Computacenter plc
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Computacenter plc

Interim results for the six months ended 30 June 2019

Computacenter plc ("**Computacenter**" or the "**Group**"), a leading independent technology partner trusted by large corporate and public sector organisations, today announces results, based on unaudited financial information, for the six month period ended 30 June 2019.

Financial Highlights:	**H1 2019**	**H1 2018**	**Percentage Change Increase/ (Decrease)**
Financial Performance			
Services revenue (£ *million*)	**595.7**	574.8	3.6
Technology Sourcing revenue (£ *million*)	**1,831.3**	1,434.1	27.7
Revenue *(£ million)*	**2,427.0**	2,008.9	20.8
Adjusted[1] profit before tax *(£ million)*	**53.5**	52.1	2.7
Adjusted[1] diluted earnings per share *(pence)*	**34.5**	32.7	5.5
Dividend per share *(pence)*	**10.1**	8.7	16.1
Statutory profit before tax (£ *million*)	**50.8**	52.0	(2.3)
Statutory diluted earnings per share (*pence*)	**33.2**	31.6	5.1
Cash Position			
Cash and cash equivalents (£ *million*)	**114.3**	72.9	
Adjusted net (debt)/funds[3] (£ *million*)	**(3.1)**	53.7	
Net (debt)/funds* (£ *million*)	**(114.1)**	49.7	
Net cash (outflow)/inflow from operating activities *(£ million)*	**(1.1)**	8.4	
Reconciliation between Adjusted[1] and Statutory Performance			
Adjusted[1] profit before tax *(£ million)*	**53.5**	52.1	
Exceptional and other adjusting items:			
Costs related to acquisition *(£ million)*	**(0.5)**	-	
Amortisation of acquired intangibles (£ *million*)	**(2.2)**	(0.1)	
Statutory profit before tax *(£ million)*	**50.8**	52.0	

**The Group recognised £110.2 million of right-of-use assets and £111.0 million of lease liabilities as at 30 June 2019 under the new IFRS 16 accounting standard. The Group includes lease liabilities within its net (debt)/funds measure. Due to the distortive effect of the capitalised lease liabilities on the overall liquidity position of the Group, these lease liabilities recognised under the new IFRS 16 accounting standard, are excluded from its non-GAAP adjusted net (debt)/funds[3] measure.*

Operational Highlights:

- The Group's total revenues grew 20.8 per cent or £418.1 million during the first half of the year, and by 21.6 per cent or £431.5 million during the period in constant currency[2]. Excluding the impact of acquisitions the Group was ahead of the same period last year, which presented a challenging comparison with the prior period, on an adjusted[1] profit before tax basis.
- France has had a pleasing start to the year with an increase in revenues of 18.9 per cent, led by a buoyant Technology Sourcing marketplace where we are growing our customer breadth, and an increase in adjusted[1] operating profit of 190.5 per cent, both on a constant currency[2] basis. An outstanding result that has underpinned the Group's performance in the period.
- Germany delivers another strong performance with revenue growth of 4.1 per cent during the period driven by a resilient Technology Sourcing performance and a strong Professional Services result leading to a 2.8 per cent increase in adjusted[1] operating profit, both on a constant currency[2] basis. This was a very good performance given the material spend reduction from a key customer, which declined by 60.1 per cent down to normal volumes rather than those seen in the prior period, which created such a challenging comparison.
- The UK saw a reduction in revenues of 7.8 per cent as both Services and Technology Sourcing revenues declined. The prior period comparative result contained two very large margin-dilutive Technology Sourcing deals that, being one-off in nature, contributed to this decline. Adjusted[1] operating profit fell by 9.3 per cent during the period, despite improvements in both Services and Technology Sourcing margins, due to increased administrative expenses.
- The US acquisition made halfway through the second half of last year has seen a more subdued performance in the first half of 2019, as compared to the last quarter of 2018, due to an increase in operational costs, increased investment in the business, and a decline in operating margins leading to the combined US business making only a small adjusted[1] operating profit. We have seen an improvement in performance more recently.

The result has benefited from £416.8 million of revenues, and £1.3 million of adjusted[1] profit before tax, resulting from the acquisitions made since 30 June 2018. All figures reported throughout this announcement include the results of the acquired entities.

The Group has adopted IFRS 16 from 1 January 2019 which has resulted in changes in accounting policies and adjustments to the amounts recognised in the Financial Statements. Importantly, and in accordance with the modified retrospective approach, the comparative results for the period ended 30 June 2018 have not been restated under the accounting policies adopted as a result of transition to IFRS 16. The current period results include an overall decrease in profitability before tax of £0.8 million on both statutory and adjusted[1] basis due to the impact of IFRS 16 which has seen increased interest costs exceed the net of increased depreciation and reduced rental costs due to the timing difference effect of the new accounting standard. An analysis of the impact of transition is presented in note 3 to the summary financial information contained within this announcement. Further information on the implementation of, and transition to, IFRS 16 is included within the Group Finance Director's review contained in this announcement.

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

Mike Norris, Chief Executive of Computacenter plc, commented:

'The Board's outlook remains in line with its expectations, which were upgraded as per the Trading Update on 31 July 2019.

Whilst the performance of the first half of 2018 presented a very difficult challenge to beat, the opposite is true of the second half. The Board expects that the full year 2019 profit growth, in monetary value, will be the best in the company's history. This performance will be predominantly achieved without the aid of acquisitions, however we expect to see a more significant contribution from our acquired business in the USA during the second half.

Looking further ahead will always be challenging but the momentum in the industry remains positive as customers continue to invest in technology to digitalise their business. This industry's momentum is backed up by an improving operational capability which both increases the quality we deliver to customers and reduces operational cost. While Computacenter will continue to remain predominantly an organic growth company, which has served us so well for many years, this has been enhanced by our acquisitions over the last 12 months which gives us additional growth drivers.

Whilst we are fully aware of macroeconomic challenges and take nothing for granted, we remain as positive about the future as we have ever been.'

[1] *Adjusted operating profit or loss, adjusted net finance income or expense, adjusted profit or loss before tax, adjusted tax, adjusted profit or loss, adjusted earnings per share and adjusted diluted earnings per share are, as appropriate, each stated before: exceptional and other adjusting items including gain or losses on business acquisitions and disposals, amortisation of acquired intangibles, utilisation of deferred tax assets (where initial recognition was as an exceptional item or a fair value adjustment on acquisition), and the related tax effect of these exceptional and other adjusting items, as Management do not consider these items when reviewing the underlying performance of the Segment or the Group as a whole. Prior to the adoption of IFRS 16, adjusted gross profit or loss and adjusted operating profit or loss included*

the interest paid on customer-specific financing (CSF) which Management considered to be a cost of sale. A reconciliation between key adjusted and statutory measures is provided within the Group Finance Director's review contained in this announcement which details the impact of exceptional and other adjusted items when compared to the non-Generally Accepted Accounting Practice financial measures in addition to those reported in accordance with IFRS. Further detail is provided within note 5 to the summary financial information contained in this announcement.

[2] We evaluate the long-term performance and trends within our strategic objectives on a constant currency basis. Further, the performance of the Group and its overseas Segments are shown, where indicated, in constant currency. The constant currency presentation, which is a non-GAAP measure, excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency information gives valuable supplemental detail regarding our results of operations, consistent with how we evaluate our performance. We calculate constant currency percentages by converting our prior-period local currency financial results using the current period average exchange rates and comparing these recalculated amounts to our current period results or by presenting the results in the equivalent local currency amounts. Wherever the performance of the Group, or its overseas Segments, are presented in constant currency, or equivalent local currency amounts, the equivalent prior-period measure is also presented in the reported pound sterling equivalent using the exchange rates prevailing at the time. 2019 Interim Financial Highlights, as shown at the beginning of this announcement, and statutory measures, are provided in the reported pound sterling equivalent.

[3] Adjusted net funds or adjusted net debt includes cash and cash equivalents, other short or other long-term borrowings and current asset investments. Following the adoption of IFRS 16 this measure excludes all finance lease liabilities which now includes CSF balances which were previously included within this measure. A table reconciling this measure, including the impact of finance lease liabilities, is provided within note 13 to the summary financial information contained in this announcement.

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DISCLAIMER - FORWARD LOOKING STATEMENTS

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

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Group's operations and the development of the markets and the industry in which they operate or are likely to operate and their respective operations may differ materially from those described in, or suggested by, the forward-looking statements contained in this announcement. In addition, even if the results of operations and the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, those risks in the risk factor section of the 2018 Computacenter Annual Report and Accounts, as well as general economic and business conditions, industry trends, competition, changes in regulation, currency fluctuations or advancements in research and development.

Forward-looking statements speak only as of the date of this announcement and may and often do, differ materially from actual results. Any forward-looking statements in this announcement reflect the Group's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy.

Neither Computacenter plc nor any of its subsidiaries undertakes any obligation to update the forward-looking statements to reflect actual results or any change in events, conditions or assumptions or other factors unless otherwise required by applicable law or regulation.

Our interim performance in 2019

Financial performance

The Group's revenues increased by 20.8 per cent to £2,427.0 million (H1 2018: £2,008.9 million) and were 21.6 per cent higher in constant currency[2].

The Group made a statutory profit before tax of £50.8 million, a decrease of 2.3 per cent (H1 2018: £52.0 million). The Group's adjusted[1] profit before tax increased by 2.7 per cent to £53.5 million (H1 2018: £52.1 million) and by 3.5 per cent in constant currency[2].

The difference between statutory profit before tax and adjusted[1] profit before tax primarily relates to the Group's reported net charge of £2.7 million (H1 2018: charge of £0.1 million) from exceptional and other adjusting items. These relate principally to the Group's acquisition of FusionStorm. Further information on these can be found in the Group Finance Director's review included in this announcement.

Note that these results include an overall decrease in profitability before tax of £0.8 million on both a statutory and adjusted[1] basis due to the impact of IFRS 16 which has seen increased interest costs exceed the net of increased depreciation and reduced rental costs due to the timing difference effect of the new accounting standard. Excluding this adjustment, statutory profit before tax was 0.8 per cent lower than the equivalent period last year whilst adjusted[1] profit before tax was 4.2 per cent better. Further information on the impact of IFRS 16 can be found in the Group Finance Director's review included in this announcement.

With the increase in the Group's overall statutory profit after tax, statutory diluted earnings per share increased by 5.1 per cent to 33.2 pence for the period (H1 2018: 31.6 pence). Adjusted[1] diluted earnings per share (EPS), the Group's primary EPS measure, increased by 5.5 per cent to 34.5 pence (H1 2018: 32.7 pence) in the first half of 2019.

The result has benefited from £416.8 million of revenues, and £1.3 million of adjusted[1] profit before tax, resulting from the acquisitions made since 30 June 2018. All figures reported throughout this announcement include the results of the acquired entities. The six months of trading to 30 June 2019 showed continued progress in Computacenter's adjusted[1] profitability and further progress in adjusted[1] earnings per share, following the residual impact of the Return of Value Tender Offer completed in February 2018.

The improvement on the prior period was principally driven by the French business, with much stronger than predicted Technology Sourcing revenues. We were further pleased by a strong German performance that, whilst seeing a very large reduction in sales volumes at its largest customer, managed to replace this business and further grow our business with existing customers.

The USA was the only part of the business that was a little disappointing in the first half of the year with a lower performance than we predicted or would like. Revenues were quiet towards the end of the first quarter but have now recovered. In addition, we are continuing to learn how to operate this new entity and we have also invested significantly in a number of areas, particularly in the upgrading of the Integration Center capability in Newark.

As noted previously, our first half performance in 2018 was record setting and we are pleased that the overall Group performance in the first half of 2019 has exceeded this. The Group had a difficult second half of the year in 2018 due to a number of underperforming Managed Services contracts and we are encouraged by the increase in Managed Services margins across our key geographies with the underlying margin performance, excluding the now stabilised difficult contracts, starting to improve. The challenge for the rest of the year is made easier by this impact as the second half of the prior year included a slowdown in the growth of Technology Sourcing revenues from those seen in the prior period and was also impacted by material provisioning for the 'difficult' Managed Services contracts which are not expected to repeat. Overall, with an easier prior period comparison in the second half of the year, the Group remains on course to meet the Board's expectations as set out in the H1 2019 Trading Update on 31 July 2019.

Segmental reporting structure changes

Due to the acquisitions made in 2018, Management has further reviewed the way it reported segmental performance to the Board and the Chief Executive Officer, who is the Group's Chief Operating Decision Maker ('CODM'), during the first half of the year. As a result of this analysis the Board has adopted a new segmental reporting structure from the period ended 30 June 2019.

In accordance with IFRS 8 Operating Segments, the Group has identified five revised operating Segments:

- UK;
- Germany;
- France;
- USA; and
- International.

In the new USA Segment, the Group has now added a fifth operating Segment which comprises the business acquired in 2018 and the existing USA operations which transfer in from the International Segment.

The UK Segment now includes the TeamUltra trading operations from the International Segment reflecting the fact that the majority of the work performed by TeamUltra is either on UK customers or for UK bids. Over the course of the rest of the year we expect to see the TeamUltra operations absorbed into the UK trading entity, reflecting the importance of the capability to the UK business.

The International Segment now comprises a core 'Rest of Europe' presence with key trading operations in Belgium, the Netherlands and Switzerland along with the international Global Service Desk locations in South Africa, Spain, Hungary, Mexico, Poland, Malaysia, India and China. During the period, Computacenter Switzerland acquired PathWorks GmbH. ('PathWorks'), a value-added reseller, based in Neudorf (Luzern), Switzerland. This acquisition allows us to add Technology Sourcing to our existing Swiss portfolio completing the Group's Source, Transform and Manage offering. The Global Service Desk locations have limited external revenues, and a cost recovery model that suggests better than breakeven margins to ensure compliance with transfer pricing regulations.

The French and German Segments remain unchanged from that reported at 31 December 2018.

Certain expenses, such as those for the Board and related public company costs; Group Executive members not aligned to a specific geographic trading entity; and the cost of centrally funded strategic corporate initiatives that benefit the whole Group, are not allocated to individual Segments because they are not directly attributable to any single Segment. Accordingly, these expenses continue to be disclosed as a separate column, 'Central Corporate Costs', within the segmental note.

This new segmental reporting structure is the basis on which internal reports are provided to the Chief Executive Officer, as the CODM, for assessing performance and determining the allocation of resources within the Group.

Segmental performance is measured based on external revenues, adjusted[1] gross profit, adjusted[1] operating profit and adjusted[1] profit before tax.

The change in segmental reporting has no impact on reported Group numbers.

Further information on this segmental restatement can be found in note 5 to the summary financial information included within this announcement where, to enable comparisons with prior period performance, historical segment information for the periods ended 30 June 2018 and 31 December 2018 are restated in accordance with the revised segmental reporting structure. All discussion within this announcement on segmental results reflects this revised structure and the resultant prior period restatements.

Services performance

The Group's Services revenue increased by 3.6 per cent to £595.7 million (H1 2018: £574.8 million) and was up 4.1 per cent on a constant currency[2] basis. Within this, Group Professional Services revenue increased by 7.5 per cent to £168.4 million (H1 2018: £156.6 million), and by 8.2 per cent on a constant currency[2] basis, whilst Group Managed Services revenue increased by 2.2 per cent to £427.3 million (H1 2018: £418.2 million), and by 2.6 per cent on a constant currency[2] basis.

The overall Services result has benefited from £20.2 million of revenue resulting from the acquisitions made in the second half of the previous year.

UK Services revenue reduced during the first half of 2019, with both Professional Services and Managed Services activity declining. Professional Services was challenged by lower than forecast volumes, however saw a favourable mix improvement as customers focused on planning future transformations which is expected to drive volumes later in the year. Whilst revenues were down, as we focused on our core customers, the Managed Services business saw a stabilisation of the 'difficult' contracts and improved margins elsewhere in the portfolio. Key renewals have continued to defend the contract base with a strong bidding opportunity pipeline that could contribute from 2020 onwards. The improvement in the core Managed Services contracts along with an improved Professional Services margin mix towards higher-end consulting projects both assisted an overall lift in Services margins.

The German Services business was buoyed by strong Professional Services volumes, particularly within the public sector which is turning into a source of strength for the business. Windows 10 transformations, alongside our traditional key specialisms in Security, Networking and Cloud have driven growth in this area. Ongoing demand for IT personnel with quality technical skills continues to make the market a challenging environment to address. In Managed Services, the 'difficult' contracts continue to see stabilisation and maturity with longer-term outcomes becoming assured. Some limited additional expenditure has been incurred to achieve this, but overall the contracts are now performing in a predictable manner and we retain sufficient provision in the balance sheet to meet future contract losses in line with accounting standards. Overall Services margins have improved, supported by the strong Professional Services business, albeit they are still significantly behind the Group average demonstrating the underperformance of the 'difficult' Managed Services contracts and the improvement opportunity that remains.

Our French Managed Services business has had significant success in winning new contracts, particularly in the financial services sector, alongside further contract extensions and renewals. Whilst revenue was flat in Managed Services, primarily due to the reconfiguration of a key renewal, the business is set for near-term growth due to the wins and the opportunity pipeline. Professional Services has seen strong growth, from a modest base, as customers use the Windows 10 upgrade requirement to proceed with workplace transformations. Services margins improved, as increasing Professional Services demand drives utilisation that has more than offset the reduced margin on the key Managed Services contract renewed in the period.

Overall growth in the USA business was driven by the acquisition of FusionStorm in the second half of 2018, however the level of performance across the segment has been below our internal targets. The acquired Professional Services business, whilst small, has underperformed against expectations due to two challenging projects that resulted in lower margins than expected and lower growth than forecast which has impacted utilisation rates in a business that was investing in resource as demand fell. Key contract renewals and expansions of scope have supported the Managed Services business which has also taken on new opportunities into the contract base. Margins improved slightly on the prior year.

Overall Group Services margins increased by 131 basis points during the first half of the year, when compared to the prior period.

Technology Sourcing performance

The Group's Technology Sourcing revenue increased by 27.7 per cent to £1,831.3 million (H1 2018: £1,434.1 million) and by 28.7 per cent on a constant currency[2] basis.

As noted in our 2018 Interim Report and Accounts, the prior year revenue performance was flattered by two one-off software licence sales in the UK totalling £70.8 million, at very low margins. Once these deals are adjusted out from the comparative, and the £396.6 million of revenues resulting from the acquisitions made since 30 June 2018 are adjusted out from the current year result, the Group has seen a 5.2 per cent increase in Technology Sourcing revenue over the prior year comparative.

The UK Technology Sourcing business has seen modest growth, excluding the one-off deals noted above. Following the strong growth in the first half of the comparative period this was a pleasing performance.
An improvement in the product mix with a subtle shift to higher-margin data center, networking and security products combined with general margin improvements off of a low base has improved overall UK Technology Sourcing margins.

The Technology Sourcing business in Germany saw a material fall in business with one key software hyperscale customer which began scaling back previously record volumes. Pleasingly this loss in volumes was recovered and exceeded in other areas of the business, particularly in the public sector, leading to modest growth over what has been a sustained period of success for the business. German Technology Sourcing margins improved slightly from the prior period, driven by the maintenance of the product mix that continues to emphasise Data Center volumes.

French Technology Sourcing revenues showed encouraging, and unforeseen growth, at better margins, as the widening portfolio of target customers, particularly in the public sector. The key Public Sector account that was renewed in the prior year saw increased volumes. French Technology Sourcing margins increased to once again lead the Group.

Overall Group Technology Sourcing margins increased 16 basis points during the first half of the year, when compared to the prior period.

Outlook

The Board's outlook remains in line with its expectations, which were upgraded as per the Trading Update on 31 July 2019.

Whilst the performance of the first half of 2018 presented a very difficult challenge to beat, the opposite is true of the second half. The Board expects that the full year 2019 profit growth, in monetary value, will be the best in the company's history. This performance will be predominantly achieved without the aid of acquisitions, however we expect to see a more significant contribution from our acquired business in the USA during the second half.

Looking further ahead will always be challenging but the momentum in the industry remains positive as customers continue to invest in technology to digitalise their business. This industry's momentum is backed up by an improving operational capability which both increases the quality we deliver to customers and reduces operational cost. While Computacenter will continue to remain predominantly an organic growth company, which has served us so well for many years, this has been enhanced by our acquisitions over the last 12 months which gives us additional growth drivers.

Whilst we are fully aware of macroeconomic challenges and take nothing for granted, we remain as positive about the future as we have ever been.

United Kingdom

Financial performance

Revenues in the UK business decreased by 7.8 per cent to £793.9 million (H1 2018: £861.1 million).

When the two one-off very low-margin deals in H1 2018 are excluded from the results, we have seen moderate growth in Technology Sourcing, with some movement in product mix and our strong vendor partnerships leading to increased margins in this area.

Professional Services revenue decreased during the period. The nature and scale of our engagements with our customers led to longer-term consulting programmes of work and fewer large-scale device deployment projects during the period. We have increased the number of customers using our Professional Services skills and expect more project activity to follow with the oncoming demand for new workplace deployments.

Managed Services revenue decreased during the period. We saw some expected customer contract attrition, as we focus on our target market. The decline in the period is expected to be rebalanced during the second half, as we move into the transition and delivery of both new and extended customer contracts.

With increased focus on our target market, and in line with one of the Group's strategic objectives, we have added two more customers to our list of those who contribute over £1 million of adjusted[1] gross profit per year, with more likely to be added in the second half of the year.

Adjusted[1] gross profit grew by 1.1 per cent to £101.5 million (H1 2018: £100.4 million). This performance has met our expectations, but there remains much to do in the second half of the year to improve.

Administrative expenses increased by 4.7 per cent to £78.0 million (H1 2018: £74.5 million), due to increased variable remuneration, functional changes and improvements to broaden our capabilities and skills portfolio.

This resulted in adjusted[1] operating profit decreasing 9.3 per cent to £23.5 million (H1 2018: £25.9 million).

The investment in our operating model will improve agility in our Professional Services delivery and help us convert a strong forward order book for Managed Services.

Technology Sourcing performance

Technology Sourcing revenue decreased by 8.5 per cent to £579.7 million (H1 2018: £633.8 million). As noted above, this performance contained two very low-margin one-off large software deals worth £70.8 million that occurred in the comparative prior period. Excluding these deals, Technology Sourcing revenues grew 3.0 per cent during the period.

Customers continue to invest in technologies to enable their businesses and are continuing to consolidate their buying models both locally and globally, with fewer technology partners.

We are seeing a change in product mix. Whilst workplace remains strong and growing, the multi-cloud is driving greater investment in data center, networking and security products.

Technology Sourcing margins grew by 71 basis points compared to the prior period, reflecting a change in product mix as well as improvements in the way we work with our current and emerging vendor partners.

Services performance

Services revenue declined by 5.8 per cent to £214.2 million (H1 2018: £227.3 million).This resulted from a decline in Professional Services of 12.9 per cent to £54.6 million (H1 2018: £62.7 million) and a decline in Managed Services of 3.0 per cent to £159.6 million (H1 2018: £164.6 million).

The overall Services revenue performance was disappointing. We have not seen the delivery challenges that impacted our margin performance during previous periods, but volumes have remained low. The Professional Services mix contained a higher volume of consulting engagements, as customers work through their plans to transform the workplace environment to accommodate the new Windows 10 platform, as well as a greater volume of public cloud and multi-cloud adoption planning. The second half of the year will see these planning exercises move to deployment projects that should increase the volume of project and engineering activity.

We have reduced the number of Managed Services contracts that sit outside our core portfolio and target market, which has contributed to a revenue reduction but a margin increase. Our Managed Services portfolio continues to perform well, although customer buying cycles for integrated end-to-end solutions have increased as they seek to explore new transacting models. The addition of TeamUltra to the portfolio has had a positive impact on Managed Services customer engagements, improving configuration and integration of services and improving the end user experience. Services margins increased by 197 basis points over the period.

The Managed Services outlook for the rest of the year is positive, with a strong pipeline of opportunity that can close in-year to add to the contract base. We expect this to have a positive impact on Services revenues in 2020.

Germany

Financial performance

Total revenue increased by 4.1 per cent to €1,024.4 million (H1 2018: €984.1 million) and by 2.7 per cent in reported pound sterling equivalents[2].

The first half of the year was characterised by general market changes and upcoming new opportunities for Computacenter on the one hand, and by ongoing efforts to stabilise and improve our critical customer contracts on the other.

Many of our customers, especially in the automotive, mechanical engineering, chemical and pharmaceutical industries, are suffering from the economic downturn. Production in the first half of the year fell by 12 per cent in the automotive sector and by 6.5 per cent in the chemicals sector. In addition, automobile manufacturers in particular are facing major challenges in realigning their strategies and business models. As a result, many investments, especially in IT, are suffering from various savings programmes, which are also affecting Computacenter. However, we are benefiting from the ongoing investments in the public sector. Consolidation and digitisation projects also offer us sufficient potential in the coming years. As always, an economic downturn offers good opportunities for Computacenter to reposition itself with customers and gain market share.

Internally, we worked hard in the first half of the year to stabilise and improve our critical contracts. This has generated additional expenditure which, in total, was slightly higher than planned. Nevertheless, progress was positive and will open up additional potential for the coming months and the next financial year.

The outlook for the second half of the year is positive, even if we will have to work hard to reach our full-year expectations. We must also pay particular attention to the possible weakening of the economy, which could then have a negative impact on our earnings.

Revenues grew in the first half of the year despite a significant decline in Technology Sourcing business with our largest customer, a German software hyperscaler, we were able to achieve good growth in this area driven by Public Sector business. Our Professional and Consulting Services business grew disproportionately strongly, driven by our customers' many digitisation and infrastructure projects, for which we are ideally positioned. In Managed Services, revenues declined slightly as a result of two contracts expiring at the end of 2018 but were still slightly above expectations.

Adjusted[1] gross profit grew by 6.3 per cent to €132.6 million (H1 2018: €124.7 million) and by 4.9 per cent in reported pound sterling equivalents[2].

Adjusted[1] gross profit was slightly above the previous year but still below expectations and the target for the first half. This was mainly driven by additional expenses in the area of Managed Services and by the low sales with one of our largest customers, as described above. In addition, there were higher personnel costs in the Services area, driven by the ongoing challenge in the German IT labour market.

Administrative expenses increased by 7.8 per cent to €95.0 million (H1 2018: €88.1 million), and by 6.5 per cent in reported pound sterling equivalents[2].

Indirect costs were higher than planned and significantly higher than in the previous year. Significant contributors to the cost increase included one-off expenses, of approximately €1.0 million, in connection with the move to our new Kerpen Integration Center and office building, and increases in social security costs and higher sales commissions. The headcount increase was also a driver for the higher costs. This increase must be kept within reasonable bounds in the second half of the year and especially with a view to 2020. A corresponding programme to manage this more closely has been set up.

Adjusted[1] operating profit for the German business increased by 2.7 per cent to €37.6 million (H1 2018: €36.6 million) and by 1.2 per cent in reported pound sterling equivalents[2].

Taking into account the weaker economy in Germany and the ongoing expenses for stabilising our critical service contracts, the overall result was positive, especially as we currently expect a stronger second half of the year.

Technology Sourcing performance

Technology Sourcing revenue grew by 3.9 per cent to €706.2 million (H1 2018: €679.5 million) and by 2.5 per cent in reported pound sterling equivalents[2].

In the first half of the year, our Technology Sourcing business was characterised by a strong Workplace business, driven by Windows 10 and the associated replacement investments, a persistently strong Network and Security business, and the Data Center business otherwise very strong other than the slowdown in one key customer that affected its overall performance as described above.

From a customer perspective, we have also benefited greatly from orders in the Public Sector. However, we also recorded increases in other customer segments. The situation in the automotive sector and in the supply industry is more critical, with massive cost-cutting measures weighing on our Technology Sourcing business.

Overall, these positive and negative effects are currently balancing each other out. We are currently assuming that the second half of the year will develop positively and that the downsides, driven by the economic downturn, can be kept within limits.

Technology Sourcing margins remained strong and were up by 11 basis points over the same period last year.

Despite the business line shift, with more business in lower-margin Workplace and less in higher-margin Data Center, and the already high margins seen in the comparative period, the overall margin again improved slightly. This shows our expertise in this area. In addition, we expect significant positive effects in the future from our newly completed Integration Center in Kerpen and the opportunities to expand our international business through last year's acquisitions.

Services performance

Services revenue grew by 4.5 per cent to €318.2 million (H1 2018: €304.6 million) and by 3.1 per cent in reported pound sterling equivalents[2]. This included Professional Services growth of 18.4 per cent to €107.5 million (H1 2018: €90.8 million), an increase of 16.8 per cent in reported pound sterling equivalents[2], and a Managed Services decline of 1.4 per cent to €210.7 million (H1 2018: €213.8 million), a decrease of 2.7 per cent in reported pound sterling equivalents[2].

Overall, the development of our Services business was positive, although we are not satisfied with the operating margin in our Managed Services business in particular, which is significantly lower than comparable margins in our other core countries.

The top line growth of 4.5 per cent was above the market average and was driven in particular by our optimally positioned consulting business and our capabilities in engineering and technical services. Security, Networking and Hyper Cloud projects are still at the top of our customers' lists. In addition, we have accompanied many of our customers in their transition to Windows 10 and the Microsoft 365 environment.

We saw the strongest growth with our customers in the Public Sector. Our high focus on this customer segment in recent years, correctly addressing issues relating to the digitisation of public administration and the winning of necessary framework agreements were the key success factors here.

However, the ongoing high demand for skills and personnel across Germany makes the environment challenging for us and rest of the market.

Services margins increased by 61 basis points over the period.

In Managed Services, we are systematically pursuing a strategy of stabilising and financially optimising our critical contracts first. We made positive progress, despite reporting higher costs than planned. This will prove to be particularly beneficial in the coming years, as most of these contracts are due for renewal and thus offer the potential for significant improvement.

At the same time, we are working on the successful conclusion of new opportunities in this area. The pipeline is promising and contains only opportunities that are largely covered by our Group service portfolio. This should give us the opportunity for good profitable growth in the future.

France

Financial performance

Total revenue increased by 19.3 per cent to €312.7 million (H1 2018: €262.2 million). In reported pound sterling equivalents[2], total revenue was up by 17.6 per cent.

After a very good year in 2018, we were pleased that the first half of 2019 demonstrated growth over the same period last year. We reset our strategy in 2018 for the French business and started to execute against it. It has been successful and we have focused our efforts in 2019 on executing the plan at scale. We have significantly renewed our sales force and onboarded strong sales specialists to support the growing complexity of our customers' needs.

As a result, Technology Sourcing margins were higher than in the first half of last year, due to large enterprise projects and the data center architectures we delivered to our customers. We have acquired new targeted customers in the Private Sector and strongly reinforced our large frameworks in the Public Sector. We have also seen growth in our Services business, both in the Professional Services and Managed Services spaces.

Overall adjusted[1] gross profit grew by 35.4 per cent to €37.1 million (H1 2018: €27.4 million) and by 33.6 per cent in reported pound sterling equivalents[2].

The new Managed Services contracts and large projects signed at the end of last year supported the expansion of talent in France. Over the past few years we have reshaped our sales force and transformed the workforce and this year we have been able to attract new talent and new skills and continue to grow the Managed Services operations roles across the Service Desk and the infrastructure management functions. We launched an internal Computacenter France University to develop and create talent in our existing teams and train new joiners to clearly fit our expertise needs. This has been successful and we were happy with the quality and engagement we have seen with this programme.

We also structured our consultancy and project management practices to be able to support the delivery of very large projects. We engaged and won projects over the past few months with the support of the new specialists and Chief Technologists we put in place and the size of these projects is almost double those that we used to deliver.

Whilst Management continued to focus on cost control within the French business, these investments resulted in administrative expenses increasing by 20.0 per cent to €30.0 million (H1 2018: €25.0 million), and by 18.6 per cent in reported pound sterling equivalents[2].

The business will continue to recruit sales specialists in the second half of the year, to further support our long-term development plan and enable us to exploit addressable opportunities within the marketplace.

Adjusted[1] operating profit for the French business increased by 195.8 per cent to €7.1 million (H1 2018: €2.4 million), and by 190.5 per cent in reported pound sterling equivalents[2].

The strong comparative period means the second half of the year remains challenging but we are pleased with the business's resilience, as it continues to develop its breadth of customers, to increase stability and the potential for growth.

Technology Sourcing performance

Technology Sourcing revenue grew by 22.7 per cent to €254.4 million (H1 2018: €207.4 million) and by 21.1 per cent in reported pound sterling equivalents[2].

We saw higher than expected activity from our largest Technology Sourcing customers. We are pleased that our ability to expand existing frameworks is benefiting us. We had refocused the Public Sector team to work on these large frameworks and attract new customers to apply to captive contractual vehicles. We are progressively moving from a high-volume, low-margin business around these frameworks to a much better value mix.

Over-performance from existing key customers helped to grow overall Technology Sourcing revenues and, more importantly, produced a more favourable product mix, with an increase in Data Center and Networking solutions revenues.

As usual at this time of year, there is still much work to do to secure Technology Sourcing business in the second half and traditionally there is considerable focus on the last quarter of the year. With a positive economic climate in France, a strong short-term pipeline and the recent wins of some high-volume framework tenders in the Public Sector, we are optimistic about our chances of exceeding the overall Technology Sourcing revenue achieved in 2018.

Technology Sourcing margins increased by 170 basis points, due to the change in product mix towards higher-value product with more value-add Technology Sourcing activities.

Services performance

Services revenue increased by 6.4 per cent to €58.3 million (H1 2018: €54.8 million) and by 4.8 per cent in reported pound sterling equivalents[2]. Professional Services increased by 24.8 per cent to €12.6 million (H1 2018: €10.1 million), which was an increase of 22.5 per cent in reported pound sterling equivalents[2]. Managed Services increased by 2.2 per cent to €45.7 million (H1 2018: €44.7 million), an increase of 0.8 per cent in reported pound sterling equivalents[2].

In line with the objective of increasing the number of customer accounts with contributions of over £1 million, we have been able to extend our business with these customers and win several excellent Managed Services contracts in that landscape. These were mainly in the banking industry, with two good wins in the first half of the year.

Another key Managed Services contract was renewed during the period, which reduced revenue and margins whilst the contract was reconfigured as part of the renewal process. These wins, and the current pipeline, make us confident of further Managed Services growth in the near term.

We are also experiencing a challenging situation on a large account on one specific service line, where we are investing time and effort to recover the required service quality even as the rest of the contract is working quite well.

We signed several large Windows 10 implementation and transformation projects in 2018, which had a positive impact on our Project and Consultancy practices in the first half of 2019. We continue to see rising demand for these Windows 10 and modern workplace transformation projects from new pipeline prospects within our target operating segment, as well as additional Professional Services opportunities generated by pull-through from our expanding Managed Services customer base.

Services margins increased by 59 basis points over the same period last year, due primarily to a much better usage of our internal resources.

USA

USA Segment

During the second half of 2018, the Group completed the material acquisition of FusionStorm which has been combined with our existing Services-focused USA business to create the USA Segment from 1 January 2019 onwards. Prior period numbers have been restated, however are not comparable due to the size of the acquired Technology Sourcing-focused business against the legacy USA Services business.

Financial performance

Revenues in the USA business were $491.4 million (H1 2018: $18.4 million).

The USA performance was driven by Technology Sourcing, with positive revenue growth following a record increase in revenue in 2018. Overall, the revenue growth was below forecast due to a slowdown in volumes seen from several hyperscale Silicon Valley customers compared to the last quarter of 2018. This slowdown reached its low point at the end of the first quarter and has since recovered through the second quarter of the period.

Overall Services revenues were flat during H1, with particular challenges in the Professional Services business that was scaled to accommodate predicted growth that did not materialise. We have committed to making the necessary adjustments to return the business to the level of profitability seen in 2018. The overall business backlog has increased significantly from the first quarter and we expect that to be realised and delivered in the second half of the year.

Adjusted[1] gross profit was $40.6 million (H1 2018: $4.0 million). This performance fell short of our expectations, with particular challenges in Professional Services engagements. It is notable that the Professional Services revenues grew in the period, but due to the cost challenges described above, we experienced declining profitability.

Administrative expenses were $38.9 million (H1 2018: $3.5 million), due to increasing variable remuneration, investments in our business development programme to hire and train our next generation of sales professionals, as well as a continuing focus on tactical investment plans as we look to enhance our capabilities.

This resulted in adjusted[1] operating profit of $1.7 million (H1 2018: $0.5 million).

Overall, the performance in the first half has been challenging, as sustaining last year's record growth proved to be difficult to repeat in H1 2019. We have a significant amount of work to do but the overall customer situation remains favourable in terms of retention and our predicted performance in H2 2019.

Technology Sourcing performance

Technology Sourcing revenue was $464.6 million (H1 2018: $0.3 million).

The Technology Sourcing business saw a solid strong performance in the first half of 2019 across all industry sectors. We benefited from significant investment by our customers, as they continue to digitise their operations and modernise their infrastructure. We saw particular growth in our Networking and Data Center lines of business, with customers seeking to simplify their operations by consolidating to fewer technology partners, resulting in long-term commitments and larger transactions.

USA Technology Sourcing margins were 208 basis points behind the Group Technology Sourcing margin for the period ended 30 June 2019, with the mix of hardware OEM vendors a key driver of our margins. Throughout the first half of the year, Management has initiated a number of activities to improve the underlying efficiency and effectiveness of the Technology Sourcing business. The benefit of these should be seen in the remainder of 2019, as we look to improve the underlying margin return whilst further improving the experience we deliver to our customers.

Services performance

Services revenue was $29.2 million (H1 2018: $18.1 million).

This resulted from Professional Services of $10.1 million (H1 2018: $4.4 million) and Managed Services of $16.7 million (H1 2018: $13.7 million).

The overall Services performance was disappointing. Our Professional Services business has encountered two particularly challenging projects that have required additional resources, to ensure they remain on track and that we deliver on our promises. Both of the projects have been concluded commercially. This has resulted in lower-margin performance against a strong H1 2018 performance, with one particularly large non-repeatable project completed. The outlook for H2 is more encouraging, as we see an increasing demand for our Integration Center projects including complex distributed branch roll outs as well as global data center build-out projects for our hyperscale customers.

We continued to renew and extend key contracts, which has created expected headwinds in our Managed Services business through certain reductions in pricing and volumes, as well as transition new customers into our Services contract base. One of the major USA Managed Service customers is in the process of re-tendering its scope of work and successfully concluding that negotiation remains a key driver for the underlying Managed Services run rate business. The retention and expansion of core Managed Services contracts typically helps drive our overall business, as customers ask us to deliver associated transformation activity and also leverage our Technology Sourcing capability.

We also continue to invest in and develop our operating models and practices for efficiency, with our customers increasingly leveraging centrally delivered shared services, particularly in our near-shore Service Center location in Mexico City, as they strive to minimise operational expenditure.

Services margins increased by 159 basis points and are now 215 basis points ahead of the overall combined Group Services margin.

International

International Segment

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

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

During the year, Computacenter Switzerland acquired PathWorks GmbH, a value-added reseller based in Neudorf (Luzern), Switzerland.

These trading entities are joined in the Segment by the offshore Global Service Desk entities in Spain, Malaysia, India, South Africa, Hungary, Poland, China and Mexico, which have limited external revenues.

Financial performance

Revenues in the International business increased by 144.8 per cent to £92.3 million (H1 2018: £37.7 million) and by 145.5 per cent in constant currency[2].

This significant increase was built upon the growth of our existing businesses in Belgium and Switzerland, together with the revenues generated by the acquired Dutch business that joined Computacenter in September 2018 (H1 2019: £42.8 million) and PathWorks, acquired earlier this year in Switzerland (H1 2019: £6.6 million).

Adjusted[1] gross profit increased by 75.0 per cent to £20.3 million (H1 2018: £11.6 million), and by 76.5 per cent in constant currency[2]. Approximately £5.9 million of the increase was from the acquired entities.

The Belgian business delivered gross profit growth ahead of our expectations. Our Swiss business (excluding the PathWorks acquisition) saw a small decline in gross profits, mainly because of the start-up of a new Managed Services contract, but this was compensated for by the pleasing performance of the acquired PathWorks business.

The Dutch business was not part of the Computacenter Group in the first half of 2018. However, compared to that period, the business achieved a material increase in profitability.

Administrative expenses increased by
82.6 per cent to £15.7 million (H1 2018: £8.6 million) and by 84.7 per cent in constant currency[2] with approximately £5.0 million of this increase due to the acquired entities.

Administrative expenses grew according to our investment plans. During the first half we have materially increased our Belgian sales force, invested in sales training plans in the Netherlands and incurred some one-off costs for completing the PathWorks acquisition in Switzerland.

Overall adjusted[1] operating profit increased by 53.3 per cent to £4.6 million (H1 2018: £3.0 million) and by the same per cent in constant currency[2] with approximately half of the profit growth due to the acquisitions made since the prior period.

The overall operating profit in the first half met our growth ambitions.

The Belgian business performed well ahead of expectations, even with our investments during the period to grow our sales capacity. With a rapidly changing local competitive environment, we feel these investments will help us in the long term to gain more local market share.

Our Swiss business is on track to grow profits for the fifth consecutive year. With the acquisition of PathWorks, we have now a complete Technology Sourcing, Managed Services and Professional Services portfolio. It is encouraging to see the first successes with historical Technology Sourcing customers, who are now starting to make use of our Services capabilities, and vice versa.

We used the second half of 2018 to stabilise our business in the Netherlands and we were pleased to note that the business delivered its first profit contribution during this period. We are convinced there is still room for further sustainable growth in a good local economic environment. To support this ambition, we are currently implementing our Group ERP systems in the Netherlands and we will integrate the local team within the Group Operating Model. This project is on track and planned to complete before the end of 2019.

Technology Sourcing Performance

Technology Sourcing revenue, increased by 197.0 per cent to £58.5 million (H1 2018: £19.7 million) and by 200.0 per cent in constant currency[2].

With the above-mentioned acquisitions, Technology Sourcing in the International Segment benefited by £37 million of revenue.

Our Belgian business is focused mainly on Private Sector customers. The Workplace business continued to perform strongly, although slightly below last year's exceptional performance. This was compensated for by significant growth in our Data Center and Networking businesses and we are convinced that there is still a lot of potential to grow this segment further.

Our acquired business in Switzerland is primarily focused on Public Sector customers. We have worked hard to position our Technology Sourcing capabilities to our existing Services customers (mainly in the Private Sector) and we were pleased to see the first orders arriving. Additionally, we have won some public tenders in the government sector, thanks to the ability we now have to integrate Technology Sourcing solutions with Professional Services.

The Dutch business made good progress shifting the traditional workplace business towards data center projects with increased margins. The business is traditionally strong in the Public Sector and we are pleased with the performance in this segment during the period. Additionally, there is a strong pipeline with opportunities we are working on that could significantly increase our results for the rest of 2019 and beyond. The Private Sector in the Netherlands performed behind plan but with further integration into Computacenter, we will be able to better exploit our international capabilities and vendor relationships to gain significant local market share.

Services performance

Services revenue increased by 87.8 per cent to £33.8 million (H1 2018: £18.0 million) and by 86.7 per cent in constant currency[2].

Professional Services revenue was flat at £1.8 million whilst Managed Services increased 97.5 per cent to £32.0 million (H1 2018: £16.2 million), which was an increase of 96.3 per cent in constant currency[2]. The Segment benefited from an increase of £12.4 million in Services revenue due to the acquisitions since the prior period.

The Belgian operation grew in both Professional Services and Managed Services, although we feel that we still have an opportunity to increase our Professional Services contributions by increasing our pre-sales capabilities around infrastructure solutions. Our existing Managed Services contracts deliver good contributions and we have put considerable effort into establishing an improved long-term Managed Services pipeline.

The Swiss operations saw a small revenue increase for both Professional and Managed Services, while profitability decreased slightly. In Professional Services this was due to the investments in additional resources, which we expect to be fully utilised in the second half of the year. Likewise, we have invested significantly in improving the delivery of our Managed Services contracts and as a consequence we noticed an improved performance by the end of the first half, which we expect to continue throughout the rest of the year.

Compared to its pre-acquisition performance, the Dutch business saw a decline in Services revenue. This was partly due to our strategic decision to align our target customer base with that of the Group.

Group Finance Director's review

The Group result was underpinned by resurgence in the French business which was unexpectedly strong in Technology Sourcing in the period and the continuing importance of the public sector to the German business, particularly in light of the reduction of spend down to normal levels by the largest customer in Germany. This offset a somewhat disappointing UK bottom-line result, when compared to the overall adjusted[1] operating profit growth and a slower than expected start to the year from the USA Segment.

The Technology Sourcing performance in Germany was the key driver of 2017 and 2018 and this business continued to lead the Group's results in the first half of 2019. Whilst the key customer which generated the growth through 2018 materially reduced their higher than usual spend seen in the prior period down to normal levels, it was very encouraging to see how the German business managed to offset this impact by replacing the volumes lost with other customers and still achieving some growth. This continued resilience of the Germany Technology Sourcing customer base, particularly into the Public Sector, bodes well for the future growth of the business. Technology Sourcing in France saw continued benefits from the multi-year plan to rebalance away from a high-volume low-margin business servicing a broad range of customers to a high-margin high-volume business centred on a set of large customers. The exceptional growth in the period has come from some of the largest customers, particularly in the Public Sector, with unforecast volumes driving the business forward. Excluding two large one-off deals in the prior period, UK Technology Sourcing growth was also pleasing.

Margins have increased across the business, with the rebound of UK Technology Sourcing margins, helped by the absence of the two low-margin deals in H1 2018, particularly pleasing. The prior period for the UK was impacted by two significant and very low-margin software deals in the Software Security line of business, however even excluding these, the margin return was promising for the second half of the year.

The Group's Services margins were significantly up on the prior period with a number of 'difficult' Managed Services contracts now stabilised with more predictable outcomes through to the end of life of the contracts. The provisions taken in the second half of 2018 have proven appropriate with £5.1 million of the provision utilised, leaving a provision of £10.6 million for losses remaining over the lifetime of the contracts. As we move into the second half of the year, where we took a significant amount of provisioning in the comparative period last year, we expect margins to improve even further. The strong Professional Services performance in Germany and France was impacted by disappointing utilisation during the period in the UK.

We remain enthusiastic about our acquisition in the USA, however the first quarter was much slower than anticipated as the volumes seen in the fourth quarter of 2018 had clearly included customers building their inventories prior to the end of the year.

Overall, we remain pleased with the performance of the business, especially given the strong first half of 2018. Concerns remain about the wider macro-economic picture across the world and the potential impact on a slowdown in Technology Sourcing that could impact performance, however the overall performance of the business, in beating what was always going to be an exceptionally difficult comparative period, gives us renewed confidence for the full year as a whole and beyond. We continue to use the opportunity provided by the strong Technology Sourcing returns to invest in our Managed Services business through technologies and tooling to make us more competitive in future bids.

A reconciliation between key adjusted[1] and statutory measures is provided below. Further details are provided in note 5 to the summary financial information included within this announcement, adjusted measures. For the avoidance of duplication, further information on the Group's financial performance can be found above.

Reconciliation from statutory to adjusted[1] measures for the period ended 30 June 2019

	Statutory results £'000	Adjustments				Adjusted[1] results £'000
		CSF interest £'000	Amortisation of acquired intangibles £'000	Utilisation of deferred tax £'000	Exceptionals and others £'000	
Revenue	**2,427,014**	–	–	–	–	**2,427,014**
Cost of sales	**(2,126,523)**	–	–	–	–	**(2,126,523)**
Gross profit	**300,491**	–	–	–	–	**300,491**
Administrative expenses	**(246,663)**	–	2,175	–	79	**(244,409)**
Operating profit	**53,828**	–	2,175	–	79	**56,082**
Finance income	**992**	–	–	–	–	**992**
Finance costs	**(3,971)**	–	–	–	400	**(3,571)**
Profit before tax	**50,849**	–	2,175	–	479	**53,503**
Income tax expense	**(13,002)**	–	(570)	275	(918)	**(14,215)**
Profit for the year	**37,847**	–	1,605	275	(439)	**39,288**

Reconciliation from statutory to adjusted[1] measures for the period ended 30 June 2018

	Statutory results £'000	Adjustments				Adjusted[1] results £'000
		CSF interest £'000	Amortisation of acquired intangibles £'000	Utilisation of deferred tax £'000	Exceptionals and others £'000	
Revenue	**2,008,904**	–	–	–	–	**2,008,904**
Cost of sales	**(1,760,094)**	(123)	–	–	–	**(1,760,217)**
Gross profit	**248,810**	(123)	–	–	–	**248,687**
Administrative expenses	**(196,705)**	–	119	–	–	**(196,586)**
Operating profit	**52,105**	(123)	119	–	–	**52,101**
Finance income	**626**	–	–	–	–	**626**
Finance costs	**(738)**	123	–	–	–	**(615)**
Profit before tax	**51,993**	–	119	–	–	**52,112**
Income tax expense	**(15,190)**	–	(16)	1,109	–	**(14,097)**
Profit for the year	**36,803**	–	103	1,109	–	**38,015**

Profit before tax

The Group's statutory profit before tax decreased by 2.3 per cent to £50.8 million (H1 2018: £52.0 million). Adjusted[1] profit before tax increased by 2.7 per cent to £53.5 million (H1 2018: £52.1 million) and by 3.5 per cent in constant currency[2]. The difference between statutory profit before tax and adjusted[1] profit before tax relates to the Group's reported net loss of £2.7 million (H1 2018: loss of £0.1 million) from exceptional and other adjusting items.

Profit for the period

The statutory profit for the period increased by 2.7 per cent to £37.8 million (H1 2018: £36.8 million). The adjusted[1] profit for the period increased by 3.4 per cent to £39.3 million (H1 2018: £38.0 million) and by 5.1 per cent in constant currency[2].

Net finance charge

Net finance charge in the year amounted to £3.0 million on a statutory basis (H1 2018: charge of £0.1 million). The charge includes £1.9 million of interest charged on lease liabilities recognised following the adoption of IFRS 16 on 1 January 2019. This now includes the CSF charge previously excluded on an adjusted[1] basis (H1 2018: £0.1 million) but now included within the wider charge on lease liabilities under IFRS 16. A further £1.0 million of cost relating to interest on the term loan drawn down for the FusionStorm acquisition (H1 2018: nil), £0.1 million cost for the unwind of the discount on the deferred consideration for the purchase of TeamUltra and cITius AG (H1 2018: cost of £0.4 million) and £0.1 million cost on the term loan for the Kerpen facility (H1 2018: cost of £0.1 million). It also includes exceptional interest costs relating to the unwind of the discount on the deferred consideration for the purchase of FusionStorm of £0.4 million (H1 2018: nil) which is excluded on an adjusted[1] basis.

Outside of the items above, net finance income of £0.5 million was recorded (H1 2018: income of £0.4 million). On an adjusted[1] basis, the net finance cost was £2.6 million during the period (H1 2018: nil).

Taxation

The statutory tax charge was £13.0 million (H1 2018: £15.2 million) on statutory profit before tax of £50.8 million (H1 2018: £52.0 million). This represents a statutory tax rate of 25.6 per cent (H1 2018: 29.2 per cent). The Group's adjusted[1] tax rate has benefited from the historical tax losses in Germany, the final residual of which has been utilised during the period. The utilisation of the asset of £0.3 million (H1 2018: £1.1 million) has impacted the statutory tax rate but is considered to be outside of our adjusted[1] tax measure. In the period, this impact increased the statutory tax rate by 0.5 per cent (H1 2018: 2.1 per cent).

In the first half of 2019, a tax credit of £0.9 million (H1 2018: nil) was recorded due to post-acquisition activity in FusionStorm, related to the transaction, which has resulted in an in-year tax benefit. This benefit derived from payments which were settled by the vendor, out of the consideration paid, via post-acquisition capital contributions to FusionStorm. As this credit was related to the acquisition and not operational activity within FusionStorm, is of a one-off nature and material to the overall tax result, we have classified this as an exceptional tax item. Further, this tax benefit is larger than the adjusted[1] profit before tax of £0.5 million achieved by FusionStorm during the period.

The tax credit related to the amortisation of acquired intangibles was £0.5 million (H1 2018: £0.02 million). The significant increase relates to the £2.1 million of amortisation of acquired intangible assets charged against the assets recognised as a result of the FusionStorm acquisition.

As the amortisation is recognised outside of our adjusted[1] profitability, the tax benefit on the amortisation is also only recognised in the statutory tax charge.

The adjusted[1] tax charge during the period was £14.2 million (H1 2018: £14.1 million), on an adjusted[1] profit before tax for the period of £53.5 million (H1 2018: £52.1 million). The effective tax rate (ETR) was therefore 26.6 per cent (H1 2018: 27.1 per cent) on an adjusted[1] basis. The ETR during the period was lower than the previous year primarily due to the large increase in profitability in France which have historical tax losses readily available for use. This has more than offset the increase in the German cash tax rate which has risen due to the now fully utilised German tax losses available.

The table below reconciles the statutory tax charge to the adjusted[1] tax charge for the period ended 30 June 2019.

	H1 2019 £'000	H1 2018 £'000	Year 2018 £'000
Statutory tax charge	**13,002**	15,190	27,199
Adjustments to exclude:			
Utilisation of German deferred tax assets	**(275)**	(1,109)	(1,933)
Exceptional tax items	**879**	–	3,091
Tax on amortisation of acquired intangibles	**570**	16	1,169
Tax on exceptional items	**39**	–	1,353
Adjusted[1] tax charge	**14,215**	14,097	30,879
Statutory ETR	**25.6%**	29.2%	25.2%
Adjusted[1] ETR	**26.6%**	27.1%	26.1%

Exceptional and other adjusting items

The net loss from exceptional and other adjusting items in the year was £1.5 million (H1 2018: loss of £1.2 million). Excluding the tax items noted above which resulted in a statutory gain of £1.2 million (H1 2018: loss of £1.1 million), the profit before tax impact was a net loss from exceptional and other adjusting items of £2.7 million (H1 2018: loss of £0.1 million).

An exceptional loss during the period of £0.1 million resulted from costs directly relating to the acquisition of FusionStorm. These costs include social taxes on a severance payment for the FusionStorm Chief Executive Officer, agreed as part of the acquisition. This cost is non-operational in nature, unlikely to recur and related to the prior full-year exceptional items recognised and have therefore been classified as outside our adjusted[1] results. A further £0.4 million relating to the unwinding of the discount on the deferred consideration for the purchase of FusionStorm has been removed from the adjusted[1] net finance expense and classified as exceptional interest costs. The amortisation of acquired intangible assets was £2.2 million (H1 2018: £0.1 million), with the increase due to the amortisation of the intangibles acquired as part of the FusionStorm acquisition. We have continued to exclude the effect of amortisation of acquired intangible assets in calculating our adjusted[1] results.

Amortisation of intangible assets is non-cash, and is significantly affected by the timing and size of our acquisitions, which distorts the understanding of our Group and Segmental operating results.

Central corporate costs

As noted above within Segmental Reporting Structure Changes, certain expenses such as those for the Board itself, and related public company costs, Group Executive members not aligned to a specific geographic trading entity, and the cost of centrally funded strategic corporate initiatives that benefit the whole Group, are not specifically allocated to individual segments because they are not directly attributable to any single segment.

Accordingly, these expenses are disclosed as a separate column, 'Central Corporate Costs', within the segmental note. These costs are borne within the Computacenter (UK) Limited legal entity and have been removed for segmental reporting and performance analysis but form part of the overall Group administrative expenses.

During the period, total Central Corporate Costs were £11.9 million, an increase of 4.4 per cent (H1 2018: £11.4 million). Within this:

- Board expenses, related public company costs and costs associated with Group Executive members not aligned to a specific geographic trading entity were slightly down at £3.4 million (H1 2018: £3.6 million);
- share-based payment charges associated with the Group Executive members identified above, including the Group Executive Directors, decreased from £1.6 million in H1 2018 to £1.1 million in H1 2019, due primarily to the decreased cost of Computacenter plc ordinary shares; and
- strategic corporate initiatives increased from £6.2 million in H1 2018 to £7.4 million in H1 2019, primarily due to increased spend on projects designed to increase capability, enhance productivity or strengthen systems which underpin the Group.

Earnings per share

Statutory diluted earnings per share increased by 5.1 per cent to 33.2 pence per share (H1 2018: 31.6 pence per share). Adjusted[1] diluted earnings per share increased by 5.5 per cent to 34.5 pence per share (H1 2018: 32.7 pence per share).

	H1 2019 £'000	H1 2018 £'000	Year 2018 £'000
Basic weighted average number of shares (excluding own shares held) (no.'000)	**112,616**	114,620	113,409
Effect of dilution:			
Share options	**1,215**	1,662	1,984
Diluted weighted average number of shares	**113,831**	116,282	115,393
Statutory profit for the year attributable to equity holders of the Parent (£'000)	**37,847**	36,803	80,931
Basic earnings per share (pence)	**33.6**	32.1	71.4
Diluted earnings per share (pence)	**33.2**	31.6	70.1
Adjusted[1] profit for the year attributable to equity holders of the Parent (£'000)	**39,288**	38,015	87,357
Adjusted[1] basic earnings per share (pence)	**34.9**	33.2	77.0
Adjusted[1] diluted earnings per share (pence)	**34.5**	32.7	75.7

Dividend

We are pleased to announce an interim dividend of 10.1 pence per share (H1 2018: 8.7 pence per share). This is in line with our policy that the interim dividend will be approximately one third of the previous year's full dividend. The interim dividend will be paid on Friday 11 October 2019. The dividend record date is Friday 13 September 2019, and the shares will be marked ex-dividend on Thursday 12 September 2019.

Cash and cash equivalents and net debt

Cash and cash equivalents as at 30 June 2019 were £114.3 million, compared to £72.9 million at 30 June 2018. The Group's operating cash flow performance was an outflow of £1.1 million for the period to 30 June 2019 (H1 2018: £8.4 million inflow). Cash and cash equivalents decreased by £86.1 million from £200.4 million as at 31 December 2018 after an unusually strong cash collection month in December 2018 which included unlocking significant cash due to a normalisation of debtor payment periods in FusionStorm as a result of the working capital injections made by the Group. Since 31 December 2018 the Group has seen material working capital outflows of £46.4 million predominantly relating to inventory increases, mainly in the acquired USA entity. The cash position continues to rebuild, after what is historically the weaker half of the year in terms of our working capital cycle.

Net debt as at 30 June 2019 was £114.1 million compared to net funds of £49.7 million as at 30 June 2018 and £57.3 million as at 31 December 2018.

Adjusted net debt[3] as at 30 June 2019 was £3.1 million compared to adjusted net funds[3] of £53.7 million as at 30 June 2018 and £66.2 million as at 31 December 2018. For a reconciliation for net debt and adjusted net debt[3], see note 13 to the summary financial information included within this announcement

The Group returned £100 million to shareholders in the first quarter of the previous year.

The Group had two specific term loans at the end of the period and no other material borrowings. The Group drew down a £100 million term loan on 1 October 2018 to complete the acquisition of FusionStorm. This loan is on a seven-year repayment cycle with a renewal of the loan facility due on 30 September 2021. As at 30 June 2019 £93.3 million remained of the loan. The Group also had the specific term loan for the build and purchase of our new German headquarters and Integration Center in Kerpen which was £28.6 million at 30 June 2019 (30 June 2018: £19.3 million). The Integration Center opened in November 2018 whilst the office facility was opened in March 2019, which concludes the project.

Capital expenditure in the period was £18.9 million (H1 2018: £21.0 million) and was primarily the investment in our German headquarters and other investments in IT equipment and software tools, to enable us to deliver improved service to our customers.

The Group continued to manage appropriately its cash and working capital positions using standard mechanisms, to ensure that cash levels remained within expectations throughout the period. The Group had no debt factoring at the end of the year outside the normal course of business.

The Group excludes finance lease liabilities from its non-GAAP adjusted net debt[3] measure due to the distortive effect of the capitalised lease liabilities on the overall liquidity position of the Group under the new IFRS 16 accounting standard. More details on these leases and the transition to IFRS 16 can be found below.

There were no interest-bearing trade payables as at 30 June 2019 (H1 2018: nil).

The Group's adjusted net debt[3] position contains £5 million of current asset investments (H1 2018: nil).

Net (debt)/funds for the periods to H1 2019, H1 2018 and Full Year 2018 were as follows:

	Unaudited H1 2019 £'000	**Unaudited H1 2018 £'000**	**Audited Year 2018 £'000**
Cash and short-term deposits	**114,314**	72,931	200,442
Cash and cash equivalents	**114,314**	72,931	200,442
Current asset investments	**5,000**	–	–
Bank loans	**(122,442)**	(19,251)	(134,234)
Adjusted net (debt)/funds[3] (excluding CSF and lease liability)	**(3,128)**	53,680	66,208
CSF leases	**–**	(3,933)	(8,928)
Lease liability	**(111,003)**	–	–
Net (debt)/funds	**(114,131)**	49,747	57,280

Currency

The Group reports its results in pounds sterling. The weakness of sterling, particularly against the euro, is expected to continue to result in a foreign exchange translation benefit to the Group.

The impact of restating the first half of 2018 at 2019 exchange rates would be a decrease of approximately £13.4 million in H1 2018 revenue and a decrease of approximately £0.4 million in H1 2018 adjusted[1] profit before tax.

If the 30 June 2019 spot rates were to continue through the remainder of 2019, the impact of restating 2018 at 2019 exchange rates would be a decrease of approximately £7.6 million in 2018 revenue and a decrease of approximately £0.3 million in 2018 adjusted[1] profit before tax.

Implementation of, and transition to, IFRS 16 Leases

IFRS 16 Leases ('IFRS 16') became effective for the Group from 1 January 2019 and replaces the requirement of IAS 17 Leases. IFRS 16 provides a single lessee accounting model, specifying how leases are recognised, measured, presented and disclosed. The Group elected to apply the modified retrospective approach for transition to IFRS 16, meaning the Group has not restated the comparatives for 2018.

An asset representing the Group's right as a lessee to use a leased item and a liability for future lease payments, have been recognised for all properties, equipment and vehicles previously held under operating leases. The costs of such leases have been recognised in the Consolidated Income Statement split between depreciation of the right-of-use-asset and an interest cost on the lease liability. This is similar to the accounting for finance leases under IAS 17, but substantively different to the accounting for operating leases, under which no right-of-use-asset or lease liability was recognised, and rentals payable were expensed to the Consolidated Income Statement on a straight-line basis.

IFRS 16 therefore results in an increase to operating profit, which is reported prior to interest being deducted. Depreciation is charged on a straight-line basis, however, interest is charged on outstanding lease liabilities and therefore reduces over the life of the lease. As a result, the impact on the Consolidated Income Statement below operating profit is dependent on average lease maturity in any particular year. For an immature portfolio, depreciation and interest are higher than the rental charge they replace in any year and therefore IFRS 16 is dilutive to EPS. For a mature portfolio, they are lower and therefore IFRS 16 is accretive to EPS.

Finance leases previously capitalised under IAS 17 Leases have been reclassified to the right-of-use-asset category under IFRS 16. The Group took the benefit of the two key practical expedients on adoption of IFRS 16, which relate to either short-term contracts in which the lease term is 12 months or less, or low value assets (less than £5,000), which are expensed to other operating expenses. Refer to Group Finance Director's review for further detail on the practical expedients applied on adoption of IFRS 16.

The judgements made by the Group on adoption of IFRS 16 included the selection of an appropriate discount rate to calculate the lease liability.

The adoption of IFRS 16 has had a significant impact on the presentation of the Group's assets and liabilities. The right-of-use-assets are included within property, plant and equipment and corresponding lease liabilities are included within financial liabilities on the face of the Consolidated Balance Sheet. The cash and cash equivalents or the total cash flow at period end has no impact from adoption of IFRS 16. Cash generated from operations and free cash flow measures increase as operating lease rental expenses are no longer recognised as operating cash outflows. Cash outflows are instead split between interest paid and repayments of obligations under leases, which both increase.

On initial application, the Group has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease liabilities of £120.6 million were recorded as of 1 January 2019, with no net impact on retained earnings. The Group recognised £110.2 million of right-of-use assets and £111.0 million of lease liabilities as at 30 June 2019. During the six months ended 30 June 2019, the Group recognised £19.7 million of depreciation charge and £1.9 million of interest costs from these leases. During the same period last year, the rental expense of £20.8 million would have been charged to the Consolidated Income Statement under IAS 17. Had IAS 17 continued in operation during the period, Group profit before tax, on both an adjusted[1] and statutory basis, would have been £0.8 million higher.

Planning for the United Kingdom exiting the European Union

Computacenter's target clients are large corporate customers and large government departments. We operate in four principal geographies, the UK, Germany, France and the USA.

This allows us to manage EU requirements from our EU and non-EU locations and we have a long history of trading with the subsidiaries of large global Western European headquartered organisations, in many diverse locations across the world. The concept of exporting to and importing from multiple countries is therefore already established across the business, along with the related systems requirements.

With recent political developments within the UK, and the recent changes to the leadership of the EU, there remains considerable uncertainty around the exact nature and timing of the UK's exit from the EU, which makes it difficult to develop specific plans for the various potential outcomes.

The senior Management committee established during 2017 continues to oversee the key risks and changes that may be required to the way that the Group operates. It is clear that there will be additional investment required in IT systems to manage the transition, changes to business processes, data residency regulations and data management requirements. Whilst these changes will be a cost to Computacenter, we continue to see opportunities as our customers, in some cases, may need to increase investment in a similar manner.

Principal risks and uncertainties

The Group's activities expose it to a variety of economic, financial, operational and regulatory risks.

Our principal risks continue to be concentrated in the availability and resilience of systems, our people, our cost base, technology change, and in the design, Entry into Service and running of large Services contracts.

The principal risks and uncertainties facing the Group are set out on pages 40 to 45 of the 2018 Annual Report and Accounts, a copy of which is available on the Group's website.

The Group's risk management approach and the principal risks, potential impacts and primary mitigating activities are unchanged from those set out in the 2018 Annual Report and Accounts.

This Strategic Report was approved by the Board on 22 August 2019 and signed on its behalf by:

MJ Norris
Chief Executive Officer

FA Conophy
Group Finance Director

Directors' responsibility statement

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

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU;
- the interim management report includes a fair review of the information required by:

a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

MJ Norris
Chief Executive Officer

FA Conophy
Group Finance Director

Consolidated Income Statement
For the six months ended 30 June 2019

	Note	Unaudited H1 2019 £'000	Unaudited H1 2018 £'000	Audited Year 2018 £'000
Revenue	5	**2,427,014**	2,008,904	4,352,570
Cost of sales		**(2,126,523)**	(1,760,094)	(3,804,019)
Gross profit		**300,491**	248,810	548,551
Administrative expenses		**(246,663)**	(196,705)	(439,183)
Operating profit		**53,828**	52,105	109,368
Finance revenue		**992**	626	1,250
Finance costs		**(3,971)**	(738)	(2,490)
Profit before tax		**50,849**	51,993	108,128
Income tax expense		**(13,002)**	(15,190)	(27,199)
Profit for the period/year		**37,847**	36,803	80,929
Attributable to:				
Equity holders of the Parent		**37,847**	36,803	80,931
Non-controlling interests		**–**	–	(2)
Profit for the period/year		**37,847**	36,803	80,929
Earnings per share:				
– basic for profit for the period/year	10	**33.6p**	32.1p	71.4p
– diluted for profit for the period/year	10	**33.2p**	31.6p	70.1p

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2019

		Unaudited H1 2019 £'000	**Unaudited H1 2018 £'000**	**Audited Year 2018 £'000**
Profit for the period/year		**37,847**	36,803	80,929
Items that may be reclassified to Consolidated Income Statement:				
Gain/(loss) arising on cash flow hedge, net of amount transferred to Consolidated Income Statement		**263**	(2,824)	(3,231)
Income tax effect		**(51)**	510	490
		212	(2,314)	(2,741)
Exchange differences on translation of foreign operations		**(392)**	(1,267)	7,828
		(180)	(3,581)	5,087
Items not to be reclassified to Consolidated Income Statement:				
Remeasurement of defined benefit plan		**–**	–	(1,000)
Other comprehensive income for the period/year, net of tax		**(180)**	(3,581)	4,087
Total comprehensive income for the period/year		**37,667**	33,222	85,016
Attributable to:				
Equity holders of the Parent		**37,667**	33,222	85,013
Non-controlling interests		**–**	–	3
		37,667	33,222	85,016

Consolidated Balance Sheet
As at 30 June 2019

	Unaudited H1 2019 £'000	Unaudited H1 2018 £'000	Audited Year 2018 £'000
Non-current assets			
Property, plant and equipment	**213,296**	88,598	106,267
Intangible assets	**188,169**	76,737	184,613
Investment in associate	**57**	57	57
Deferred income tax asset	**9,364**	8,796	9,587
Prepayments	**2,787**	3,806	3,524
	413,673	177,994	304,048
Current assets			
Inventories	**126,144**	61,996	99,524
Trade and other receivables	**841,781**	695,900	1,180,394
Prepayments	**86,095**	72,849	69,320
Accrued income	**105,310**	118,167	101,899
Derivative financial instruments	**4,027**	4,790	3,851
Current asset investments	**5,000**	–	–
Cash and short-term deposits	**114,314**	72,931	200,442
	1,282,671	1,026,633	1,655,430
Total assets	**1,696,344**	1,204,627	1,959,478
Current liabilities			
Trade and other payables	**782,685**	613,635	1,142,628
Deferred income	**147,972**	114,154	143,080
Financial liabilities	**54,435**	4,364	10,640
Derivative financial instruments	**769**	481	612
Income tax payable	**34,146**	33,397	42,184
Provisions	**8,240**	1,706	11,990
	1,028,247	767,737	1,351,134
Non-current liabilities			
Financial liabilities	**179,010**	18,820	132,522
Provisions	**13,470**	8,089	15,041
Deferred income tax liabilities	**12,391**	416	13,009
	204,871	27,325	160,572
Total liabilities	**1,233,118**	795,062	1,511,706
Net assets	**463,226**	409,565	447,772
Capital and reserves			
Issued share capital	**9,270**	9,299	9,270

	Unaudited H1 2019 £'000	Unaudited H1 2018 £'000	Audited Year 2018 £'000
Share premium	**3,942**	3,913	3,942
Capital redemption reserve	**74,957**	74,957	74,957
Own shares held	**(110,068)**	(109,800)	(113,474)
Translation and hedging reserves	**32,761**	24,278	32,941
Retained earnings	**452,347**	406,904	440,119
Shareholders' equity	**463,209**	409,551	447,755
Non-controlling interests	**17**	14	17
Total equity	**463,226**	409,565	447,772

Approved by the Board on 22 August 2019.

MJ Norris
Chief Executive Officer

FA Conophy
Group Finance Director

Consolidated Statement of Changes in Equity
For the six months ended 30 June 2019

	Attributable to equity holders of the Parent								
	Issued share capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held £'000	Translation and hedging reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 1 January 2018	9,299	3,913	74,957	(11,360)	27,859	390,725	495,393	14	495,407
Profit for the period	–	–	–	–	–	36,803	36,803	–	36,803
Other comprehensive income	–	–	–	–	(3,581)	–	(3,581)	–	(3,581)
Total comprehensive income	–	–	–	–	(3,581)	36,803	33,222	–	33,222
Cost of share-based payments	–	–	–	–	–	3,148	3,148	–	3,148
Tax on share-based payments	–	–	–	–	–	2,739	2,739	–	2,739
Exercise of options	–	–	–	5,145	–	(4,247)	898	–	898
Purchase of own shares	–	–	–	(3,587)	–	–	(3,587)	–	(3,587)
Return of Value (RoV)	–	–	–	(99,998)	–	–	(99,998)	–	(99,998)
Expenses relating to RoV	–	–	–	–	–	(1,189)	(1,189)	–	(1,189)
Equity dividends	–	–	–	–	–	(21,075)	(21,075)	–	(21,075)
At 30 June 2018	9,299	3,913	74,957	(109,800)	24,278	406,904	409,551	14	409,565
Profit for the period	–	–	–	–	–	44,128	44,128	(2)	44,126
Other comprehensive income	–	–	–	–	8,663	(1,000)	7,663	5	7,668
Total comprehensive income	–	–	–	–	8,663	43,128	51,791	3	51,794
Cost of share-based payments	–	–	–	–	–	3,277	3,277	–	3,277
Tax on share-based payments	–	–	–	–	–	(33)	(33)	–	(33)
Exercise of options	–	–	–	6,013	–	(3,345)	2,668	–	2,668
Purchase of own shares	–	–	–	(9,687)	–	–	(9,687)	–	(9,687)
Expenses relating to RoV	–	–	–	–	–	(7)	(7)	–	(7)
Cancellation of deferred shares	(29)	29	–	–	–	–	–	–	–
Equity dividends	–	–	–	–	–	(9,805)	(9,805)	–	(9,805)
At 31 December 2018	**9,270**	**3,942**	**74,957**	**(113,474)**	**32,941**	**440,119**	**447,755**	**17**	**447,772**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**37,847**	**37,847**	**–**	**37,847**

	Attributable to equity holders of the Parent								
	Issued share capital £'000	**Share premium £'000**	**Capital redemption reserve £'000**	**Own shares held £'000**	**Translation and hedging reserves £'000**	**Retained earnings £'000**	**Total £'000**	**Non-controlling interests £'000**	**Total equity £'000**
Other comprehensive income	**–**	**–**	**–**	**–**	**(180)**	**–**	**(180)**	**–**	**(180)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(180)**	**37,847**	**37,667**	**–**	**37,667**
Cost of share-based payments	**–**	**–**	**–**	**–**	**–**	**3,095**	**3,095**	**–**	**3,095**
Tax on share-based payments	**–**	**–**	**–**	**–**	**–**	**565**	**565**	**–**	**565**
Exercise of options	**–**	**–**	**–**	**6,637**	**–**	**(4,913)**	**1,724**	**–**	**1,724**
Purchase of own shares	**–**	**–**	**–**	**(3,231)**	**–**	**–**	**(3,231)**	**–**	**(3,231)**
Equity dividends	**–**	**–**	**–**	**–**	**–**	**(24,366)**	**(24,366)**	**–**	**(24,366)**
At 30 June 2019	**9,270**	**3,942**	**74,957**	**(110,068)**	**32,761**	**452,347**	**463,209**	**17**	**463,226**

Consolidated Cash Flow Statement
For the six months ended 30 June 2019

	Unaudited H1 2019 £'000	**Unaudited H1 2018 £'000**	**Audited Year 2018 £'000**
Operating activities			
Profit before tax	**50,849**	51,993	108,128
Net finance cost	**2,978**	112	1,240
Depreciation of property, plant and equipment	**10,556**	8,184	19,380
Amortisation of intangible assets	**5,586**	5,345	15,428
Share-based payments	**3,095**	3,148	6,425
Loss/(gain) on disposal of intangibles	**–**	–	164
Loss/(gain) on disposal of property, plant and equipment	**11**	30	177
Net cash flow from inventories	**(26,373)**	6,981	(28,887)
Net cash flow from trade and other receivables (including contract assets)	**306,584**	57,735	(274,968)
Net cash flow from trade and other payables (including contract liabilities)	**(326,633)**	(118,004)	285,361
Net cash flow from provisions	**(5,114)**	(513)	5,865
Other adjustments	**(4,611)**	(894)	726
Cash generated from operations	**16,928**	14,117	139,039
Income taxes paid	**(18,054)**	(5,746)	(23,821)
Net cash flow from operating activities	**(1,126)**	8,371	115,218
Investing activities			
Interest received	**992**	626	1,250
Increase in current asset investments	**(5,000)**	–	–
Acquisition of subsidiaries, net of cash acquired	**(2,865)**	–	(55,970)
Purchases of property, plant and equipment	**(8,905)**	(19,174)	(45,442)
Purchases of intangible assets	**(7,108)**	(1,868)	(5,935)
Proceeds from disposal of property, plant and equipment	**211**	68	146
Net cash flow from investing activities	**(22,675)**	(20,348)	(105,951)
Financing activities			
Interest paid	**(3,971)**	(738)	(2,490)
Dividends paid to equity shareholders of the parent	**(24,366)**	(21,075)	(30,880)
Return of Value (RoV)	**–**	(99,998)	(99,998)
Expenses on RoV	**–**	(1,189)	(1,196)
Proceeds from share issues	**1,724**	898	3,566
Purchase of own shares	**(3,231)**	(3,587)	(13,274)
Payment of lease liabilities (FY 2018: capital element of finance leases)	**(19,401)**	(787)	(803)
Repayment of loans	**(9,644)**	(1,095)	(1,119)
New borrowings – finance leases	**–**	–	5,125

	Unaudited H1 2019 £'000	Unaudited H1 2018 £'000	Audited Year 2018 £'000
New borrowings – bank loan	**–**	6,948	124,065
Net cash flow from financing activities	**(58,889)**	(120,623)	(17,004)
Decrease in cash and cash equivalents	**(82,690)**	(132,600)	(7,737)
Effect of exchange rates on cash and cash equivalents	**(3,438)**	(1,068)	1,580
Cash and cash equivalents at the beginning of the period/year	**200,442**	206,599	206,599
Cash and cash equivalents at the end of the period/year	**114,314**	72,931	200,442

Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended 30 June 2019

1. Corporate information
The Interim Condensed Consolidated Financial Statements (Financial Statements) of the Group for the six months ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 22 August 2019.

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

2. Basis of preparation
The Financial Statements for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union. They do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2018 Annual Report and Accounts which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Group has maintained its positive cash position in the period. In order to ensure that the Group can maintain its strong liquidity position it has a £60 million committed facility, which remained unutilised at the reporting date. The Group's forecast and projections, which allow for reasonably possible variations, show that the Group will continue to maintain its strong liquidity position, and therefore supports the Directors' view that the Group has sufficient funds available to meet its foreseeable requirements. The Directors have concluded therefore that the going concern basis remains appropriate.

3. Significant Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year as disclosed in the 2018 Annual Report and Accounts except for lease accounting where the Group has adopted the new accounting standard, IFRS 16 'Lease' ('IFRS 16'), as it became effective for the Group from 1 January 2019.

IFRS 16 Leases (IFRS 16)
IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

Effective 1 January 2019, the Group adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for H1 2018 and FY 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

As permitted by IFRS 16, the Group has elected to adopt the following practical expedients on transition:

- not to capitalise a right-of-use asset or related lease liability where the lease expires before 31 December 2019;
- not to reassess contracts to determine if the contract contains a lease and not to separate lease and non-lease elements;
- to use hindsight in determining the lease term if the contract contains options to extend or terminate the lease;
- lease payments for contracts with a duration of 12 months or less and contracts for which the underlying asset is of a low value will continue to be expensed to the Consolidated Income Statement on a straight-line basis over the lease term;
- to exclude initial direct costs from the measurement of the right of use asset; and
- to apply the portfolio approach where a group of leases has similar characteristics.

Impact of adoption of IFRS 16

Consolidated Balance Sheet
On initial application, the Group has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease obligations of £120.6 million were recorded as of 1 January 2019, with no net impact on retained earnings. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 7.6 per cent.

The Group has recognised £110.2 million of right-of-use assets and £111.0 million of lease liability as at 30 June 2019.

Consolidated Income Statement
Under IFRS 16, the Group has seen a different pattern of expense within the Consolidated Income Statement, as the IAS 17 operating lease expense is replaced by depreciation and interest costs. During the six months ended 30 June 2019, the Group has recognised £19.7 million of depreciation costs and £1.9 million of interest costs from these leases, and has seen a decrease of £20.8 million of operating lease rental expense. Had IAS 17 continued in operation during the period, Group profit before tax, on both an adjusted[1] and statutory basis, would have been £0.8 million higher.

Consolidated Cash Flow Statement

The change in presentation because of the adoption of IFRS 16 will see an improvement in 2019 of cash flow generated from operating activities, offset by a corresponding decline in cash flow from financing activities. There is no overall cash flow impact from the adoption of IFRS 16.

Reconciliation between the Group's operating lease commitments and lease liability
The following table reconciles the Group's operating lease commitments as a lessee at 31 December 2018, as previously disclosed in the Financial Statements, to the lease obligations recognised on initial application of IFRS 16 at 1 January 2019:

	£'000
Operating lease commitments at 31 December 2018 as disclosed in the Financial Statements	137,032
Discounted using the incremental borrowing rate at 1 January 2019	(9,913)
Finance lease liabilities recognised as at 31 December 2018	9,269
Recognition exemption for leases of low-value assets and with less than 12 months of lease term at transition	(18,378)
Other adjustment relating to implementation of IFRS 16	2,945
Lease liabilities recognised at 1 January 2019	120,955

Accounting policies

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 considered to be a lease when all of the following apply:

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

The policy is applied to contracts entered, or changed, on or after 1 January 2019. The Group has elected to separate the non-lease components and also elected to apply a number of practical expedients as noted above. In cases where the Group acts as an intermediate lessor, it accounts for its interests in the head-lease and the sub-lease separately.

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

Right of use asset
As at 1 January 2019, the Group measured the right-of-use asset at cost, which included the following:

- the initial amount of the lease liability adjusted for any lease payments made at or before 1 January 2019;
- any lease incentives received; and
- any initial direct costs incurred by the Group as well as an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lease contract. Cost for dismantling, removing or restoring the site on which it is located and/or the underlying asset is only recognised when the Group incurs an obligation to do so.

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

Lease liability
As at 1 January 2019, the lease liability is initially measured at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease, or if the rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments included in the measurement comprise of fixed payments, variable lease payments that depend on an index or a rate, amounts to be paid under a residual value guarantee and lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option as well as penalties for early termination of a lease, if the Group is reasonably certain to terminate early. If there is a purchase option present, this will be included if the Group is reasonably certain to exercise the option.

Leases of low-value assets and short-term

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

4. Adjusted measures

The Group uses a number of non-Generally Accepted Accounting Practice (non-GAAP) financial measures in addition to those reported in accordance with IFRS. The Directors believe that these non-GAAP measures, detailed below, are important when assessing the underlying financial and operating performance of the Group.

Adjusted operating profit or loss, adjusted net finance income or expense, adjusted profit or loss before tax, adjusted tax, adjusted profit or loss, adjusted earnings per share and adjusted diluted earnings per share are, as appropriate, each stated before: exceptional and other adjusting items including gain or losses on business acquisitions and disposals, amortisation of acquired intangibles, utilisation of deferred tax assets (where initial recognition was as an exceptional item or a fair value adjustment on acquisition), and the related tax effect of these exceptional and other adjusting items, as Management do not consider these items when reviewing the underlying performance of the Segment or the Group as a whole.

Prior to the adoption of IFRS 16, adjusted gross profit or loss and adjusted operating profit or loss included the interest paid on customer-specific financing (CSF) which Management considered to be a cost of sale.

Adjusted net funds or adjusted net debt includes cash and cash equivalents, other short or other long-term borrowings and current asset investments. Following the adoption of IFRS 16 this measure excludes all finance lease liabilities which now includes CSF balances which were previously included within this measure. A table reconciling this measure, including the impact of finance lease liabilities, is shown within note 13 to the summary financial information included within this announcement.

A reconciliation between key adjusted and statutory measures is provided below which details the impact of exceptional and other adjusted items when compared to the non-Generally Accepted Accounting Practice financial measures in addition to those reported in accordance with IFRS. Further detail is provided within note 5 to the summary financial information included within this announcement.

5. Segment information

Due to the acquisitions made in 2018, Management has further reviewed the way it reported segmental performance to the Board and the Chief Executive Officer, who is the Group's Chief Operating Decision Maker ('CODM'), during the first half of the year. As a result of this analysis the Board has adopted a new segmental reporting structure from the period ended 30 June 2019.

In accordance with IFRS 8 Operating Segments, the Group has identified five revised operating Segments:

- UK;
- Germany;
- France;
- USA; and
- International.

In the new USA Segment, the Group has now added a fifth operating Segment which comprises the business acquired in 2018 and the existing USA operations which transfer in from the International Segment.

The UK Segment now includes the TeamUltra trading operations from the International Segment reflecting the fact that the majority of the work performed by TeamUltra is either on UK customers or for UK bids. Over the course of the rest of the year we expect to see the TeamUltra operations absorbed into the UK trading entity, reflecting the importance of the capability to the UK business.

The International Segment now comprises a core 'Rest of Europe' presence with key trading operations in Belgium, the Netherlands and Switzerland along with the international Global Service Desk locations in South Africa, Spain, Hungary, Mexico, Poland, Malaysia, India and China. During the period Computacenter Switzerland acquired PathWorks GmbH. ('PathWorks'), a value-added reseller, based in Neudorf (Luzern), Switzerland. This acquisition allows us to add Technology Sourcing to our existing Swiss portfolio completing the Group's Source, Transform and Manage offering. The Global Service Desk locations have limited external revenues, and a cost recovery model that suggests better than breakeven margins to ensure compliance with transfer pricing regulations.

The French and German Segments remain unchanged from that reported at 31 December 2018.

Certain expenses such as those for the Board and related public company costs, Group Executive members not aligned to a specific geographic trading entity and the cost of centrally funded strategic corporate initiatives that benefit the whole Group, are not allocated to individual Segments because they are not directly attributable to any single Segment. Accordingly, these expenses continue to be disclosed as a separate column, 'Central Corporate Costs', within the Segmental note.

This new segmental reporting structure is the basis on which internal reports are provided to the Chief Executive Officer, as the CODM, for assessing performance and determining the allocation of resources within the Group.

Segmental performance is measured based on external revenues, adjusted[1] gross profit, adjusted[1] operating profit and adjusted[1] profit before tax.

The change in segmental reporting has no impact on reported Group numbers. To enable comparisons with prior period performance, historical Segment information for the periods ended 30 June 2018 and 31 December 2018 are restated in accordance with the revised segmental reporting structure.

Segmental performance for the periods to H1 2019, H1 2018 and Full Year 2018 were as follows:

Six months ended 30 June 2019 (unaudited)

	UK £'000	Germany £'000	France £'000	USA £'000	International £'000	Central Corporate Costs £'000	Total £'000
Revenue							
Technology Sourcing revenue	579,694	612,780	220,777	359,638	58,415	–	**1,831,304**
Services revenue							
Professional Services	54,608	93,258	10,881	7,823	1,844	–	**168,414**
Managed Services	159,592	183,012	39,732	12,955	32,005	–	**427,296**
Total Services revenue	214,200	276,270	50,613	20,778	33,849	–	**595,710**
Total revenue	793,894	889,050	271,390	380,416	92,264	–	**2,427,014**
Results							
Adjusted[1] gross profit	101,524	115,097	32,176	31,368	20,326	–	**300,491**
Administrative expenses	(78,090)	(82,471)	(26,093)	(30,151)	(15,738)	(11,866)	**(244,409)**
Adjusted[1] operating profit	23,434	32,626	6,083	1,217	4,588	(11,866)	**56,082**
Adjusted[1] net interest	(2,311)	114	(126)	(179)	(77)	–	**(2,579)**
Adjusted[1] profit before tax	21,123	32,740	5,957	1,038	4,511	(11,866)	**53,503**
Exceptional items:							
– on unwinding of discount relating to acquisition of a subsidiary							**(400)**
– costs relating to acquisition of a subsidiary							**(79)**
Total exceptional items							**(479)**
Amortisation of acquired intangibles							**(2,175)**
Statutory profit before tax							**50,849**

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

Six months ended 30 June 2019 (unaudited)

	Total £'000
Adjusted[1] operating profit	**56,082**
Add back interest on CSF	**–**
Amortisation of acquired intangibles	**(2,175)**
Exceptional items	**(79)**
Statutory operating profit	**53,828**

Six months ended 30 June 2018 (unaudited)

	UK £'000	Germany £'000	France £'000	USA £'000	International £'000	Central Corporate Costs £'000	Total £'000
Revenue							
Technology Sourcing revenue	633,784	598,033	182,395	243	19,668	–	**1,434,123**
Services revenue							
Professional Services	62,841	79,887	8,894	3,262	1,756	–	**156,640**
Managed Services	164,499	188,128	39,364	9,919	16,231	–	**418,141**
Total Services revenue	227,340	268,015	48,258	13,181	17,987	–	**574,781**
Total revenue	861,124	866,048	230,653	13,424	37,655	–	**2,008,904**
Results							
Adjusted[1] gross profit	100,430	109,721	24,095	2,919	11,522	–	**248,687**
Administrative expenses	(74,540)	(77,523)	(22,022)	(2,550)	(8,550)	(11,401)	**(196,586)**
Adjusted[1] operating profit	25,890	32,198	2,073	369	2,972	(11,401)	**52,101**
Adjusted[1] net interest	78	43	(35)	(61)	(14)	–	**11**
Adjusted[1] profit before tax	25,968	32,241	2,038	308	2,958	(11,401)	**52,112**
Exceptional items:							
– on unwinding of discount relating to acquisition of a subsidiary							**–**
– costs relating to acquisition of a subsidiary							**–**
Total exceptional items							–
Amortisation of acquired intangibles							**(119)**
Statutory profit before tax							**51,993**

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

Six months ended 30 June 2018 (unaudited)

	Total £'000
Adjusted[1] operating profit	**52,101**
Add back interest on CSF	**123**
Amortisation of acquired intangibles	**(119)**
Exceptional items	–
Statutory operating profit	**52,105**

Year ended 31 December 2018

	UK £'000	**Germany £'000**	**France £'000**	**USA £'000**	**International £'000**	**Central Corporate Costs £'000**	**Total £'000**
Revenue							
Technology Sourcing revenue	1,157,916	1,330,616	393,769	238,600	56,680	–	**3,177,581**
Services revenue							
Professional Services revenue	118,900	166,471	18,914	13,763	3,867	–	**321,915**
Managed Services revenue	334,578	375,591	80,568	20,718	41,619	–	**853,074**
Total Services revenue	453,478	542,062	99,482	34,481	45,486	–	**1,174,989**
Total revenue	1,611,394	1,872,678	493,251	273,081	102,166	–	**4,352,570**
Results							
Adjusted[1] gross profit	205,708	231,191	55,655	27,007	28,697	–	**548,258**
Adjusted[1] administrative expenses	(147,465)	(164,332)	(48,601)	(22,666)	(21,240)	(25,188)	**(429,492)**
Adjusted[1] operating profit	58,243	66,859	7,054	4,341	7,457	(25,188)	**118,766**
Adjusted[1] net interest	(163)	45	(162)	(200)	(50)	–	**(530)**
Adjusted[1] profit before tax	58,080	66,904	6,892	4,141	7,407	(25,188)	**118,236**
Exceptional items:							
– on unwinding of discount relating to acquisition of a subsidiary							**(417)**
– costs relating to acquisition of a subsidiary							**(5,240)**
Total exceptional items							**(5,657)**
Amortisation of acquired intangibles							**(4,451)**
Statutory profit before tax							**108,128**

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

Year ended 31 December 2018

	Total £'000
Adjusted[1] operating profit	**118,766**
Add back interest on CSF	**293**
Amortisation of acquired intangibles	**(4,451)**
Exceptional items	**(5,240)**
Statutory operating profit	**109,368**

6. Seasonality of operations

Historically, revenues have been higher in the second half of the year than in the first six months. This is principally driven by customer buying behaviour in the markets in which we operate. Typically this leads to a more pronounced effect on operating profit. In addition, the effect is compounded further by the tendency for the holiday entitlements of our employees to accrue during the first half of the year and to be utilised in the second half.

7. Dividends paid and proposed

A final dividend for 2018 of 21.6 pence per ordinary share was paid on 28 June 2019. An interim dividend in respect of 2019 of 10.1 pence per ordinary share, amounting to a total dividend of £11.5 million, was declared by the Directors at their meeting on 20 August 2019. The expected payment date of the dividend declared is 11 October 2019. This interim report does not reflect this dividend payable.

8. Income tax

Tax for the six-month period is charged at 25.6 per cent (six months ended 30 June 2018: 29.2 per cent; year ended 31 December 2018: 25.2 per cent), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six-month period.

9. Exceptional items

	Unaudited H1 2019 £'000	**Unaudited H1 2018 £'000**	**Audited Year 2018 £'000**
Operating profit			
Costs relating to acquisition of a subsidiary	**(79)**	–	(5,240)
Exceptional operating loss	**(79)**	–	(5,240)
Unwinding of discount relating to acquisition of a subsidiary	**(400)**	–	(417)
Loss on exceptional items before taxation	**(479)**	–	(5,657)
Income tax			
Tax on exceptional items	**39**	–	1,353
Tax relating to acquisition of a subsidiary	**879**	–	3,091
Gain/(loss) on exceptional items after taxation	**439**	–	(1,213)

2019:

An exceptional operating loss during the period of £0.1 million resulted from residual costs directly relating to the acquisition of FusionStorm. The majority of these costs were incurred in the year to 31 December 2018 and included a severance payment for the FusionStorm Chief Executive Officer, agreed as part of the acquisition, advisor fees and a finder's fee that was paid on completion of the transaction. These costs were non-operational in nature, material in size and unlikely to recur and have therefore been classified as outside our adjusted[1] results. The current period loss resulted from social charges relating to the severance payment for the FusionStorm Chief Executive Officer and has been treated as an exceptional item for consistency with the disclosure in the year to 31 December 2018.

A further £0.4 million relating to the unwinding of the discount on the deferred consideration for the purchase of FusionStorm has been removed from the adjusted[1] net finance expense and classified as exceptional interest costs.

A credit of £0.04 million arising from the tax benefit on the FusionStorm exceptional acquisition costs has been recognised as tax on the above exceptional item. A further tax credit of £0.9 million was recorded due to post-acquisition activity in FusionStorm, related to the transaction, which has resulted in an in-year tax benefit. This activity was settled by the vendor, out of the consideration paid, via post-acquisition capital contributions to FusionStorm. As this credit was related to the acquisition and not operational activity within FusionStorm, is of a one-off nature and material to the overall tax result, it was classified as an exceptional tax item.

2018:
There were no exceptional items reported within the H1 2018 period.

10. Earnings per share

Earnings per share ('EPS') amounts are calculated by dividing profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period (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 period are considered to be dilutive potential shares.

	Unaudited H1 2019 £'000	**Unaudited H1 2018 £'000**	**Audited Year 2018 £'000**
Profit attributable to equity holders of the Parent	**37,847**	36,803	80,931

	Unaudited H1 2019 '000	**Unaudited H1 2018 '000**	**Audited Year 2018 '000**
Basic weighted average number of shares (excluding own shares held)	**112,616**	114,620	113,409
Effect of dilution:			
Share options	**1,215**	1,662	1,984
Diluted weighted average number of shares	**113,831**	116,282	115,393

	Unaudited H1 2019 pence	**Unaudited H1 2018 pence**	**Audited Year 2018 pence**
Basic earnings per share	**33.6**	32.1	71.4
Diluted earnings per share	**33.2**	31.6	70.1

11. Investments

PathWorks

On 1 January 2019, the Group acquired 100 per cent of the voting shares of PathWorks for an initial consideration of €3.9 million and agreed to an undiscounted contingent consideration of €0.5 million, dependent upon the achievement of agreed performance criteria over the next two and a half years from the date of acquisition. The acquisition-related costs amounted to €0.1 million and are included in the Consolidated Income Statement. PathWorks is based in Switzerland and is an IT product provider. The acquisition has been accounted for using the purchase method of accounting.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	Provisional fair value to the Group £'000
Inventories	**75**
Trade and other receivables	**737**
Cash and short-term deposits	**585**
Prepayments	**367**
Trade and other payables	**(1,452)**
Net assets acquired	**312**
Goodwill arising on acquisition	**3,138**
	3,450
Discharged by:	
Cash paid on acquisition	**3,107**
Contingent consideration	**343**
	3,450
Cash and cash equivalents acquired	
Cash and short-term deposits	**(585)**
Cash outflow on acquisition	**2,865**

The initial accounting for the acquisition of PathWorks has only been provisionally determined at the date of finalisation of the summary financial information included within this announcement based on Management's best estimates. Included in the £3.1 million of goodwill that arose on acquisition are certain intangible assets that cannot be individually separated and reliably measured under IFRS 3 Business Combination from the acquiree due to their nature. These items include the expected value of synergies, a footprint from which to grow Technology Sourcing business in the Switzerland and skillset of the workforce.

From the date of acquisition to 30 June 2019, PathWorks contributed £6.6 million to the Group's revenue and a profit of £0.3 million to the Group's profit after tax.

Contingent consideration

Based on the performance of the business in H1 2019 and the forecasted performance for FY 2019, FY 2020 and FY 2021, Management's assessment is that it is highly probable that the contingent consideration of €0.5 million will become payable and accordingly the discounted contingent consideration has been included in the provisional fair value to the Group.

Management concluded that the contingent consideration was actually consideration and not remuneration on the basis that individuals who were selling shareholders due to be paid the consideration were not required to remain in employment post-acquisition.

12. Fair value measurements recognised in the consolidated balance sheet

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

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

At 30 June 2019 the Group had forward currency contracts, which were measured at Level 2 fair value subsequent to initial recognition, to the value of a net asset of £3,258,000 (30 June 2018: £4,309,000, 31 December 2018: £3,239,000).

The net realised gains from forward currency contracts in the period to 30 June 2019 of £3,541,000 (30 June 2018: £3,506,000, 31 December 2018: £3,278,000) are offset by broadly equivalent realised losses/gains on the related underlying transactions.

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

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

13. Net funds

	Unaudited H1 2019 £'000	Unaudited H1 2018 £'000	Audited Year 2018 £'000
Cash and short-term deposits	**114,314**	72,931	200,442
Cash and cash equivalents	**114,314**	72,931	200,442
Current asset investments	**5,000**	–	–
Bank loans	**(122,442)**	(19,251)	(134,234)
Adjusted net (debt)/funds[3] (excluding CSF and lease liability)	**(3,128)**	53,680	66,208
CSF leases	**–**	(3,933)	(8,928)
Lease liability	**(111,003)**	–	–
Net (debt)/funds	**(114,131)**	49,747	57,280

14. Provisions

	Customer contract provisions £'000	Retirement benefit obligation £'000	Property provisions £'000	Other provisions £'000	Total provisions £'000
At 1 January 2019	**16,394**	**7,416**	**2,751**	**470**	**27,031**
Amounts reversed	**(434)**	**–**	**–**	**–**	**(434)**
Arising during the period	**–**	**295**	**213**	**–**	**508**
Utilised	**(5,114)**	**–**	**–**	**–**	**(5,114)**
Exchange adjustment	**(230)**	**(47)**	**(1)**	**(3)**	**(281)**
At 30 June 2019	**10,616**	**7,664**	**2,963**	**467**	**21,710**
Current	**6,809**	**–**	**964**	**467**	**8,240**
Non-current	**3,807**	**7,664**	**1,999**	**–**	**13,470**
	10,616	**7,664**	**2,963**	**467**	**21,710**

Customer contract provision

Following implementation of IFRS 15 and due to materiality of the provisions on difficult customer contracts, the provisions for difficult customer contracts were reclassified from other payables to be disclosed as provisions as at 31 December 2018. These provisions result from customer contracts where total cost exceeds total revenue. During the period £5.1 million of customer contract provisions had been utilised in line with individual contract forecasts. A further £0.4 million of provision that was no longer required was released to the Condensed Consolidated Income Statement.

15. Publication of non-statutory accounts

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

The comparative figures for the financial year ended 31 December 2018 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

16. Events after the reporting period

Detailed below is the significant event that happened after the Group's period end date of 30 June 2019 and before the signing of this announcement on 22 August 2019.

Acquisition of R.D. Trading Limited

On Monday 12 August 2019, the Group issued a press release noting that Computacenter (UK) Limited, a wholly-owned subsidiary of the Group, had acquired the IT Asset Disposal business R.D. Trading Limited in the UK from Arrow Electronics Inc.