

Computacenter plc

Interim report

Half year results to 30 June 2010

**PLEASED,
BUT NOT
SATISFIED.**



Computacenter
Services & Solutions

Key metrics

Revenue

£1.29bn

Adjusted profit before tax

£21.3m

Adjusted diluted earnings per share

10.4p

Total dividend per share

3.5p

Who we are

Computacenter is a leading IT infrastructure services provider. We add value to our customers by advising on IT strategy, deploying appropriate technologies, and managing elements of their infrastructures on their behalf.

Our mission

To deliver IT services and solutions that enable our customers to achieve their goals.

Our strategy

Our strategy is to achieve long-term earnings growth. To help measure our success, we have five key strategic initiatives against which to benchmark our performance.

Financial highlights

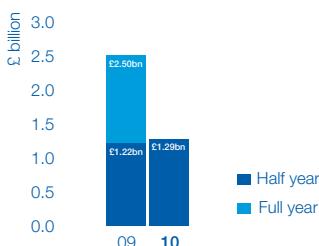
Financial performance

- Adjusted* profit before tax increased 16.6% to £21.3 million (2009: £18.2 million)
- Adjusted* diluted earnings per share increased by 8.3% to 10.4p (2009: 9.6p)
- Group revenues increased by 5.4% to £1.29 billion (2009: £1.22 billion)
- Interim dividend increased 16.7% to 3.5p (2009: 3.0p)
- Net funds before customer-specific financing ('CSF') of £95.6 million (2009: £47.3 million)

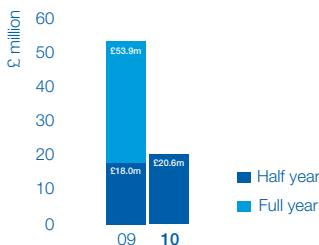
Statutory performance

- Profit before tax increased by 75.1% to £21.0 million (2009: £12.0 million)
- Diluted earnings per share increased by 63.5% to 10.3p (2009: 6.3p)
- Net funds after CSF of £57.1 million (2009: net debt of £18.1 million)

Group revenues



Group adjusted* operating profit



* Adjusted for exceptional items and amortisation of acquired intangibles. Adjusted Operating Profit is also stated after charging finance costs on customer-specific financing.

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Chairman's statement

"I am pleased with our results for this period, and thankful for the commitment and hard work of Computacenter's people, but we can and must do considerably better."

We continue to make good progress in the markets we have chosen to serve. Customers value our offerings and service, as demonstrated by revenue growth in excess of 5% and as further underscored by our top rating in the customer advocacy section of an independent survey by EquaTerra in 2009. The growth in adjusted¹ profit before tax, in excess of 16%, is testament to the hard work of our people and to the strategic decisions we made at the beginning of 2009. In a nutshell, our cost reductions, as well as our exit from markets which absorb working capital without delivering good yield, have resulted in the operational gearing we continue to see in these first-half results. Our net funds, excluding customer specific financing has grown further to £95.6 million (H1 2009: £47.3 million).

Behind the scenes, we are implementing programmes designed to improve all aspects of our business on a sustainable basis. We are taking Group-wide actions to share best practices in our offerings, customer service and in the relentless drive to ensure our service delivery capabilities are of the highest quality. We continue to focus on the use of our working capital and the development of our people's talents in relation to how we serve customers. We are doing this with specific Group-wide

methods and processes. We are investing a very significant sum in the implementation of our new ERP system. The combined effect of these programmes is designed to create even more operational gearing and to accelerate our organic growth in higher margin activities.

I am pleased with our results for this period, and thankful for the commitment and hard work of Computacenter's people, but we can and must do considerably better. The actions I have summarised above are even more important to our future success than the improvements we have achieved in the past 18 months. We are determined to demonstrate that through continual growth in profitability. Mike Norris has provided a more detailed assessment of our progress so far, in the summaries below.



Greg Lock
Chairman

¹ Adjusted for exceptional items and amortisation of acquired intangibles. Adjusted Operating Profit is also stated after charging finance costs on customer-specific financing.



Operating review



Overview

Business review

Financial statements

"Computacenter made good progress in the first six months of 2010... The improvement in profitability in the period, was largely driven by a strong rebound in infrastructure spend, together with steady growth in services, as well as our continued focus on cost control."

Computacenter made good progress in the first six months of 2010, delivering a 16.6% increase in adjusted¹ profit before tax to £21.3 million (H1 2009: £18.2 million). The improvement in profitability in the period, was largely driven by a strong rebound in infrastructure spend, together with steady growth in services, particularly in the UK, as well as our continued focus on cost control. Overall reported revenues increased by 5.4% to £1.29 billion (H1 2009: £1.22 billion).

Adjusted¹ diluted earnings per share for the period grew by 8.3% to 10.4p (H1 2009: 9.6p). The EPS improvement is lower than the level of profit growth achieved, due to the mix of earnings adversely impacting the Group's tax rate and the dilution from the exercise of share options resulting from the higher share price during the period. The tax rate for the year as a whole is not expected to remain at the current

¹ Adjusted for exceptional items and amortisation of acquired intangibles. Adjusted Operating Profit is also stated after charging finance costs on customer-specific financing.

Operating review continued

increased level, but is expected to exceed the overall tax rate in 2009, due to the likely geographic mix of profits for the full year.

There are no exceptional charges incurred in the period (H1 2009: £6.0 million) and we do not anticipate material exceptional charges during the rest of the year. Therefore, on a statutory basis, after taking amortisation on acquired intangibles into account, profit before tax increased materially, by 75.1% to £21.0 million (H1 2009: £12.0 million) and diluted earnings per share grew by 63.5% to 10.3p (H1 2009: 6.3p).

We are pleased to announce the payment of an increased interim dividend of 3.5p per share (H1 2009: 3.0p). The interim dividend will be paid on 15 October 2010 to shareholders on the register as at 17 September 2010.

Our progress was achieved within an environment where the economy continues to be challenging. Growth in services in the Technology Sector in Europe, has been forecast at 2.4% for 2010². We believe that our growth above the market, is due to our continued focus on reducing our customers' costs and our well positioned offerings, which serve the market's apparent appetite to invest in new technologies.

The positive trend in increased IT capital expenditure, over the first half of 2010, is evidenced by an encouraging growth in product revenue by 14.8%, in constant currency and excluding the effect of the disposal of our trade distribution business in 2009.

The growth in our contractual services base of 4.6% to £509.7 million (H1 2009: £487.3 million), in constant currency, has already helped performance in the first half of 2010, with more significant contribution anticipated in the second half of the year and beyond. The pipeline for the future is encouraging and, as has been the case in the past, we anticipate that new contractual services wins will increase in the second half of the year. However, some of these prospects are binary in nature and present the risk that if not won, could reduce the contractual services base.

We continue to strengthen our balance sheet, with net funds excluding customer-specific financing (CSF) of £95.6 million at the period end (H1 2009: net funds of £47.3 million).

Including CSF, net funds were £57.1 million (H1 2009: net debt of £18.1 million). Capital expenditure of £16.1 million was incurred during the period, partly in relation to the investment into the ERP system. This level of cash generation is particularly encouraging, since it has occurred during a period of revenue growth. The level of CSF has also reduced from £65.3 million, at the end of the first half of 2009, to the current level of £38.5 million. As previously reported, our cash position was flattered by approximately £25 million, due to the ongoing extended credit facility from one of our major vendors, which is set to continue, at least until the end of 2010.

We remain broadly on time and budget with our implementation of a new Group-wide ERP system, which we expect to complete in 2011. We estimated the cost at £35 million over three years, of which, in excess of 80% has been spent to date.

Outlook

Looking particularly at the second half of 2010, we are confident about further progress in our contractual services business. Whilst we anticipate that UK Public Sector capital expenditure is likely to be curbed, we believe that this will not result in any significant impact at a Group level. Other sectors remain positive, particularly the Industrial Sector in Germany and the Financial Services Sector in the UK. There is also the potential that the VAT increase early in 2011, could stimulate increased spend activity towards the end of this year.

We remain focused on the cost management of our, as well as our customers' businesses and we are well aware that in this market, for which low growth is forecasted², much remains to be done. We are confident that we are on track to meet our expectations for the year as a whole and looking further ahead, our plans to increase the services mix, allied with our strong balance sheet, give us encouragement for further growth in the future.

United Kingdom

UK performance was strong compared to the same period in 2009, with adjusted¹ operating profit growing by 43.7% to £18.1 million (H1 2009: £12.6 million). This improvement is largely a result of sharpening our focus as a services and solutions company, resulting in significant



growth in the product business, especially in the first quarter and a pleasing revenue growth in the services business, in turn, primarily in the second quarter.

Overall UK revenues for the period, excluding the disposal of the distribution business, were up by 12.7% to £651.9 million (H1 2009: £578.4 million). Services revenues grew by 8.0%, which was largely driven by growth in contractual services, mainly within the Financial Services environment. Product revenue increased by 14.6%, as customers continued to invest into new technologies. Removal of cost remains at the top of our customers' agenda and our offerings suit these aspirations. We have witnessed this growth trend for the last year and we believe it is likely to continue throughout the second half of 2010.

After delivering a £13.4 million reduction in UK Sales, General and Administration (SG&A) expenses in H1 2009, excluding the impact of acquisitions and disposals, SG&A in this period remained broadly unchanged. This SG&A stability was achieved despite some investment into projects aimed at enhancing our services capability further.

The correlation between products and professional services revenue was demonstrated once again. There was a revenue decline in both businesses in the first half of 2009, as customers put non-critical project expenditure on hold. The first half of 2010 saw product revenue growth, and predictably, professional services revenue improved by 8.1%. The mutuality of these businesses is demonstrated by a recent successful win within a major datacentre consolidation programme being undertaken by the New York Stock Exchange (NYSE) Euronext in the UK. During phase 1 of this strategic NYSE Euronext led programme, Computacenter has contributed in key enablement areas, such as cabling, server installation, hardware support, build QA and logistics. The programme will result in NYSE Euronext extending its use of Tier IV datacentre facilities to support a strategic objective of significantly reducing trading latency for its customers.

The UK contract base over this term grew by 6.1% in H1 to £234.6 million (H1 2009: £221.2 million). We attribute our contract base improvement to a continued trend in multi-vendor outsourcing in the market. Due to customers wish to retain control, whilst gaining

Operating review continued

flexibility through outsourcing solutions, there has been a larger degree of selectivity in identifying services suitable for outsourcing, as well as a multi-sourcing approach when choosing providers. This widening of the outsourcing arena has given us increased opportunities to present our offerings to more customers and also provides better potential for supplier partnering.

A recent five-year contract win evidences the benefit of partnered offerings. Trinity Expert Systems, an IT Solutions Provider, with which Computacenter has a long working history of jointly providing application services, awarded us a contract to deliver datacentre hosting and associated services to a London based specialist insurance group. Our new Tier IV facility in Romford is well suited for this purpose and is geared for future expansion.

Similarly, we have been awarded two contracts involving the newly integrated Oracle/Sun Exadata storage solution, born out of the Sun acquisition last year, by Oracle. As the only Oracle business partner in the UK, with an Exadata proof of concept facility, Computacenter has been selected to deploy this solution to a major European bank and a solutions provider to the Financial Sector.

The Exadata storage servers will enable the bank to enhance operational efficiency and reduce costs, through supporting the creation of a centralised global data warehouse. In the instance of the solutions provider, the Exadata solution will provide financial transaction services and payment processing to banks, corporations and government departments, worldwide.

Our repeatable solutions, which provide a consistent level of quality, governance and results, gained further traction in the market. Best Buy UK, a leading consumer electronics retailer and part of a joint venture with The Carphone Warehouse plc, has awarded Computacenter a three-year contract to implement an IT infrastructure solution for its stores, including provisioning, staging, configuring, installing and support, as well as deploying and maintaining point of sale devices, desktops, cabling, network connections and servers.

The IBM premium partner, Thesaurus, which we acquired in 2009, has now been fully integrated into the UK business and we are encouraged by the early signs that these added offerings have already contributed to our recent wins and the pipeline.

RDC, our remarketing and recycling arm, recorded another strong first half, with revenues up by 24.3%. There has been consistent growth in this business over recent years and we have identified certain investment opportunities, to support future growth.

Germany

In Germany, overall adjusted¹ operating profit in the first half of 2010, reduced by 46.7% in local currency. In sterling, this translates to a decrease of 48.1% to £3.7 million (H1 2009: £7.2 million).

The primary reason for the decline in profitability was a weaker start for services in Germany during the first two months of the year, which in turn, was mainly due to a larger contract that had expired towards the end of 2009. This caused under-utilisation of the services business at that time, resulting in 2.4% decrease in services revenue, in local currency, for the period as a whole.

Overall, revenue increased by 8.0% in local currency, with the decline in the services business, countered by a 14.9% growth in the products business. The strong products sales were mainly in the high-end product arenas of security, network and datacentre, with the becom acquisition assisting particularly in the growth of datacentre revenues. Product growth, excluding becom, was 3%.

In addressing the decline in both services revenue and margin, during the first months of 2010, we reviewed some processes, as well as our services efficiency in our central functions, such as logistics, in order to stabilise the services margins. Since March 2010, margin stability and utilisation has returned to the business, albeit that the shortfall in profitability has not been reversed.

We experienced, especially during the second quarter of the year, an increasing demand for desktop virtualisation, identity management,



security, Windows 7, networking and collaboration.

Towards the end of the first half, the pipeline for consulting projects improved, which is particularly pleasing, since an increased demand for consulting projects often precedes hardware and maintenance services contracts, signalling possible relief in the uncertain market we still find ourselves in.

This early trend may be evidenced by two framework agreements concluded in April 2010 with the Beschaffungsamt des Bundesministeriums des Innern (Procurement department of the German Federal Ministry of the Interior), for the supply of workstations for three years and storage products, as well as consulting, maintenance and support services, over a four-year term.

Also indicative of the early signs that IT spend may be on the increase is a five-year desktop product supply and related services contract win with RAG Aktiengesellschaft, which will entail the supply of more than 6,500 workstations.

Computacenter Germany received the prestigious 'Daimler Supplier Award 2009' at the Daimler Key Supplier Meeting in March, in the category 'IT, General Goods & Services' for its outstanding performance in providing IT services. Additionally, as a member of the Virtual Computing Environment (VCE), a coalition partner system founded by Cisco, EMC and VMware, Computacenter is the first IT service provider which has integrated the Vblock infrastructure packages of the VCE coalition into its portfolio and is advising customers in the planning and implementation of private cloud infrastructures, based on the Vblock architecture.

The integration of the becom business was successfully completed in April 2010, with Computacenter Germany becoming IBM's number one business partner in Germany.

France

In a recovering economic environment, with a flat market forecast for 2010 in both the products and services businesses, our French operation achieved strong revenue growth, well ahead of the market, with reported revenue increasing by 8.7% to £164.3 million (H1 2009:

Operating review continued

£151.1 million). This growth was, however offset by margin erosion, following the renewal in H2 2009 of a major product contract. Consequently, adjusted¹ operating loss improved marginally to £1.2 million (H1 2009: loss of £1.4 million).

Both product and services revenue, in local currency, grew materially by 12.6% and 7.8% respectively. Product growth resulted mainly from strong development in the customer base, enterprise product sales and software revenues. As in the UK, this improvement in product sales was mirrored by an 11.6% growth in professional services revenue; a first in several years. Contractual services growth of 6.0% represents steady progress after significant growth in 2009.

Since we anticipated product margin and volume erosion, our efforts were focused on services revenue and customer base growth. However, better than expected product margins were achieved and services margins continued to grow, driven by increased volume and a leaner, more cost-efficient organisation. General overhead cost reduction has continued, but with some investment made, aimed at accelerating sales during the second half of the year and 2011. We have reorganised the sales force through establishing a sales specialist team with revised performance targets and specific customer sector focus. The reorganised sales force has already achieved successes and in this period, we have won two Wintel product supply contracts with a major advertising company, as well as a mutual insurer to the agricultural workforce. Particularly pleasing, were a number of managed services contract wins with a leading French bank.

Further contributing to an increase in our contractual services customer base, has been a recent contract win with ENIM, a school of the French Army and a maintenance contract with UGAP.

The French enterprise business showed encouraging development, evidenced by good wins with UGAP, the Public Purchasing Agency, and a Europe-wide roll-out for an international telecommunications group. We have also managed to upscale our offerings to the French Army, from primarily, the supply of laptops and desktops, to select services and enterprise activities.

Benelux

Our Belgium and Netherlands operations recorded an adjusted¹ operating profit of £280,000 (H1 2009: loss of £166,000). Overall revenue increased by 35.6%, with a significant increase in product sales.

Aside from the revenue increase, the improved result was also assisted by a reduction in the cost base, achieved through a reorganisation during 2009. Contract wins in late 2009 also became fully operational and our decision to leverage our software licensing competencies towards the local market, delivered some encouraging successes, as can be evidenced by key software licensing wins with Asco, Lotus Bakeries and Bank J Van Breda & Co. We also implemented a cabling project for Ikea.

Our business in Luxembourg recorded a loss of £298,000, with reduced revenue of 5.3%, compared to the same period last year (H1 2009: loss of £244,000). The services activity in Luxembourg has, in the first months of 2010, been challenged, but clear signs of improvement towards the end of the half have transpired, especially within the consulting and managed services space, as can be evidenced by a recent three-year managed services contract win with a major energy utilities group.

Group Risk Statement

The principal risks to our business and our approach to mitigating those risks remain as set out on pages 22 and 23 of our 2009 Report and Accounts. The economic climate remains uncertain and our enhanced offerings, which help customers remove cost and risk from their IT expenditure, continue to be Computacenter's primary defence against this threat. In addition, strategies remain in place to mitigate operational risks in particular, those relating to the implementation of complex end-to-end service contracts. These mitigation strategies are currently being enhanced through the building of services processes. Together with achieving the desired progress on the Group-wide ERP project, the successful implementation of the new services processes, feature at the top of our Group Risk Log.

Responsibility statement

The Directors confirm that to the best of their knowledge:

- This financial information has been prepared in accordance with IAS 34;
- This interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- This interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).



MJ Norris
Chief Executive
26 August 2010



FA Conophy
Finance Director
26 August 2010

On behalf of the Board

Independent review report to Computacenter Plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, and the related notes 1 to 12. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP

Ernst & Young LLP

Registered auditor

Luton

26 August 2010

Consolidated income statement

For the six months ended 30 June 2010

	Note	Unaudited H1 2010 £'000	Unaudited H1 2009 £'000	Audited Year 2009 £'000
Revenue	4	1,288,780	1,222,184	2,503,198
Cost of sales		(1,115,022)	(1,051,560)	(2,153,395)
Gross profit		173,758	170,624	349,803
Distribution costs		(9,384)	(9,686)	(19,032)
Administrative expenses		(142,434)	(140,947)	(272,876)
Operating profit:				
Before amortisation of acquired intangibles and exceptional items		21,940	19,991	57,895
Amortisation of acquired intangibles		(299)	(259)	(517)
Exceptional items	6	–	(6,003)	(5,299)
Operating profit		21,641	13,729	52,079
Finance revenue		1,249	1,000	1,307
Finance costs		(1,914)	(2,748)	(4,977)
Profit before tax:				
Before amortisation of acquired intangibles and exceptional items		21,275	18,243	54,225
Amortisation of acquired intangibles		(299)	(259)	(517)
Exceptional items	6	–	(6,003)	(5,299)
Profit before tax		20,976	11,981	48,409
Income tax expense:				
Before exceptional items		(5,208)	(3,851)	(12,113)
Tax on exceptional items	6	–	1,276	1,415
Income tax expense	7	(5,208)	(2,575)	(10,698)
Profit for the period		15,768	9,406	37,711
Attributable to:				
Equity holders of the parent		15,768	9,406	37,703
Non-controlling interests		–	–	8
Profit for the period		15,768	9,406	37,711
Earnings per share				
– basic for profit for the period	8	10.7p	6.4p	25.7p
– diluted for profit for the period	8	10.3p	6.3p	24.9p

Consolidated statement of comprehensive income

For the six months ended 30 June 2010

	Unaudited H1 2010 £'000	Unaudited H1 2009 £'000	Audited Year 2009 £'000
Profit for the period	15,768	9,406	37,711
Exchange differences on translation of foreign operations	(8,149)	(12,163)	(10,173)
Total comprehensive income for the period	7,619	(2,757)	27,538

Attributable to:

Equity holders of the parent	7,626	(2,755)	27,543
Non-controlling interests	(7)	(2)	(5)
	7,619	(2,757)	27,538

Consolidated balance sheet

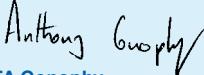
As at 30 June 2010

	Unaudited H1 2010 £'000	Unaudited H1 2009 £'000	Audited Year 2009 £'000
Non-current assets			
Property, plant and equipment	96,241	113,392	105,290
Intangible assets	77,336	52,503	72,965
Investment in associate	52	–	57
Deferred income tax asset	17,647	17,674	16,444
	191,276	183,569	194,756
Current assets			
Inventories	69,062	71,056	67,086
Trade and other receivables	410,479	403,101	475,646
Prepayments	52,247	59,214	55,785
Accrued income	51,631	70,229	29,538
Forward currency contracts	588	–	726
Cash and short-term deposits	129,571	75,542	108,017
	713,578	679,142	736,798
Total assets	904,854	862,711	931,554
Current liabilities			
Trade and other payables	384,637	332,022	378,929
Deferred income	93,769	107,648	123,861
Financial liabilities	55,971	64,362	48,647
Forward currency contracts	–	25	–
Income tax payable	5,768	3,849	3,815
Provisions	2,202	2,439	2,202
	542,347	510,345	557,454
Non-current liabilities			
Financial liabilities	16,503	29,256	22,022
Provisions	10,338	10,337	11,605
Other non-current liabilities	47	381	227
Deferred income tax liabilities	1,556	1,515	1,674
	28,444	41,489	35,528
Total liabilities	570,791	551,834	592,982
Net assets	334,063	310,877	338,572

Consolidated balance sheet continued

	Unaudited H1 2010 £'000	Unaudited H1 2009 £'000	Audited Year 2009 £'000
Capital and reserves			
Issued capital	9,231	9,184	9,186
Share premium	3,168	2,890	2,929
Capital redemption reserve	74,950	74,950	74,950
Own shares held	(10,377)	(9,838)	(9,657)
Foreign currency translation reserve	8,066	14,207	16,208
Retained earnings	249,016	219,465	244,940
Shareholders' equity			
Non-controlling interest	9	19	16
Total equity	334,063	310,877	338,572

Approved by the Board on 26 August 2010

 
MJ Norris
 Chief Executive **FA Conophy**
 Finance Director

Consolidated statement of changes in equity

	Attributable to equity holders of the parent								
	Issued capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 1 January 2009	9,181	2,890	74,950	(11,169)	26,368	218,970	321,190	21	321,211
Profit for the period	—	—	—	—	—	9,406	9,406	—	9,406
Other comprehensive income	—	—	—	—	(12,161)	—	(12,161)	(2)	(12,163)
Total comprehensive income	—	—	—	—	(12,161)	9,406	(2,755)	(2)	(2,757)
Cost of share-based payment	—	—	—	—	—	1,076	1,076	—	1,076
Exercise of options	3	—	—	1,890	—	(1,890)	3	—	3
Purchase of own shares	—	—	—	(559)	—	—	(559)	—	(559)
Equity dividends	—	—	—	—	—	(8,097)	(8,097)	—	(8,097)
At 30 June 2009	9,184	2,890	74,950	(9,838)	14,207	219,465	310,858	19	310,877
Profit for the period	—	—	—	—	—	28,297	28,297	8	28,305
Other comprehensive income	—	—	—	—	2,001	—	2,001	(11)	1,990
Total comprehensive income	—	—	—	—	2,001	28,297	30,298	(3)	30,295
Cost of share-based payment	—	—	—	—	—	1,479	1,479	—	1,479
Deferred taxation on share based payments	—	—	—	—	—	298	298	—	298
Exercise of options	2	39	—	182	—	(182)	41	—	41
Purchase of own shares	—	—	—	(1)	—	—	(1)	—	(1)
Equity dividends	—	—	—	—	—	(4,417)	(4,417)	—	(4,417)
At 31 December 2009	9,186	2,929	74,950	(9,657)	16,208	244,940	338,556	16	338,572
Profit for the period	—	—	—	—	—	15,768	15,768	—	15,768
Other comprehensive income	—	—	—	—	(8,142)	—	(8,142)	(7)	(8,149)
Total comprehensive income	—	—	—	—	(8,142)	15,768	7,626	(7)	7,619
Cost of share-based payment	—	—	—	—	—	1,320	1,320	—	1,320
Deferred taxation on share based payments	—	—	—	—	—	131	131	—	131
Exercise of options	45	239	—	1,332	—	(1,332)	284	—	284
Purchase of own shares	—	—	—	(2,052)	—	—	(2,052)	—	(2,052)
Equity dividends	—	—	—	—	—	(11,811)	(11,811)	—	(11,811)
At 30 June 2010	9,231	3,168	74,950	(10,377)	8,066	249,016	334,054	9	334,063

Consolidated cash flow statement

For the six months ended 30 June 2010

	Unaudited H1 2010 £'000	Unaudited H1 2009 £'000	Audited Year 2009 £'000
Operating activities			
Profit before tax	20,976	11,981	48,409
Net finance costs	665	1,748	3,670
Depreciation	16,066	17,932	35,326
Amortisation	2,433	2,199	4,631
Share-based payments	1,320	1,076	2,555
Loss on disposal of property, plant and equipment	18	229	23
Loss on disposal of intangible assets	–	26	–
Profit on disposal of business	–	–	(1,879)
(Increase)/decrease in inventories	(6,171)	28,247	34,126
Decrease in trade and other receivables	24,358	57,946	52,348
(Decrease)/increase in trade and other payables	(3,529)	(24,495)	10,960
Other adjustments	(23)	(428)	283
Cash generated from operations	56,113	96,461	190,452
Income taxes paid	(4,568)	(10,029)	(17,500)
Net cash flow from operating activities	51,545	86,432	172,952
Investing activities			
Interest received	1,122	927	1,717
Acquisition of subsidiaries, net of cash acquired	–	–	(9,742)
Proceeds from sale of business	–	–	2,982
Sale of property, plant and equipment	50	4	7
Purchases of property, plant and equipment	(7,983)	(5,064)	(9,511)
Purchases of intangible assets	(8,137)	(3,526)	(11,790)
Net cash flow from investing activities	(14,948)	(7,659)	(26,337)
Financing activities			
Interest paid	(1,914)	(2,623)	(4,540)
Dividends paid to equity shareholders of the parent	(11,811)	(8,097)	(12,514)
Proceeds from issue of shares	284	3	44
Purchase of own shares	(2,052)	(559)	(560)
Repayment of capital element of finance leases	(10,339)	(10,476)	(20,956)
Repayment of loans	(8,781)	(28,775)	(40,248)
New borrowings	6,019	11,235	16,357
(Increase)/decrease in factor financing	17,142	(15,601)	(25,600)
Net cash flow from financing activities	(11,452)	(54,893)	(88,017)
Increase in cash and cash equivalents			
Effect of exchange rates on cash and cash equivalents	(1,987)	(1,081)	(533)
Cash and cash equivalents at the beginning of the period	104,954	46,889	46,889
Cash and cash equivalents at end of the period	128,112	69,688	104,954

Notes to the accounts

1 Corporate information

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2010 were authorised for issue in accordance with a resolution of the Directors on 26 August 2010.

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

2 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2010 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 annual financial statements as at 31 December 2009.

The Group's strong cash position, combined with the strong cash flows generated by the business, support the Directors' view that the Group has sufficient funds available for it to meet its foreseeable working capital requirements. The directors have concluded therefore that the going concern basis remains appropriate.

3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2009, except for the adoption of new Standards and Interpretations as of 1 January 2010, noted below:

IFRS 3 Business Combinations (Revised)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations. It requires that all acquisition related costs are expensed in the period incurred rather than included in the cost of the investment, that changes to the contingent consideration following a business combination are shown in the statement of comprehensive income instead of adjusting goodwill and that changes to deferred tax assets relating to business combinations are only reflected within goodwill if they occur within the measurement period. The Group has applied IFRS 3 (Revised) with effect from 1 January 2010. During the period the Group recognised the benefit of tax losses of £932,000 attributable to an acquisition completed in a previous period. The impact is included within current income tax expense. Had the standard not been adopted, an adjustment to goodwill would have been required.

A number of other new, revised or amended standards and interpretations are effective for the current period, but none of them has had any material impact on the interim condensed financial statements.

4 Segment information

For management purposes, the Group is organised into geographical segments, with each segment determined by the location of the Group's assets and operations. The Group's business in each geography is managed separately and held in separate statutory entities.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its geographical segments separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on adjusted operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements. Adjusted operating profit or loss takes account of the interest paid on customer-specific financing ('CSF') which management consider to be a cost of sale. Excluded from adjusted operating profit is the amortisation of acquired intangibles, exceptional items and the transfer of internal ERP implementation costs between segments as management do not consider these items when reviewing the underlying performance of a segment.

Segmental performance for the periods to H1 2010, H1 2009 and Full Year 2009 were as follows:

Notes to the accounts continued

4 Segment information continued

Six months ended 30 June 2010 (unaudited)

	UK £'000	Germany £'000	France £'000	Benelux £'000	Total £'000
Revenue	651,859	455,781	164,252	16,888	1,288,780
Results					
Adjusted gross profit	91,932	60,005	18,315	2,207	172,459
Adjusted net operating expenses	(73,805)	(56,265)	(19,523)	(2,225)	(151,818)
Adjusted operating profit/(loss)	18,127	3,740	(1,208)	(18)	20,641
Adjusted net interest					634
Adjusted profit/(loss) before tax					21,275

Six months ended 30 June 2009 (unaudited)

	UK £'000	Germany £'000	France £'000	Benelux £'000	Total £'000
Revenue	624,888	433,315	151,085	12,896	1,222,184
Results					
Adjusted gross profit	87,772	60,336	18,996	1,496	168,600
Adjusted net operating expenses	(75,155)	(53,131)	(20,442)	(1,905)	(150,633)
Adjusted operating profit/(loss)	12,617	7,205	(1,446)	(409)	17,967
Adjusted net interest					276
Adjusted profit/(loss) before tax					18,243

Year ended 31 December 2009 (audited)

	UK £'000	Germany £'000	France £'000	Benelux £'000	Total £'000
Revenue	1,226,917	930,673	319,384	26,224	2,503,198
Results					
Adjusted gross profit	181,149	124,395	37,448	2,838	345,830
Adjusted net operating expenses	(143,310)	(104,831)	(40,169)	(3,597)	(291,907)
Adjusted operating profit/(loss)	37,839	19,564	(2,721)	(759)	53,923
Adjusted net interest					302
Adjusted profit/(loss) before tax					54,225

4 Segment information continued

Reconciliation to adjusted results

Management reviews adjusted measures of performance as shown in the tables above. Adjusted profit before tax excludes exceptional items and the amortisation of acquired intangibles as shown below:

	Unaudited H1 2010 £'000	Unaudited H1 2009 £'000	Audited Year 2009 £'000
Adjusted profit before tax	21,275	18,243	54,225
Amortisation of acquired intangibles	(299)	(259)	(517)
Exceptional items	–	(6,003)	(5,299)
Profit before tax	20,976	11,981	48,409

Management also reviews adjusted measures for gross profit, operating expenses, operating profit and net interest, which in addition takes account of interest costs of CSF within cost of sales (as these are considered to form part of the gross profit performance of a contract). The reconciliation for adjusted operating profit to operating profit, as disclosed in the Consolidated Income Statement, is as follows:

Six months ended 30 June 2010

	UK £'000	Germany £'000	France £'000	Benelux £'000	Total £'000
Adjusted operating profit/(loss)	18,127	3,740	(1,208)	(18)	20,641
Add back interest on CSF	875	424	–	–	1,299
Amortisation of acquired intangibles	(240)	(59)	–	–	(299)
Exceptional items	–	–	–	–	–
ERP implementation costs	(2,051)	2,051	–	–	–
Segment operating profit/(loss)	16,711	6,156	(1,208)	(18)	21,641

Six months ended 30 June 2009

	UK £'000	Germany £'000	France £'000	Benelux £'000	Total £'000
Adjusted operating profit/(loss)	12,617	7,205	(1,446)	(409)	17,967
Add back interest on CSF	1,650	374	–	–	2,024
Amortisation of acquired intangibles	(241)	(18)	–	–	(259)
Exceptional items	(4,556)	–	(1,206)	(241)	(6,003)
ERP implementation costs	(1,143)	1,143	–	–	–
Segment operating profit/(loss)	8,327	8,704	(2,652)	(650)	13,729

For the year ended 31 December 2009

	UK £'000	Germany £'000	France £'000	Benelux £'000	Total £'000
Adjusted operating profit/(loss)	37,839	19,564	(2,721)	(759)	53,923
Add back interest on CSF	2,921	1,051	–	–	3,972
Amortisation of acquired intangibles	(481)	(36)	–	–	(517)
Exceptional items	(3,155)	(291)	(1,613)	(240)	(5,299)
ERP implementation costs	(2,728)	2,728	–	–	–
Segment operating profit/(loss)	34,396	23,016	(4,334)	(999)	52,079

Notes to the accounts continued

4 Segment information continued

Sources of revenue

Each geographical segment principally consists of a single entity with shared assets, liabilities and capital expenditure. The Group has three sources of revenue, which are aggregated and shown in the table below. The sale of goods is recorded within product revenues and the rendering of services is split into Professional and Support and Managed Services.

Revenue performance is reported to the Chief Operating Decision Maker excluding the UK Trade Distribution business, which was disposed of on 27 October 2009. The table below reflects revenue performance before and after the impact of the sold business.

Sources of revenue

	Unaudited H1 2010 £'000	Unaudited H1 2009 £'000	Audited Year 2009 £'000
Product revenue			
Ongoing operations	907,078	800,351	1,678,613
Trade distribution	–	46,483	84,589
Total product revenue	907,078	846,834	1,763,202
Services revenue			
Professional services	90,313	85,712	175,364
Support and managed services	291,389	289,638	564,632
Total services revenue	381,702	375,350	739,996
Total revenue	1,288,780	1,222,184	2,503,198

5 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.

6 Exceptional items

	Unaudited H1 2010 £'000	Unaudited H1 2009 £'000	Audited Year 2009 £'000
Operating profit			
Profit on disposal of business, net of goodwill	–	–	1,879
Restructuring costs	–	(6,003)	(7,178)
	–	(6,003)	(5,299)
Income tax			
Tax on exceptional items included in operating profit	–	1,276	1,415
	–	1,276	1,415

6 Exceptional items continued

Restructuring costs in H1 2009 arose from the change programme to reduce net operating expenses. They include expenses from headcount reductions and vacant premises costs.

The net gain on disposal of business of £1,879,000 arose from the Group disposing of its trade distribution division to Ingram Micro in October 2009. The disposal did not match the criteria of IFRS 5 'Non-current assets held-for-sale and discontinued operations' as the disposal did not represent a separate major line of business or geographical area of operations and hence was not treated as a discontinued operation.

7 Income tax

The charge based on the profit for the period comprises:

	Unaudited H1 2010 £'000	Unaudited H1 2009 £'000	Audited Year 2009 £'000
UK corporation tax	6,082	3,270	11,181
Foreign tax	316	147	1,394
Adjustments in respect of prior periods	–	(49)	(853)
Deferred tax	(1,190)	(793)	(1,024)
	5,208	2,575	10,698

In his budget of 22 June 2010, the Chancellor of the Exchequer announced Budget tax changes, which, if enacted in the proposed manner, will have an effect on the Group's future tax position. As at 30 June 2010, the tax changes announced in the Budget are not yet regarded as 'substantively enacted' and as such, in accordance with accounting standards, the changes have not been reflected in the Group's financial statements as at 30 June 2010. The budget proposed a decrease in the rate of UK corporation tax from 28% to 24% by 1% each year, from April 2011, which will be enacted annually.

The effect on the Group of these proposed changes to the UK tax system will be reflected in the Group's financial statements for the year ending 31 December 2010 once the proposals have been substantively enacted.

8 Earnings per ordinary 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 year (excluding own shares held).

Diluted earnings per share amounts are calculated by dividing profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year (excluding own shares held) adjusted for the effect of dilutive options.

Adjusted basic and adjusted diluted EPS are presented to provide more comparable and representative information. Accordingly the adjusted basic and adjusted diluted EPS figures exclude the amortisation of acquired intangibles and exceptional items.

Notes to the accounts continued

8 Earnings per ordinary share continued

	Unaudited H1 2010 £'000	Unaudited H1 2009 £'000	Audited Year 2009 £'000
Profit attributable to equity holders of the parent	15,768	9,406	37,703
Amortisation of acquired intangibles attributable to equity holders of the parent	299	259	517
Tax on amortisation of acquired intangibles	(84)	(67)	(145)
Exceptional items	—	6,003	5,299
Tax on exceptional items	—	(1,276)	(1,415)
Adjusted profit after tax	15,983	14,325	41,959

	No '000	No '000	No '000
Basic weighted average number of shares (excluding own shares held)	147,563	146,845	146,918
Effect of dilution:			
Share options	6,256	3,143	4,671
Diluted weighted average number of shares	153,819	149,988	151,589

	Unaudited H1 2010 pence	Unaudited H1 2009 pence	Audited Year 2009 pence
Basic earnings per share	10.7	6.4	25.7
Diluted earnings per share	10.3	6.3	24.9
Adjusted basic earnings per share	10.8	9.8	28.6
Adjusted diluted earnings per share	10.4	9.6	27.7

9 Dividends paid and proposed

A second interim dividend for 2009 of 8.0p per ordinary share in lieu of a final dividend was paid on 1 April 2010. No final dividends in respect of 2009 were proposed or paid. An interim dividend in respect of 2010 of 3.5p per ordinary share, amounting to a total dividend of £5,173,000, was declared by the Directors at their meeting on 26 August 2010. This interim report does not reflect this dividend payable.

10 Adjusted management cash flow statement

The adjusted management cash flow has been provided to explain how management view the cash performance of the business. There are two primary differences to this presentation compared to the statutory cash flow statement, as follows:

- 1) Factor financing is not included within the statutory definition of cash and cash equivalents, but operationally is managed within the total net funds/borrowings of the businesses; and
- 2) Items relating to customer-specific financing ('CSF') are adjusted for as follows:
 - a. Interest paid on customer-specific financing is reclassified from interest paid to adjusted operating profit; and

10 Adjusted management cash flow statement continued

- b. Where customer-specific assets are financed by finance leases and the liabilities are matched by future amounts receivable under customer operating lease rentals, the depreciation of leased assets and the repayment of the capital element of finance leases are offset within net working capital; and
- c. Where assets are financed by loans and the liabilities are matched by amounts receivable under customer operating lease rentals, the movement on loans within financing activities is also offset within working capital. Adjusted management cash flow statement

For the six months ended 30 June 2010

	Unaudited H1 2010 £'000	Unaudited H1 2009 £'000	Audited Year 2009 £'000
Adjusted profit before tax	21,275	18,243	54,225
Net finance income	(634)	(276)	(302)
Depreciation and amortisation	8,817	8,262	17,695
Share-based payment	1,320	1,076	2,555
Working capital movements	13,188	39,332	65,337
Other adjustments	9	(193)	(1,567)
Adjusted operating cash inflow	43,975	66,444	137,943
Net interest received	507	328	1,149
Income taxes paid	(4,568)	(10,029)	(17,500)
Capital expenditure and investments	(16,069)	(8,590)	(21,294)
Acquisitions and disposals	—	—	(6,775)
Equity dividends paid	(11,811)	(8,097)	(12,514)
Cash inflow before financing	12,034	40,056	81,009
Proceeds from issue of shares	284	3	44
Purchase of own shares	(2,052)	(559)	(560)
Increase in net funds excluding CSF in the period	10,266	39,500	80,493
Increase in net funds excluding CSF	10,266	39,500	80,493
Effect of exchange rates on cash and cash equivalents	(1,089)	3,152	1,301
Net funds excluding CSF at beginning of period	86,403	4,609	4,609
Net funds excluding CSF at end of period	95,580	47,261	86,403

Notes to the accounts continued

11 Analysis of net funds

	Unaudited H1 2010 £'000	Unaudited H1 2009 £'000	Audited Year 2009 £'000
Cash and short term deposits	129,571	75,542	108,017
Bank overdraft	(1,459)	(5,854)	(3,063)
Cash and cash equivalents	128,112	69,688	104,954
Other loans non-CSF	(1,442)	–	(3,705)
Factor financing	(31,090)	(22,427)	(14,846)
Net funds excluding CSF	95,580	47,261	86,403
Finance leases	(32,759)	(48,892)	(42,567)
Other loans	(5,725)	(16,444)	(6,488)
Total CSF	(38,484)	(65,336)	(49,055)
Net funds/(debt)	57,096	(18,075)	37,348

12 Publication of non-statutory accounts

The financial information contained in the interim statement does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The auditors have issued an unqualified opinion on the Group's statutory financial statements under International Accounting Standards for the year ended 31 December 2009 and did not include a statement under section 498(2) or (3) of the Companies Act 2006. Those accounts have been delivered to the Registrar of Companies.

Corporate information

Board of Directors

Greg Lock (Non-Executive Chairman)
Mike Norris (Chief Executive)
Tony Conophy (Finance Director)
Philip Hulme (Non-Executive Director)
Ian Lewis (Non-Executive Director)
Peter Ogden (Non-Executive
Director)
John Ormerod (Non-Executive
Director)

Company Secretary

Stephen Benadé

Registered Office

Hatfield Avenue
Hatfield
Hertfordshire
AL10 9TW
United Kingdom
Telephone: +44 (0) 1707 631000

Registrar and Transfer Office

Equiniti
Aspect House
Spencer Road
Lancing
BN99 6DA
United Kingdom
Tel: +44 (0) 871 384 2074
*(Calls to this number are charged
at 8p per minute from a BT
landline. Other telephony
providers' cost may vary.)*

Principal Bankers

Barclays Bank plc
PO Box 544
54 Lombard Street
London
EC3V 9EX
United Kingdom
Tel: +44 (0) 845 755 5555

Auditors

Ernst & Young LLP
400 Capability Green
Luton
LU1 3LU
United Kingdom
Tel: +44 (0) 1582 643000

Stockbrokers and Investment Bankers

HSBC Investment Bank plc
Level 18
8 Canada Square
London
E14 5HQ
United Kingdom
Tel: +44 (0) 20 7991 8888

Credit Suisse

One Cabot Square
London
E14 4QJ
United Kingdom
Tel: +44 (0) 20 7888 8888

Solicitors

Linklaters
One Silk Street
London
EC2Y 8HQ
United Kingdom
Tel: +44 (0) 20 7456 2000

Company Registration Number

3110569

Internet Address

Computacenter Group
www.computacenter.com

Principal Offices

UK and Group Headquarters
Computacenter (UK) Ltd
Hatfield Avenue
Hatfield
Hertfordshire
AL10 9TW
United Kingdom
Tel: +44 (0) 1707 631000
Fax: +44 (0) 1707 639966

Belgium

Computacenter NV/SA
Ikaroslaan 31
B-1930 Zaventem
Belgium
Tel: +32 (0) 2 704 9411
Fax: +32 (0) 2 704 9595

France

Computacenter France SA
150 rue de la Belle Etoile
ZI Paris Nord 2
BP 50387
95943 Roissy CDG Cedex
France
Tel: +33 (0) 1 48 17 41 00
Fax: +33 (0) 1 70 73 42 22

Germany

Computacenter AG & Co. oHG
Europaring 34-40
50170 Kerpen
Germany
Tel: +49 (0) 22 73 / 5 97 0
Fax: +49 (0) 22 73 / 5 97 1300

Luxembourg

Computacenter PSF SA
Rue des Scillas 45
L-2529 Howald
Luxembourg
Tel: +352 (0) 26291 1
Fax: +352 (0) 26291 815

Netherlands

Computacenter N.V.
Beech Avenue 54-80
1119 PW, Schiphol-Rijk
The Netherlands
Tel: +31 (0) 20 658 6800
Fax: +31 (0) 20 658 6111

South Africa

Building 3
Parc du Cap
Mispel Road
Bellville, 7535
South Africa
Tel: +27 (0) 21 957 4900
Fax: +27 (0) 21 948 3135

Spain

Computacenter Services
(Iberia) S.L.U.
C/Balmes 236
08006 Barcelona
Spain
Tel: +34 936 207 000
Fax: +34 936 207 040



Computacenter plc

Hatfield Avenue
Hatfield,
Hertfordshire
AL10 9TW,
United Kingdom
Telephone +44 (0) 1707 631000
Fax +44 (0) 1707 639966

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