31 December 2023, a decrease of 48.3% on the balance as at 31 December 2022 of £417.7m. The closing balance was materially lower than the high point of £532.6m as at 30 September 2022, with a reduction of £316.6m since that time. We expect that levels of inventory will remain near the levels seen in the second half of 2023, in-line with historical operational norms. Whilst inventory has materially improved, working capital cash flows during the year were still impacted by the strong growth in revenue seen as the business continues to expand.

Capital expenditure in the year was £35.1m (2022: £35.5m) 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 £38.0m (2022: £34.4m) 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 £9.2m to purchase options within the Sharesave schemes (2022: £6.2m).

During the year the Group made two additional payments related to previous acquisitions. The first was for BITS where, in accordance with the share purchase agreement, the Group made its first earn-out payment amounting to $21.2m (£17.4m) which was broadly in line with the estimate made as at 31 December 2022. The second was on 7 June 2023, where the remaining 5.0% of the voting shares in R.D. Trading Limited (RDC) were acquired for a cash consideration of £1.9m. This completes the acquisition of RDC, which is a central component of our Circular Services offering to customers where we repurpose or recycle end-of-life IT equipment and a key element of our sustainability strategy.

The Group reduced loans during the year by a net £6.9m (2022: £16.6m). We made regular repayments towards the loan related to the construction of the German headquarters in Kerpen and the customer financing facility in Pivot.

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 typical period 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 2023 was £33.8m (31 December 2022: £45.1m).

The Group had no other debt factoring at the end of 31 December 2023, outside this normal course of business.

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 2022. This factoring was for £46.1m or 2.7% of the trade receivables before provisions balance as at 31 December 2022, the comparative balance sheet date. The Group had no other debt factoring at the end of 31 December 2022, outside this normal course of business.

Cash and cash equivalents and net funds

Cash and cash equivalents as at 31 December 2023 were £471.2m, compared to £264.4m at 31 December 2022. Net funds as at 31 December 2023 were £343.6m (31 December 2022: £117.2m).

The Group excludes £115.4m, as at 31 December 2023 (31 December 2022: £127.1m), of lease liabilities from its non-GAAP adjusted net funds measure, to allow an alternative view of the Group's overall liquidity position excluding the effect of the lease liabilities required to be capitalised the under the IFRS 16 accounting standard.

Adjusted net funds as at 31 December 2023 were £459.0m, compared to adjusted net funds of £244.3m as at 31 December 2022.

Net funds as at 31 December 2023 and 31 December 2022 were as follows:

	31 December 2023 £m	**31 December 2022 £m**
Cash and short-term deposits	**471.2**	264.4
Bank overdraft	**-**	-
Cash and cash equivalents	**471.2**	264.4
Bank loans - Pivot customer specific facility	**(4.5)**	(7.7)
Bank loans - BITS facility	**-**	(2.0)
Bank loans - Kerpen building facility	**(7.7)**	(10.4)
Total bank loans	**(12.2)**	(20.1)
Adjusted net funds (excluding lease liabilities)	**459.0**	244.3
Lease liabilities	**(115.4)**	(127.1)
Net funds	**343.6**	117.2

For a full reconciliation of net funds and adjusted net funds, see note 9 to the 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.
The Group entered into a multi-currency revolving loan committed facility of £200m on 9 December 2022. This facility had a term of five years plus two one-year extension options exercisable on the first and second anniversary of the facility and was due to expire on 8 December 2027. The Group has exercised the extension option on the first anniversary of the commencement of the facility, extending the term to six years with a revised expiry of 8 December 2028. A further term extension option of one additional year remains available. 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 2023, the Group was in compliance with all covenants. To improve short-term liquidity, £60m was drawn down on Friday 6 April 2023 and was repaid in full on Tuesday 9 May 2023. April is typically the lowest point of the cash cycle for the Group and cash can be impacted, from time-to-time, by individual large deals with hyperscale customers depending on the payment terms specific to that deal or customer. This facility is undrawn as at 31 December 2023.

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 £7.7m at 31 December 2023 (31 December 2022: £10.4m).

Pivot had £4.5m (31 December 2022: £9.7m) financed with a major technology partner for hardware, software and resold maintenance contracts that the Company had purchased as part of a contract to lease these items to a key North American

customer.

Computacenter India Private Limited has a local facility with HSBC India for local cash liquidity to facilitate the continued growth of our operations in the country. There was no interest-bearing debt drawn under this facility as at 31 December 2023.

The BITS subsidiary maintains a ringfenced accounts receivable and inventory flooring arrangement facility with Wells Fargo of up to $100m, secured on the assets of that subsidiary. The facility is provided on a rolling basis and the latest amendment was signed on 20 July 2023. There was no interest-bearing debt drawn under this facility as at 31 December 2023 (31 December 2022: £2.0m).

There were no other interest-bearing trade payables as at 31 December 2023 (31 December 2022: nil).

The Group's adjusted net funds position contains no current asset investments (31 December 2022: 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.

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 £200m 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 2023 and at the year end was £471.2m, with net funds of £343.6m after including the Group's two specific borrowing facilities and lease liabilities recognised under IFRS 16. Excluding lease liabilities, adjusted net funds was £459.0m at the year end.

Due to strong cash generation over many years, the Group can currently finance its operational requirements from its cash balance, and it operates an informal cash pooling arrangement for the majority of Group entities. The Group has a committed facility of £200m, as noted above.

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, with smaller operations in Australia, Belgium, Brazil Canada, China, Hong Kong, Hungary, India, Ireland, Japan, Malaysia, Mexico, the Netherlands, the Philippines, Poland, Romania, South Africa, Singapore, Spain and Switzerland. The Group uses an informal cash pooling facility to ensure that its operations outside the United Kingdom 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 2023, the Group recognised a gain of £2.8m (2022: loss of £2.5m) 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 Group has seen relatively minor currency translation movements, as the pound sterling fluctuations against other currencies, particularly the US dollar and the euro, which impacts us the most, largely offset each other.

The impact of restating 2022 results at 2023 exchange rates would be an increase of £5.0m in 2022 revenue and an increase of £0.5m in 2022 adjusted 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 which 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.

This Strategic Report was approved by the Board on 19 March 2024 and was signed on its behalf by:

MJ Norris	MC Jehle
Chief Executive Officer	Chief Financial Officer

Consolidated Income Statement
For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Revenue	4,5	**6,922.8**	6,470.5
Cost of sales		**(5,878.8)**	(5,523.4)
Gross profit	4	**1,044.0**	947.1
Administrative expenses		**(783.3)**	(690.7)
Other income related to acquisition of a subsidiary		**5.3**	-
Gain related to acquisition of a subsidiary		**2.8**	-
Operating profit		**268.8**	256.4
Finance income		**13.8**	2.4
Finance costs		**(10.5)**	(9.8)
Profit before tax		**272.1**	249.0
Income tax expense	7	**(72.7)**	(64.8)

	Note	2023 £m	2022 £m
Profit for the year		**199.4**	184.2
Attributable to:			
Equity holders of the Parent		**197.6**	182.8
Non-controlling interests		**1.8**	1.4
Profit for the year		**199.4**	184.2
Earnings per share:			
- basic	8	**175.0p**	162.1p
- diluted	8	**173.2p**	159.1p

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023	Note	2023 £m	2022 £m
Profit for the year		**199.4**	184.2
Items that may be reclassified to the Consolidated Income Statement:			
Gain/(loss) arising on cash flow hedge		**2.8**	(2.5)
Income tax effect	7	**(0.9)**	1.0
		1.9	(1.5)
Exchange differences on translation of foreign operations		**(25.8)**	47.5
		(23.9)	46.0
Items not to be reclassified to the Consolidated Income Statement:			
Remeasurement of defined benefit plan		**(2.8)**	1.7
Other comprehensive expense for the year, net of tax		**(26.7)**	47.7
Total comprehensive income for the year		**172.7**	231.9
Attributable to:			
Equity holders of the Parent		**171.3**	229.9
Non-controlling interests		**1.4**	2.0
Total comprehensive income for the year		**172.7**	231.9

Consolidated Balance Sheet
As at 31 December 2023

	Note	2023 £m	2022 (restated*) £m	1 January 2022* £m
Non-current assets				
Property, plant and equipment		**96.1**	94.1	90.0
Right-of-use assets		**104.5**	119.4	138.1
Intangible assets		**322.4**	342.1	273.7
Investment in associate		**0.1**	0.1	0.1

Deferred income tax assets	7	**11.6**	11.3	30.2
Trade and other receivables*		**21.1**	9.9	-
Prepayments	5	**10.3**	19.4	16.6
		566.1	596.3	548.7
Current assets				
Inventories		**216.0**	417.7	341.3
Trade and other receivables*		**1,498.1**	1,683.8	1,254.7
Income tax receivable		**12.5**	14.6	8.8
Prepayments	5	**139.7**	130.5	103.0
Accrued income*	5	**151.9**	129.2	148.1
Derivative financial instruments		**2.5**	7.5	3.6
Cash and short-term deposits*	9	**471.2**	264.4	285.2
		2,491.9	2,647.7	2,144.7
Total assets		**3,058.0**	3,244.0	2,693.4
Current liabilities				
Bank overdraft*	9	**-**	-	12.0
Trade and other payables		**1,674.5**	1,857.5	1,410.4
Deferred income	5	**230.3**	265.3	249.3
Financial liabilities		**4.8**	7.5	15.1
Lease liabilities		**37.3**	36.9	43.0
Derivative financial instruments		**6.3**	8.7	2.5
Income tax payable*		**16.9**	30.9	27.4
Provisions		**2.2**	3.8	3.5
		1,972.3	2,210.6	1,763.2
Non-current liabilities				
Financial liabilities		**7.4**	12.6	16.7
Lease liabilities		**78.1**	90.2	103.1
Deferred income	5	**4.3**	7.9	8.3
Retirement benefit obligation		**26.2**	23.0	21.8
Provisions		**6.9**	7.0	9.7
Deferred income tax liabilities	7	**13.4**	20.7	25.8
		136.3	161.4	185.4
Total liabilities		**2,108.6**	2,372.0	1,948.6
Net assets		**949.4**	872.0	744.8
Capital and reserves				
Issued share capital		**9.3**	9.3	9.3
Share premium		**4.0**	4.0	4.0
Capital redemption reserve		**-**	75.0	75.0
Own shares held		**(140.4)**	(127.7)	(115.5)
Translation and hedging reserve		**27.2**	50.7	5.4

Retained earnings	**1,041.6**	854.4	762.3
Shareholders' equity	**941.7**	865.7	740.5
Non-controlling interests	**7.7**	6.3	4.3
Total equity	**949.4**	872.0	744.8

* Refer to note 2 for restatement of prior-year comparatives.

Approved by the Board on 19 March 2024.

MJ Norris
Chief Executive Officer

MC Jehle
Chief Financial Officer

Consolidated Statement of Changes in Equity
For the year ended 31 December 2023

	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 interest £m**	**Total equity £m**
At 1 January 2023	**9.3**	**4.0**	**75.0**	**(127.7)**	**50.7**	**854.4**	**865.7**	**6.3**	**872.0**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**197.6**	**197.6**	**1.8**	**199.4**
Other comprehensive (expense)	**-**	**-**	**-**	**-**	**(23.5)**	**(2.8)**	**(26.3)**	**(0.4)**	**(26.7)**
Total comprehensive (expense)/income	**-**	**-**	**-**	**-**	**(23.5)**	**194.8**	**171.3**	**1.4**	**172.7**
Transactions with owners:									
- Cost of share-based payments	**-**	**-**	**-**	**-**	**-**	**7.7**	**7.7**	**-**	**7.7**
- Tax on share-based payments	**-**	**-**	**-**	**-**	**-**	**3.1**	**3.1**	**-**	**3.1**
- Capital reduction	**-**	**-**	**(75.0)**	**-**	**-**	**75.0**	**-**	**-**	**-**
- Exercise of options	**-**	**-**	**-**	**25.3**	**-**	**(16.1)**	**9.2**	**-**	**9.2**
- Purchase of own shares	**-**	**-**	**-**	**(38.0)**	**-**	**-**	**(38.0)**	**-**	**(38.0)**
- Equity dividends	**-**	**-**	**-**	**-**	**-**	**(77.3)**	**(77.3)**	**-**	**(77.3)**
Total	**-**	**-**	**(75.0)**	**(12.7)**	**-**	**(7.6)**	**(95.3)**	**-**	**(95.3)**
At 31 December 2023	**9.3**	**4.0**	**-**	**(140.4)**	**27.2**	**1,041.6**	**941.7**	**7.7**	**949.4**
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	-	-	-	-	45.3	1.8	47.1	0.6	47.7
Total comprehensive income	-	-	-	-	45.3	184.6	229.9	2.0	231.9
Transactions with owners:									

- 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)
Total	-	-	-	(12.2)	-	(92.5)	(104.7)	-	(104.7)
At 31 December 2022	9.3	4.0	75.0	(127.7)	50.7	854.4	865.7	6.3	872.0

Consolidated Cash Flow Statement

For the year ended 31 December 2023	**Note**	**2023 £m**	**2022 £m**
Operating activities			
Profit before taxation		**272.1**	249.0
Net finance (income)/cost		**(3.3)**	7.4
Depreciation of property, plant and equipment		**20.4**	21.5
Depreciation of right-of-use assets		**41.4**	50.5
Amortisation of intangible assets		**18.9**	18.9
Share-based payments		**7.7**	8.6
Loss on disposal of property, plant and equipment		**0.2**	0.5
Net cash flow from inventories		**189.2**	(7.0)
Net cash flow from trade and other receivables (including contract assets)		**107.7**	(317.2)
Net cash flow from trade and other payables (including contract liabilities)		**(160.2)**	263.4
Net cash flow from provisions and employee benefits		**(0.8)**	(0.7)
Other adjustments		**0.1**	(0.1)
Cash generated from operations		**493.4**	294.8
Income taxes paid		**(82.8)**	(52.7)
Net cash flow from operating activities		**410.6**	242.1
Investing activities			
Interest received		**13.1**	2.4
Acquisition of subsidiaries, net of cash acquired		**-**	(28.3)
Contingent consideration		**(17.4)**	-
Purchases of property, plant and equipment		**(21.9)**	(23.7)
Purchases of intangible assets		**(13.2)**	(11.8)
Proceeds from disposal of property, plant and equipment		**-**	1.1
Net cash flow from investing activities		**(39.4)**	(60.3)
Financing activities			
Interest paid		**(2.6)**	(2.9)
Interest paid on lease liabilities		**(4.7)**	(4.9)

	Note	2023	2022
Purchase of non-controlling interest		**(1.9)**	-
Dividends paid to equity shareholders of the Parent		**(77.3)**	(80.5)
Proceeds from exercise of share options		**9.2**	6.2
Purchase of own shares		**(38.0)**	(34.4)
Repayment of loans and credit facility		**(69.8)**	(20.6)
Payment of capital element of lease liabilities		**(41.4)**	(50.3)
Drawdown of borrowings		**62.9**	4.0
Net cash flow from financing activities		**(163.6)**	(183.4)
Increase/(decrease) in cash and cash equivalents		**207.6**	(1.6)
Effect of exchange rates on cash and cash equivalents		**(0.8)**	(7.2)
Cash and cash equivalents at the beginning of the year	9	**264.4**	273.2
Cash and cash equivalents at the year end	9	**471.2**	264.4

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 2022 Annual Report and Accounts.

New or revised standards or interpretations

Some accounting pronouncements which have become effective from 1 January 2023 and have therefore been adopted do not have a significant impact on the Group's financial results or position other than the change discussed below.

IAS 12 does not specifically address the tax effects of right-of-use assets and lease liabilities. However, in May 2021 the IASB made amendments to IAS 12 which narrow the scope of the initial recognition exemption in paragraphs 15 and 24 of IAS 12 and require entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. As a consequence, entities are now required to recognise both a deferred tax asset and a deferred tax liability on the initial recognition of a lease. While these would typically qualify for offsetting in the balance sheet, the notes to the financial statements need to disclose the gross amounts. The amendments apply to annual reporting periods beginning on or after 1 January 2023.

The Group was previously recording deferred tax on right-of-use assets and lease liabilities on a net basis. Upon adoption of the amendments, the cumulative effect of initially applying the amendments at 1 January 2022 was not material to the retained earnings position and therefore no adjustment has been made for this date. The Group has now grossed up deferred tax liabilities of £26.6m (2022: £31.1m) on right-of-use assets and deferred tax assets of £27.9m (2022: £32.4m) on lease liabilities which are disclosed in note 7. Due to the offsetting of these deferred tax assets and liabilities on the basis that they relate to income taxes levied by the same taxation authority on the same taxable entity, there is no material impact on the deferred tax position reported on the Consolidated Balance Sheet. The application of these amendments to IAS 12 has had no material impact on the Group's profit before tax or profit after tax, net assets and earnings per share.

New standards, interpretations or amendments not yet effective have not been early adopted and have not been disclosed as they are not expected to have a material effect on the Group's Consolidated Financial Statements. The Group anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

2.1 Basis of preparation

The summary financial information set out above does not constitute the Group's Statutory Consolidated Financial Statements for the years ended 31 December 2023 or 2022. The summary financial information set out above is derived from the Statutory Consolidated Financial Statements for the Group for the year ended 31 December 2022, prepared in accordance with adopted IFRS, which have been delivered to the Registrar of Companies and those for 2023 will be delivered in due course. 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.

This preliminary announcement does not constitute the Group's full financial statements for 2023 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 and contingent consideration, which are stated at fair value.

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

In determining whether it is appropriate to prepare the financial statements on a going concern basis, the Group prepares a three-year Plan (the 'Plan') annually by aggregating top-down expectations of business performance across the Group in the second and third year of the Plan with a detailed 12-month bottom-up budget for the first year, which 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 through to 19 March 2025, as the appropriate period for the going concern assessment and have based their assessment on the relevant forecasts from the Plan for that period. No events or conditions beyond the assessment period that may cast significant doubt on the Group's ability to continue as a going concern have been identified.

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 represented by a large adjustment to the cash flows over the assessment period which is then compared to the cash position generated by the Plan, throughout the assessment period, to model whether the business will be able to continue in operation. This application of the risk impact adjustment is performed under two sensitivity scenarios.

For the current period, the primary downside sensitivity relates to a modelled, but not predicted, severe downturn in Group revenues, beginning in 2024, simulating a continued impact for some of our customers from a reduction in customer demand due to the current economic crisis, and ongoing impact on the Group's revenues from this macroeconomic instability. 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 the downturn occurring for our customer base as a result of the emerging negative global macroeconomic environment due to the current economic crisis.

The second sensitivity scenario includes a further extreme, but not predicted, severe downturn in Group revenues and margins leading to a substantial loss-making position over the assessment period. Included within this sensitivity scenario is the modelled lack of access to our committed facility.

Under both scenarios, the business demonstrates modelled solvency and liquidity over the assessment period where the supporting models were tested with rigorous downside sensitivity analysis, which involved flexing a number of the main assumptions underlying the forecasts.

Our cash and borrowing capacity provides sufficient funds to meet the foreseeable needs of the Parent and Group. At 31 December 2023, the Group had cash and short-term deposits of £471.2m and bank debt, primarily related to the recently built headquarters in Germany and operations in North America, of £12.2m. On 9 December 2022, the Group entered into a new unsecured multi-currency revolving loan facility of £200.0m 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 has exercised the extension option on the first anniversary, extending the term to six years with one further one-year extension option available.

The Group has a resilient balance sheet position, with net assets of £949.4m as at 31 December 2023. The Group made a profit after tax of £199.4m, and delivered net cash flows from operating activities of £410.6m, for the year ended 31 December 2023.

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.

Consolidated Balance Sheet - restatement of comparative information
At 31 December 2022, certain items were incorrectly presented on the Consolidated Balance Sheet as follows:

- Tax balances of £25.5m were included as part of 'Trade and other receivables'. These have been re-presented by reclassifying to 'Income tax payable' and netting these amounts against payable balances in the same tax jurisdiction.
- Trade and other receivables relating to a contract of £6.0m was included as part of 'Accrued income'. This has now been reclassified to 'Trade and other receivables'. Further to this, and related to the same contract, an amount of £9.9m has been reclassified from 'Trade and other receivables' (current) to 'Trade and other receivables' (non-current).
- A bank overdraft balance of £10.7m has been reclassified to 'Cash and short-term deposits' as the 'right of offset' has been established.

Of the above, only the reclassification of the tax balances has an impact on the Consolidated Balance Sheet as at 1 January 2022, which is to decrease Trade and other receivables by £20.5m and decrease Income tax payable by the same amount. There is no impact on reported 'Net funds' and 'Net assets' from the above changes for any of the periods presented.

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 (€) and US dollar ($). 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 Consolidated Balance Sheet date and their 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 3.2.1 for 'bill and hold' transactions.

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

In limited instances, the Group provides early payment discounts or rebates to its customers which create variability in the transaction price. In determining the variable consideration to be recognised, these discounts and rebates are estimated based on the terms of contractually agreed arrangements and the amount of consideration to which the Group will be entitled in exchange for supplying the goods or services. The level of estimation involved in assessing the variable consideration is minimal given the arrangements are generally prospective in nature and therefore deductions from revenue and trade receivables are appropriately accounted for at the point revenue is recognised.

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

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 which case we are the principal, or to arrange for those goods or services to be provided by the other party, where we are the agent. We determine whether we are a principal or an agent for each specified good or service promised to the customer by evaluating the nature of our promise to the customer against a non-exhaustive list of indicators that a performance obligation could involve an agency relationship:

- 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', where highly skilled employees work for a customer on projects and engagements managed by the customer, 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 'resource on demand' arrangements, is 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 month are deferred into contract liabilities and recognised over the relevant periods, where the Group has an unconditional right of payment. Invoice payment 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 types of assets resulting from capitalised win fees and Entry Into Service costs are amortised on a systematic basis that is consistent with the transfer to the customer of the goods and services to which the asset relates 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 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 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 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. However, as with all non-GAAP alternative performance measures, these adjusted measures present some natural limitations in their usage to understand the Group's performance. These limitations include the lack of comparability with non-GAAP and GAAP measures used by other companies and the fact that the results may, from time-to-time, contain the benefit of acquisitions made but exclude the significant costs associated with that acquisition or the amortisation of acquired intangibles. It is therefore not a complete record of the Group's financial performance as compared to its GAAP results. The exclusion of other adjusting items may result in adjusted earnings being materially higher or lower than reported earnings. In particular, when significant acquisition related charges are excluded, adjusted earnings will be higher than reported GAAP-compliant earnings.

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.

Gross invoiced income is based on the value of invoices raised to customers, net of the impact of credit notes and excluding VAT and other sales taxes. This reflects the cash movements from revenue, to assist Management and the users of this announcement in understanding revenue growth on a 'Principal' basis and to assist in their assessment of working capital movements in the Consolidated 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 to adjusted measures is provided in the Chief Financial Officer'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 leases 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 has entered into lease agreements as a lessor on certain items of IT equipment and software. Leases for which the Group is a lessor are classified as either operating or finance leases. The Group assesses whether it transfers substantially all the risks and rewards of ownership. Those leases that do not transfer substantially all the risks and rewards are classified as operating leases. Rental income arising from operating leases is accounted for on a straight-line basis over the lease term.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration of the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

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 the system.
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 programs 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 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, as the bank overdrafts form an integral 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 continually monitors 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) 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 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. These shares are held in Computacenter Employee Benefit Trust which is called "Employee share ownership Plan" (ESOP). Computacenter being the sponsoring entity has

control over the ESOP under IFRS 10 as Computacenter makes the decisions on how the ESOP operates per the following criteria:

- Computacenter has power over the relevant activities of the ESOP
- Computacenter has exposure, or rights, to variable returns from its involvement with the ESOP
- Computacenter has the ability to use its power over the ESOP to affect the amount of the ESOP returns

As the IFRS 10 criteria are satisfied, Computacenter ESOP is accounted for under IFRS 10 and is consolidated on the basis that the parent (Computacenter plc) has control, thus the assets and liabilities of the ESOP are included on the Company's Balance Sheet and the Group's Consolidated Balance Sheet. The shares held by the ESOP are presented as a deduction from equity within the Consolidated Statement of Changes in Equity under the 'own shares held' column.

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

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

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

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

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

During the year, Management reconsidered the critical accounting estimates and judgements for the Group. This process included reviewing the last reporting period's disclosures, the key judgements required on the implementation of forthcoming standards and the current period's challenging accounting issues. Where Management deemed there is a change for an area of accounting to be considered a critical estimate or judgement, an explanation for this decision is provided in note 3.3.

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 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 whether an arrangement is bill and hold and control has been transferred to the customer, a customer request must have been approved and all of the below criteria must have been 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 Group 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.

£407.6m of product sold is held by the Group for bill and hold transactions as at 31 December 2023 (2022: £386.9m).

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

At its 20 April 2022 meeting, the IFRS Interpretation Committee (the Committee) finalised and approved its 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).

As noted in our 2022 Annual Report and Accounts, the Group revised its accounting policies accordingly and implemented a series of system and process changes. The impact of this is to make the determination of Agent vs Principal routine and embedded within the transactional flows of the business, reducing significantly the day-to-day judgement required. Therefore, Management has concluded that the level of judgement now involved in Technology Sourcing principal versus agent recognition will not result in a significant effect on the amounts recognised in the Consolidated Financial Statements and this is no longer considered a critical judgement.
Exceptional items are no longer considered a critical judgement by Management and have therefore been removed from the above disclosure, as reported exceptional items are not material and do not involve a significant level of judgement.

Apart from the changes discussed above, the critical accounting estimates and judgements reported in the Group's 2022 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 Group has the same operating Segments and reporting Segments and these remain unchanged from those reported at 31 December 2022.

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 operating profit and adjusted 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 2023 and 31 December 2022 was as follows:

Year ended 31 December 2023	**UK £m**	**Germany £m**	**France £m**	**North America* £m**	**International £m**	**Central Corporate Costs £m**	**Total £m**
Revenue							
Technology Sourcing revenue							
Gross invoiced income	**1,938.1**	**2,111.5**	**728.5**	**3,454.4**	**212.4**	**-**	**8,444.9**
Adjustment to gross invoiced income for income recognised as agent	**(1,166.3)**	**(849.7)**	**(248.6)**	**(851.8)**	**(42.2)**	**-**	**(3,158.6)**
Total Technology Sourcing revenue	**771.8**	**1,261.8**	**479.9**	**2,602.6**	**170.2**	**-**	**5,286.3**
Services revenue							
Professional Services	**132.2**	**365.4**	**50.8**	**118.7**	**11.7**	**-**	**678.8**
Managed Services	**309.7**	**400.3**	**132.8**	**27.4**	**87.5**	**-**	**957.7**
Total Services revenue	**441.9**	**765.7**	**183.6**	**146.1**	**99.2**	**-**	**1,636.5**
Total revenue	**1,213.7**	**2,027.5**	**663.5**	**2,748.7**	**269.4**	**-**	**6,922.8**

Results							
Gross profit	**250.8**	**374.5**	**87.3**	**267.5**	**63.9**	**-**	**1,044.0**
Adjusted administrative expenses	**(192.0)**	**(211.5)**	**(78.6)**	**(202.5)**	**(44.1)**	**(43.8)**	**(772.5)**
Adjusted operating profit/(loss)	**58.8**	**163.0**	**8.7**	**65.0**	**19.8**	**(43.8)**	**271.5**
Adjusted net interest	**5.5**	**1.0**	**(0.8)**	**1.7**	**(0.9)**	**-**	**6.5**
Adjusted profit/(loss) before tax	**64.3**	**164**	**7.9**	**66.7**	**18.9**	**(43.8)**	**278.0**
Exceptional items:							
- unwinding of discount relating to acquisition of a subsidiary							**(3.2)**
- gain relating to acquisition of a subsidiary							**2.8**
- other income relating to acquisition of a subsidiary							**5.3**
Total exceptional items							**4.9**
Amortisation of acquired intangibles							**(10.8)**
Profit before tax							**272.1**

* Included within the North America Segment total revenue of £2,748.7m is an amount of £2,703.4m revenue for the United States of America.

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

Year ended 31 December 2023	**Total £m**
Adjusted operating profit	**271.5**
Amortisation of acquired intangibles	**(10.8)**
Exceptional items	**8.1**
Operating profit	**268.8**

Year ended 31 December 2023	**UK £m**	**Germany £m**	**France £m**	**North America* £m**	**International £m**	**Central Corporate Costs £m**	**Total £m**
Other Segment information							
Property, plant and equipment	**31.7**	**40.7**	**5.5**	**9.9**	**8.3**	**-**	**96.1**
Right-of-use assets	**9.0**	**45.4**	**14.3**	**18.8**	**17.0**	**-**	**104.5**
Intangible assets	**54.8**	**17.1**	**10.2**	**225.8**	**14.5**	**-**	**322.4**

Capital expenditure:

Property, plant and equipment	**5.7**	**7.8**	**1.6**	**2.4**	**4.4**	**-**	**21.9**
Right-of-use assets	**3.5**	**13.2**	**1.7**	**2.8**	**12.6**	**-**	**33.8**
Software	**12.0**	**0.3**	**-**	**0.2**	**0.7**	**-**	**13.2**
Depreciation of property, plant and equipment	**6.2**	**6.9**	**1.6**	**3.6**	**2.1**	**-**	**20.4**
Depreciation of right-of-use assets	**4.6**	**20.5**	**5.3**	**5.4**	**5.6**	**-**	**41.4**
Amortisation of software	**5.7**	**0.4**	**0.1**	**1.4**	**0.5**	**-**	**8.1**
Share-based payments	**2.7**	**1.8**	**0.1**	**0.3**	**-**	**2.8**	**7.7**

* Included within the North America segment Intangible assets of £225.8m is an amount of £218.4m Intangible assets for the United States of America.

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	1,269.4	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 administrative expenses	(178.7)	(184.2)	(69.6)	(185.3)	(36.5)	(23.7)	(678.0)
Adjusted operating profit/(loss)	80.5	140.9	7.1	53.0	11.3	(23.7)	269.1
Adjusted net interest	2.6	(2.2)	(0.8)	(4.2)	(0.8)	-	(5.4)
Adjusted 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

* Included within the North America segment Total revenue of £2,507.3m is an amount of £2,470.0m revenue for the United States of America.

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

Year ended 31 December 2022	**Total £m**
Adjusted 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	4.2	1.9	0.1	0.7	-	1.7	8.6

* Included within the North America segment Intangible assets of £250.6m is an amount of £242.3m Intangible assets for the United States of America.

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 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 £1,511.0m (2022: £963.1m) which arose from sales to the Group's largest customer.

5 Revenue

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

	2023 £m	2022 £m
Revenue by type		
Gross invoiced income	**8,444.9**	7,481.6
Adjustment to gross invoiced income for income recognised as agent	**(3,158.6)**	(2,581.7)
Technology Sourcing revenue*	**5,286.3**	4,899.9
Services revenue		
Professional Services	**678.8**	636.6
Managed Services	**957.7**	934.0
Total Services revenue	**1,636.5**	1,570.6
Total revenue	**6,922.8**	6,470.5

* Included within the amount of Technology Sourcing revenue shown above is £85.3m (2022: £42.1m) recognised under IFRS 16. All other Technology Sourcing revenue is recognised at a point in time under IFRS 15 as described in our accounting policy 2.3.1.

Contract balances

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

	31 December 2023 £m	31 December 2022 £m
Trade receivables	**1,471.8**	1,659.7
Contract assets, which are included in prepayments	**19.6**	23.7
Contract assets, which are included in accrued income	**151.9**	129.2
Contract liabilities, which are included in deferred income	**234.6**	273.2

The prepayments balance within the Consolidated Balance Sheet of £150.0m consists of £19.6m contract assets and £130.4m other prepayments.

The Group has implemented an expected credit loss impairment model with respect to contract assets which are included in accrued income using the simplified approach. These 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 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 decrease in trade receivables mainly in the North American Segment is driven by higher cash collections due to operational improvements and the continued easing of supply chain conditions for the customers, in addition to the impact of timing of large deals.

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 loss in 2023 of £0.9m, with a corresponding credit to income tax of £0.2m for the year. As at 31 December 2023, the win fee balance was £10.5m. The Consolidated Income Statement impact of fulfilment costs was a recognition of a net cost in 2023 of £0.1m, with a corresponding tax charge of £0.1m for the year.

As at 31 December 2023, the deferred contract costs balance was £4.2m and the fulfilment costs balance was £4.9m. No impairment loss was recorded for win fees, deferred contract costs or fulfilment costs during the year.

Revenue recognised in the reporting period from movement in accrued income balances was £27.1m, with a credit to foreign exchange of £4.4m. 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 £122.3m. 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 2023 and 31 December 2022 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 2023	**747.4**	**528.4**	**370.3**	**194.6**	**152.0**	**1,992.7**
As at 31 December 2022	729.1	513.2	374.0	266.7	226.8	2,109.8

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.

6 Exceptional items	**2023 £m**	**2022 £m**
Operating profit		
Other income related to acquisition of a subsidiary	**5.3**	-
Costs related to acquisition of a subsidiary	**-**	(1.8)
Gain related to acquisition of a subsidiary	**2.8**	-
Exceptional operating profit/(loss)	**8.1**	(1.8)
Interest cost relating to acquisition of a subsidiary	**(3.2)**	(2.0)
Profit/(loss) on exceptional items before taxation	**4.9**	(3.8)
Income tax		
Tax credit relating to acquisition of a subsidiary	**-**	0.2
Loss on exceptional items after taxation	**4.9**	(3.6)

Included within 2023 are the following exceptional items:

- £3.2m relating to the unwinding of the discount on the contingent payment for the purchase of BITS has been classified as exceptional interest costs. This is consistent with our prior-year treatment.
- A $9.3m (£7.4m) settlement was received on 8 May 2023 from the Washington State Department of Revenue. The settlement related to litigation contesting a historic, pre-acquisition, sales tax assessment that was paid by antecedent

companies related to the acquired Pivot group of companies. Of this amount, $6.7m (£5.3m) has been recognised as other income relating to acquisition of a subsidiary for the refunded sales tax amount. This other income is non-operational in nature, material in size and unlikely to recur, and has therefore been classified as exceptional. Further amounts of $1.6m (£1.3m) and $1.0m (£0.8m) have been credited to adjusted interest income, for the refund of statutory overpayment interest receivable on the original payment, and adjusted administrative expenses, to reimburse legal expenses incurred since acquisition, respectively.

- £2.8m relating to a release of contingent consideration in relation to the BITS acquisition. As this release is related to the acquisition and not operational activity within BITS and is of a one-off nature, it was classified as an exceptional item.

7 Income tax

a) Tax on profit from ordinary activities	**2023 £m**	**2022 £m**
Tax charged in the Consolidated Income Statement		
Current income tax		
UK corporation tax	**13.6**	15.1
Foreign tax:		
- operating results before exceptional items	**64.0**	49.0
- exceptional items	**-**	(0.2)
Total foreign tax	**64.0**	48.8
Adjustments in respect of prior years	**2.1**	(5.1)
Total current income tax	**79.7**	58.8
Deferred income tax		
Operating results before exceptional items:		
- origination and reversal of temporary differences	**0.3**	1.0
- change in tax rates	**(0.5)**	0.6
- adjustments in respect of prior years	**(6.8)**	4.4
Total deferred income tax	**(7.0)**	6.0
Tax charge in the Consolidated Income Statement	**72.7**	64.8

b) Reconciliation of the total tax charge	**2023 £m**	**2022 £m**
Profit before income tax	**272.1**	249.0
At the UK standard rate of corporation tax of 23.5% (2022: 19%)	**63.9**	47.3
Expenses not deductible for tax purposes	**2.8**	1.2
Non-deductible element of share-based payment charge	**(0.1)**	2.3
Adjustments in respect of prior years	**(4.7)**	(0.7)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**12.0**	17.6
Change in tax rate	**(0.5)**	0.6
Other differences	**(0.1)**	0.5
Overseas tax not based on earnings	**1.5**	1.1

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)**	(0.9)
Tax effect of income not taxable in determining taxable profit	**(1.2)**	(1.0)
At effective income tax rate of 26.7% (2022: 26.0%)	**72.7**	64.8

Taxation for subsidiaries operating in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions, these being a blended rate of 31% in Germany (2022: 32%) and a blended (Federal/State) rate of 26% in the US (2022: 25%), which mainly drive the 'Effect of different tax rates of subsidiaries operating in other jurisdictions' above.

c) Tax losses
Deferred income tax assets of £3.7m (2022: £3.9m) 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 £2.3m (2022: £0.9m) of deferred income tax asset would be recognised.

As at 31 December 2023, there were further unused tax losses across the Group of £284.2m (2022: £293.5m) for which no deferred income tax asset has been recognised. Of these losses, £256.1m (2022: £263.5m) arise in France, £26.4m (2022: £26.3m) arise in Germany and £1.8m (2022: £3.7m) 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. Following the merger of CC France SAS and Computacenter NS (CCNS), a request has been made to the French tax authorities to preserve the historic tax losses of CCNS (£172.3m) and a decision is pending in this regard. 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 £30.1m (2022: £28.7m), 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 2023 of £7.4m (2022: £7.4m) 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 2023 and 31 December 2022 relates to the following:

	Consolidated Balance Sheet		**Consolidated Income Statement**		**Consolidated Statement of Comprehensive Income**	
	2023 £m	**2022 (restated*) £m**	**2023 £m**	**2022 £m**	**2023 £m**	**2022 £m**
Deferred income tax assets/(liabilities)						
Property, plant and equipment	**(3.1)**	(3.2)	**(2.1)**	(5.8)	**-**	-
Right-of-use assets	**(26.6)**	(31.1)	**4.2**	0.3	**-**	-
Intangible assets	**(19.9)**	(29.9)	**8.0**	(0.2)	**-**	-
Inventories	**2.5**	3.9	**(2.0)**	(0.9)	**-**	-
Derivative financial instruments	**0.1**	1.2	**-**	-	**(0.9)**	1.0
Lease liabilities	**27.9**	32.4	**(4.1)**	(0.2)	**-**	-

Share-based payments	**8.0**	6.8	**0.4**	(0.8)	**-**	-
Tax losses carried forward	**3.7**	3.9	**-**	3.2	**-**	-
Other temporary differences	**5.6**	6.6	**2.6**	(1.6)	**-**	-
Deferred income tax (charge)/credit			**7.0**	(6.0)	**(0.9)**	1.0
Net deferred income tax asset/(liabilities)	**(1.8)**	(9.4)				
Disclosed on the Consolidated Balance Sheet						
Deferred income tax assets	**11.6**	11.3				
Deferred income tax liabilities	**(13.4)**	(20.7)				
Net deferred income tax asset/(liabilities)	**(1.8)**	(9.4)				

*Deferred tax on right-of-use assets and lease liabilities has been grossed up in 2022 following the adoption of IAS 12 amendments relating to the initial recognition exemption (note 2). This has no impact on the Consolidated Balance Sheet.

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 March 2021 Budget announced that a UK Corporation tax rate of 25% 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. The main rate of UK Corporation tax in 2022 and up to 31 March 2023 was 19%, as enacted in the Finance Act 2020.

The Group is within the scope of the Organisation for Economic Cooperation and Development (OECD) Pillar Two model rules. UK legislation has been enacted which introduces the OECD's Pillar Two model Income Inclusion Rules into UK law, where Computacenter Plc is incorporated. Finance (No2) Act received Royal Assent on 11 July 2023 meaning the Income Inclusion Rule (IIR) and the UK's Domestic Top-up Tax (DTT) will come into effect for accounting periods beginning on or after 31 December 2023. Draft legislation has now been published to introduce the OECD's Undertaxed Profits Rule (UTPR) to the UK. This is due to be in place for accounting periods commencing not before 31 December 2024.

Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Under the legislation, the Group is liable to pay a top-up tax for the difference between the Pillar Two Global anti-Base Erosion (GloBE) effective tax rate per jurisdiction and the 15% minimum rate. The Group is currently engaged with tax specialists to assist it with applying the legislation. An initial review by the tax specialist has indicated that the Group does not expect to experience a material impact on its effective tax rate as a result of the OECD Pillar Two model rules.

f) Uncertain tax positions

The Group operates in numerous jurisdictions and has ongoing tax audits and open tax matters with certain tax authorities which mainly relate to interpretation of how relevant tax legislation applies to the Group's transfer pricing arrangements. The matters under discussion can be complex and often take several years to resolve. The Group records a provision against uncertain tax positions based on Management's estimate of either the most likely amount or the expected value amount depending on which method is expected to better reflect the resolution of the uncertainty.

The potential exposure of the Group to an unfavourable outcome in any uncertain tax matter is not expected to result in material additional tax expense or liabilities and therefore the amounts, where already recognised, are not material and are considered appropriate for the current status of the matters under review.

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.

	2023 £m	**2022 £m**
Profit attributable to equity holders of the Parent	**197.6**	182.8

	2023 m	**2022 m**
Basic weighted average number of shares (excluding own shares held)	**112.9**	112.8
Effect of dilution:		
Share options	**1.2**	2.1
Diluted weighted average number of shares	**114.1**	114.9

	2023 pence	**2022 pence**
Basic earnings per share	**175.0**	162.1
Diluted earnings per share	**173.2**	159.1

9 Analysis of changes in net funds

	At 1 January 2023 £m	**Cash flows in year £m**	**Non-cash flow £m**	**Exchange differences £m**	**At 31 December 2023 £m**
Cash and short-term deposits	**264.4**	**207.6**	**-**	**(0.8)**	**471.2**
Cash and cash equivalents	**264.4**	**207.6**	**-**	**(0.8)**	**471.2**
Bank loans	**(20.1)**	**6.9**	**-**	**1.0**	**(12.2)**
Adjusted net funds (excluding lease liabilities)	**244.3**	**214.5**	**-**	**0.2**	**459.0**
Lease liabilities	**(127.1)**	**46.1**	**(30.7)**	**(3.7)**	**(115.4)**
Net funds	**117.2**	**260.6**	**(30.7)**	**(3.5)**	**343.6**

	At 1 January 2022 £m	**Cash flows in year £m**	**Non-cash flow £m**	**Exchange differences £m**	**At 31 December 2022 (restated*) £m**
Cash and short-term deposits*	285.2	(13.6)	-	(7.2)	264.4
Bank overdrafts*	(12.0)	12.0	-	-	-
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 (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**

* Refer to note 2 for restatement of prior-year comparatives.

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 Limited 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. Biomni Limited ceased to be a related party on 22 December 2023.

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

	2023 £m	**2022 £m**
Biomni Limited		
Sales to related parties	**-**	-
Purchase from related parties	**0.9**	0.6

There was no outstanding balance as at 31 December 2023 (31 December 2022: nil).

In addition to the above, a relative of a Director of the Company is employed by a subsidiary of the Company under normal terms and conditions and with remuneration commensurate with the role. Total remuneration for 2023 was £0.2m (2022: £0.2m).

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:	**2023 £m**	**2022 £m**
Short-term employee benefits	**3.7**	2.1
Social security costs	**0.9**	0.5
Share-based payment transactions	**1.9**	3.7
Pension costs	**0.1**	0.1
Total compensation paid to key management personnel	**6.6**	6.4

Appendix:

Alternative performance measures

Alternative Performance Measures are used by the Group to understand and manage performance. These are not defined under International Financial Reporting Standards (IFRS) or UK-adopted International Accounting Standards (UK-IFRS) and are not intended to be a substitute for any IFRS or UK-IFRS measures of performance but have been included as Management considers them to be important measures, alongside the comparable Generally Accepted Accounting Practice (GAAP) financial measures, in assessing underlying performance. Wherever appropriate and practical, we provide reconciliations to relevant GAAP measures. The table below sets out the basis of calculation of the Alternative Performance Measures and the rationale for their use.

Measure	**Description**	**Rationale**
Adjusted net funds and net funds	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 recognised under IFRS 16.	A table reconciling this measure, including the impact of lease liabilities, is provided within note 9 to the summary financial information within this announcement.

Measure	Description	Rationale
	Net funds is adjusted net funds including all lease liabilities recognised under IFRS 16.	
Adjusted (expense and profit) measures	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, are 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. · Recurring items include purchase price adjustments, including amortisation of acquired intangible assets and adjustments made to reduce deferred income arising on acquisitions and acquisition-related items. Recurring items are adjusted each period irrespective of materiality, to ensure consistent treatment. · Non-recurring items are those that Management judge to be one-off or non-operational, such as gains and losses on the disposal of assets, impairment charges and reversals, and restructuring related costs.	Adjusted measures exclude items which in Management's judgement need to be disclosed separately by virtue of their size, nature or frequency to aid understanding of the performance for the year or comparability between periods. Adjusted measures allow Management and investors to compare performance without these recurring or non-recurring items. Management does not consider these items when reviewing the underlying performance of the Segment or the Group as a whole. A reconciliation to adjusted measures is provided within the Chief Financial Officer's review, which details the impact of exceptional and other adjusted items when compared to the non-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.
Constant currency	We evaluate the long-term performance and trends within our strategic KPIs 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.
Free cash flow	Free Cash Flow is Cash Flow from Operations minus net interest received, interest and payments related to lease liabilities, income tax paid and gross capital expenditure.	To measure the cash generated by the operating activities during the period that is available to repay debt, undertake acquisitions or distribute to shareholders.
Gross invoiced income and IFRS revenue	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. 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. IFRS revenue refers to revenue recognised in accordance with International Financial Reporting Standards including IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases'.	Gross invoiced income reflects the cash movements to assist Management and the users of the Annual Report and Accounts in understanding revenue growth on a 'principal' basis and to assist in their assessment of working capital movements in the Consolidated 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.
Organic (revenue and profit) measures	In addition to the adjustments made for adjusted measures, organic measures: · exclude the contribution from discontinued operations, disposals and assets held for sale of standalone businesses in the current and prior period;	Organic measures allow management and investors to understand the like-for-like revenue and current-period margin performance of the continuing business. The result for the year benefited from £221.4m of revenue (2022: £187.1m), and £9.3m of adjusted profit before tax

Measure	Description	Rationale
	· exclude the contribution from acquired businesses until the year after the first full year following acquisition; and · adjust the comparative period to exclude prior-period acquired businesses if they were acquired part-way through the prior period. Acquisitions and disposals where the revenue and contribution impact would be immaterial are not adjusted.	(2022: £7.1m), resulting from all acquisitions made since 1 January 2022. All figures reported throughout this Annual Report and Accounts include the results of these acquired entities. The results of these acquisitions are excluded where narrative discussion refers to 'organic' growth in this Annual Report and Accounts.
Product order backlog	The total value of committed outstanding purchase orders placed with our technology vendors against non-cancellable sales orders received from our customers for delivery within 12 months, on a gross invoiced income basis.	The Technology Sourcing backlog, alongside the Managed Services Contract Base and the Professional Services forward order book, allows us visibility of future revenues in these areas.
Return on capital employed (ROCE)	ROCE is calculated as adjusted operating profit, divided by capital employed, which is the closing total net assets excluding adjusted net funds.	As an indicator of the current period financial return on the capital invested in the company.

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