

Computacenter plc

Final results announcement

Computacenter plc, the European IT infrastructure services provider, today announces final results for the twelve months ended 31 December 2009.

FINANCIAL HIGHLIGHTS

Financial performance

- Group revenues decreased 2.2% to £2.50 billion (2008: £2.56 billion)
- Adjusted* profit before tax increased 25.8% to £54.2 million (2008: £43.1 million)
- Adjusted* diluted earnings per share increased 31.9% to 27.7p (2008: 21.0p)
- Additional interim dividend of 8.0p, in lieu of final dividend, bringing the total dividend for the year to 11.0p (2008: 8.2p)
- Net cash prior to customer specific financing (CSF) was £86.4 million (2008: £4.6 million)

Statutory Performance

- Profit before tax increased 22.4% to £48.4 million (2008: £39.5 million)
- Diluted EPS increased 2.9% to 24.9p (2008: 24.2p)
- Net funds after CSF was £37.3 million (2008: net debt of £84.6 million)

OPERATING HIGHLIGHTS

- Group annual services contract base grew over 9% to £503.6 million, at constant currency
- Contract wins and extensions included Produban (Santander Group IT Business), Threadneedle, BP, Schrodgers and Severn Trent Water
- Operating expenses reduced by over £30 million, in constant currency
- Successful exit of trade distribution business which freed c. £20 million of working capital
- Two acquisitions made during the year; TCS in UK and becom in Germany
- Group-wide ERP project remains on track

Mike Norris, Chief Executive of Computacenter plc, commented:

“Computacenter has delivered a strong performance in 2009 with increased profits, earnings per share and a materially improved cash position. The increase in the Group’s annual service contract base is clear evidence that customers are turning to Computacenter to help them to reduce their operating costs. As a result we expect steady revenue growth in 2010.

“We enter 2010 in good shape with a lower cost base and having secured our largest services contract win to date in the first quarter of the year. The economic climate across Europe is still fragile and while the UK has begun the year very well, Germany has experienced a challenging start. In spite of this we believe that the investments we are making in our business, together with our strong balance sheet, position the Group well to take advantage of market opportunities and capture further share.”

* Adjusted for exceptional items and amortisation of acquired intangibles.

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Chairman's Statement

At Computacenter we provide services to our customers that save them money and help them be more productive. In pursuit of this we made good progress in 2009. We set out to enhance our profitability, optimise the use of working capital and improve our cash flow. We invested in our people, processes and systems, whilst significantly reducing the overall cost base within the Group. Our organisation was simplified, we exited our trade distribution businesses, and bought Thesaurus in the UK and Becom in Germany. Our services contribution saw improvement in all three major geographic markets, focus on our target markets was sharpened and we continued to invest in the implementation of our Group-wide ERP system.

Results for the year are pleasing. Adjusted* profit before tax increased by 25.8% to £54.2 million. Net funds before customer specific financing increased by £81.8 million to £86.4 million. The ERP implementation is on plan and budget. Our customers gave us high and improved satisfaction ratings in independent surveys and an increasing share of their business. We invested some £20 million in our business in 2009, a sum which includes the ERP project, and at the same time reduced the cost base by more than £30 million on a constant currency basis.

We face the future encouraged by this progress and optimistic for our prospects ahead, in particular with an annualised service contract base of over £500 million. We have won a number of major new contracts and have a solid retention of existing customers. Competition is fierce and we must continuously improve our performance in order to win in the market place; the economic environment remains uncertain and our job is to help our customers address this, while improving our own business. We are seeing a continued shift in our market to 'multi sourcing' of service offerings and 'single sourcing' of product offerings, independent of the hardware and software makers. We are well positioned to address these shifts as we strive to please our customers and improve profitability, maximise the use of working capital and fulfil our people's talent and ambition.

I thank the people of Computacenter for their hard work and commitment to our Company and our customers for their support and, above all, their business. We are pleased with our progress but not satisfied that we have exploited our potential to the full.

Greg Lock.

OPERATING REVIEW

Group Overview

Computacenter has delivered a strong profit performance in 2009. Group adjusted* profit before tax grew by 25.8% to £54.2 million (2008: £43.1 million). Excluding the effects of a stronger Euro, Group adjusted* profit before tax increased by 22.3%. Primarily due to this increased profitability and a reduced tax rate, the Group's adjusted* diluted earnings per share (EPS) grew 31.9% to 27.7p (2008: 21.0p). On a statutory basis, taking into account amortisation of acquired intangibles and exceptional items, Group profit before tax increased 22.4% to £48.4 million (2008: £39.5 million) and diluted EPS increased by 2.9% to 24.9p (2008: 24.2p).

Group revenue declined in 2009 by 2.2% to £2.50 billion (2008: £2.56 billion). Part of this decline was as a result of our strategic decision to exit trade distribution; however revenue benefited from a strong Euro. Excluding these two opposing effects revenue declined by 4.9%. As reported, Group services revenue increased by 8.1% but particularly pleasing was the 12.2% increase in long-term contractual revenues. The Group annual services contract base stood at £503.6 million at the end of the year, an increase of 3.9% over 31st December 2008 or 9.0% in constant currency.

We reduced operating expenses by over £30 million in constant currency and as a result the Group incurred exceptional costs as it restructured its workforce and vacated the related property. Additionally, the disposal of our trade distribution division ("CCD") in November 2009, generated an exceptional profit of £1.9 million, net of goodwill written off. The net effect of these exceptional items is a charge of £5.3 million.

Our balance sheet has strengthened considerably. At the end of the year net cash prior to customer specific financing (CSF) was £86.4 million (2008: net cash of £4.6 million). Including CSF net funds were £37.3 million (2008: net debt of £84.6 million). This material improvement in our cash position was primarily due to increased profitability, the sale of our distribution division, prudent working capital management and is largely sustainable. However, the figures are flattered by approximately £30 million due to the extended credit terms of one of our major vendors which have been made available to all of their business partners. These terms are likely to return to normal in the second half of 2010.

The Board has decided to pay an additional interim dividend of 8p in lieu of a final dividend, bringing the total dividend for the year to 11p (2008: 8.2p). The increase in dividend is broadly consistent with our stated policy of maintaining dividend cover within our target range of 2 to 2.5 times. The dividend will be paid on 1 April 2010 to shareholders on the register as at 19 March 2010.

The increase in the Group's annual services contract base is clear evidence that customers are turning to Computacenter to help them reduce their operating costs. Our offerings continue to gain momentum in the market as customers choose to selectively outsource IT infrastructure support, rather than opting for a comprehensive IT outsourcing contract or undertake the work in-house.

To meet this growing demand for our datacentre and distributed services we have continued to invest in our assets and people during 2009. We have increased our service desk capacity in Milton Keynes, Hatfield, Erfurt, Barcelona and Cape Town as well as establishing a new helpdesk facility outside of Paris. The enhancements we have made to our customer facing systems and tools, which enable better workflow within IT departments, have caused a strong increase in use by our customers. We now have as many customer employees using our software tools as our own staff.

We have successfully transitioned a number of existing customers to our new datacentre facility in Manchester. We received the award for Datacentre Team of the Year after migrating more than 1,000 devices without any business interruption, resulting in 100% positive customer feedback. Additionally, in the datacentre area we have made a significant enhancement to the Group's offering by investing in a new facility in Romford in the UK, which opened in early 2010. This is the first datacentre outsourcing facility in Europe that will be certified to the highest level of security and reliability, Tier IV.

We announced a year ago that the Group had embarked on a major ERP implementation project. The project remains on track and within the capex budget of £32 million of which £22 million had been spent by the end of 2009. We are scheduled to roll out the new system in Germany in the second half of 2010 and in the UK in the first half of 2011 with other Group countries following closely behind. There will be a net cost to the P&L in the second half of 2010 and the first half of 2011 as the cost savings that we expect to achieve from the new implementation, will only be available to us once our two major countries have gone live. In addition to the cost saving benefits, we believe the new system will enable us to create greater efficiencies in many of the Group's activities and improve our competitiveness.

The Group made two acquisitions in the year, both in late November, which therefore had minimal impact on our 2009 performance. In the UK we acquired Thesaurus Computer Services Limited ("TCS"). TCS gives Computacenter access to IBM mainframe specialist skills and builds on our long-term relationship with IBM. With this acquisition Computacenter will become the most significant independent System Z provider of products and services in the UK outside of IBM. In Germany we acquired systems provider becom Informationsysteme GmbH ('becom'). This

acquisition also strengthens our relationship with IBM and positions Computacenter as their largest business partner in Europe. We believe the acquisition will increase our annual revenue in Germany by around 10% in 2010. Whilst there will be some one-off integration costs post the acquisitions, we expect a positive net operating profit in the year ahead.

The sale of CCD to Ingram Micro was finalised in November, completing our exit from the trade distribution market. This disposal frees up approximately £20 million of working capital of which £15 million was realised in 2009. It will have a negative impact on the Company's profitability of approximately £1.0 million in 2010.

UK

Excluding the effects of the exit from trade distribution, UK revenues fell by 7.3% in 2009 to £1.14 billion (2008: £1.23 billion). This fall was driven by product revenue declines as the condition of the UK economy caused our customers to reduce capital expenditure where possible. The fourth quarter showed a small revenue increase of 2%. Whilst this is encouraging, the VAT rate increase at the end of the period may have caused the increase in demand.

Adjusted* operating profit in the UK increased by 27.8% to £37.8 million (2008: £29.6 million). This profit growth could not have been achieved without the major cost reduction programme we entered into at the beginning of the year. In 2009 the UK's overhead costs have been reduced by approximately £22 million compared to 2008.

Services revenue grew by 2.2% to £334.0 million (2008: £326.8 million). However, more importantly long-term contractual revenue grew by 6.0% whilst professional services revenue, which is more closely linked to product and shorter term projects, declined by 6.8%. The decline in professional services revenue was caused by the lack of new infrastructure projects throughout 2009, the pipeline for which has improved steadily towards the end of the period.

As we have stated before our propositions, particularly in managed services, have gained traction in the market over the last few years as we focus on reducing the operating costs of our customers' IT infrastructure. We are pleased to announce a number of significant new wins in our long-term contractual services business.

We have won a ten-year managed services contract with global asset management firm Threadneedle. This contract, which is now fully operational, is an £11 million agreement where Computacenter will host and manage the firm's datacentre infrastructure. This has facilitated Threadneedle making savings in excess of the contract value. NHS Oldham has signed a four-year contract that will see Computacenter provide management and support of its IT infrastructure to reduce costs and improve service.

At the beginning of 2010 we signed our largest services contract to date, with a retail bank, to out-task desktop services as part of a five-year agreement covering the bank's 140,000 users and 16,000 servers over its entire estate including 3,000 branches. We also signed a new five-year full infrastructure managed services deal worth in excess of £40 million with global asset management firm Schroders. Both of these contracts will not start to add significantly to our services revenue until the second half of 2010.

Whilst the number of new contracts won is extremely satisfying, we are even more pleased with our retention rate, where we frequently not only retain the customer but also increase the contract in scope and duration. Testament to this is the new six-year desktop services contract signed with BT Group in 2009. In retail banking we have signed a new contract with Prohuban (Santander Group IT business) where we have agreed a five year extension, which supports its 31,000 UK employees.

Although there have been fewer significant infrastructure projects than in previous years, we managed to secure a number of major successes. Wins include the £45 million contract to supply and install the network infrastructure at two new datacentres for a leading financial services group and a major business transformation including datacentre and network implementations for a major supermarket chain, within its distribution network.

We are encouraged by the number of customers evaluating and committing to transformation programmes involving the migration to Microsoft Windows 7, which we see as a key driver for growth in the coming years. An example of this is where Severn Trent Water has engaged Computacenter as part of a £3.5 million project, which will underpin new flexible working practices, increase staff productivity and reduce costs.

We have also had success in the product supply side of our business where we have seen customers consolidating suppliers and using the indirect channel to help them reduce their costs. A good example of this is our recent win with BP, which has consolidated hardware and software procurement with Computacenter in Europe and CompuCom, our partner in the US. BP expects to see a 15% reduction in capital expenditure as part of this programme.

With the ongoing focus on environmental issues, 2009 proved a great year for RDC, our IT equipment disposal, remarketing and redeployment subsidiary. The Company achieved record annual results as part of the Computacenter Group, with overall revenue up by 20% to nearly £30 million, while profits grew by 46%.

In June, RDC was delighted to invite the new Chairman of the Environment Agency, Lord Chris Smith, to open a new recycling area, and to celebrate its second Queen's Award . The accolade for Enterprise for Sustainable Development is one of only ten awarded in the whole of the UK.

Germany

In Germany we saw another year of encouraging adjusted* operating profit growth of 21.9% to €22.0 million (2008: €18.0 million). This was achieved despite a decline in revenues of 1.4% in local currency to €1.03 billion, excluding the acquisition of becom in late November. As with elsewhere in Europe there was a slowdown in product sales and continued margin pressure throughout the year, particularly for low-end servers and PCs.

2009 can be characterised as a year of lots of small improvements. Services margin was up a little, operating expenses were down a little and there was some improvement towards higher-end products and services, all of which improved the profit performance.

Our managed services contract base grew by 8.4% to €266.8 million compared to the previous period. We signed a number of notable outsourcing contracts, including a three-year agreement with aerospace company EADS Astrium. BASF IT services has engaged Computacenter to provide on-site services and logistics support for more than 50,000 desktops and laptops for the BASF Group in Europe.

The market for professional services has been challenging. However, our networking solutions business saw good results; initiatives aimed at increasing networking services sales yielded strong growth, notably in security and unified communications. Margins grew considerably in 2009 and played an important role in the operating results. Significant wins included a networking managed services contract with EADS Astrium. This contract and the desktop agreement are worth a total of €5.0 million.

Our datacentre product business performed poorly, with revenue and margins for low-end servers below our expectations. Future growth in the datacentre business will be assisted by the becom acquisition.

The opportunity created by customer concerns around energy and operational efficiency also led to a number of new business wins in 2009, including a datacentre optimisation project for a leading manufacturer of brake parts. We are helping the manufacturer identify ways to enhance its energy efficiency as part of the contract. While at Immobilienscout24, we are assisting the online property portal company with the implementation of a new datacentre and also providing ongoing support.

France

Whilst overall performance for Computacenter France declined slightly last year to an adjusted* operating loss of €3.1 million (2008: €2.1 million) it was still materially ahead of our internal, as well as external, expectations at the beginning of the year.

In line with the market, revenue declined by 7.6% to €358.7 million (2008: €388.0 million). However, encouragingly services revenues grew by 10.2% in local currency, now representing 18.4% of the total business.

Computacenter France continued to demonstrate improvements in its operating controls and processes, with greater governance of forecasting and financial structure. The simplified management structure implemented at the beginning of 2009 resulted in an 11.6% reduction in operating costs, in local currency.

To further support services growth in France, we opened a new helpdesk in Roissy. This facility will be key to supporting and growing our desktop support business, which benefited from a number of key wins in 2009. For example, the Conseil Regional Midi-Pyrénées, a public administrative authority in the south of France, has engaged Computacenter France to provide support services to 1,300 end-users, as part of a three year contract.

A full managed services contract with Electricité Réseau Distribution France was another of our outsourcing success stories in 2009. Worth €4.8 million, the contract includes support for 1,800 desktops as well as the electricity Company's network and datacentres.

Datacentre solutions and services, especially consolidation and virtualisation, will play a key role in the development of the French business. For example, we won a four-year contract with SPEIG, a subsidiary of COLAS (the French building construction and public works leader) for maintaining its datacentres across 40 countries.

Computacenter France's product revenue declined by 10.8% in local currency compared to 2008. The most significant factor in this revenue decline was due to our largest customer in France going through a hiatus in spend, due to the fact that their contract with us had come to an end. We are pleased to announce that we have secured a new contract with this customer with a slightly wider scope for another four years. Excluding this customer, product revenue grew by 1% which we believe is materially ahead of the market as a whole.

The software licensing market is a key development area for Computacenter France, supported by a new specialist sales team. Among our software successes during 2009 was a win with Airbus France, which involves the supply and the implementation of an anti-virus package for 560 users.

We also won a global software licensing contract worth €9 million with energy company GDF-SUEZ. The contract includes distribution to 51 countries and will help GDF-SUEZ remove cost and complexity from its operations.

Computacenter France has made real progress in 2009. The local management team have made a step change in 2009 as is evidenced by our services growth. We feel confident that the business will make financial progress in 2010.

Benelux

Our Benelux operation showed an adjusted* operating loss of €851,000 in 2009 (2008: €120,000), with overall revenues dropping by 22.1%. This was due to a major decline of 29% in product revenues. The product business had a difficult year in a tough market, particularly within the corporate sector.

In the first half of 2009, we embarked on several initiatives to control the cost base. We suspended product supply activities in Luxembourg and undertook a restructuring project in Belgium.

Despite the decline in revenue, we saw a number of key managed services and project wins during 2009. Techspace Aero, part of the Safran Group, has engaged Computacenter Benelux to deploy a new storage infrastructure. The project, worth €550,000 will help the company improve data management and reduce costs. We are also helping Truvo Netherlands upgrade its telecommunication systems after a project win worth €110,000.

The Group's global procurement capabilities also secured new business for Computacenter Benelux during 2009 in the form of an international contract with a leading biotechnology firm. The agreement covers the supply of hardware and software.

Outlook

The outlook for our long-term contractual services business, where we save our customers money, remains encouraging and we predict revenue growth, particularly in the UK, in 2010 where contracts have already been secured. We also expect some improvement in gross profit compared to 2009 due to improved business take on and economies of scale.

Our professional services, coupled with our product supply, which is reliant on capital expenditure, is more difficult to predict.

The encouraging signs we saw in the fourth quarter in the UK have continued into the first quarter of 2010. Germany has seen a challenging start to the year when compared with the first quarter of 2009. As is always the case, it is not until we have gone through the end of the first quarter, that we can draw any meaningful conclusions about the performance of the Group, for the year as a whole.

In the longer-term we believe the investments we are making in our business, together with our strong balance sheet, positions the Group well to take advantage of market opportunities. While the economic outlook remains uncertain, customers will continue to focus on reducing their operating costs and focusing on core activities.

Mike Norris

* Adjusted profit before tax, income tax expense and EPS are stated prior to amortisation of acquired intangibles and exceptional items. Adjusted operating profit is also stated after charging finance costs on CSF, and prior to the transfer of internal ERP implementation costs between segments.

Finance Director's review

Turnover and profitability

After two consecutive years of growth, Group revenues reduced in 2009 by 2.2%. The exit from the trade distribution of PCs, laptops and printers at the end of 2008, and subsequent completion of the sale of the remaining trade distribution ("CCD") business on 27 November 2009 resulted in a reduction of revenues in that business to £84.7 million (2008: £158.8 million). Excluding CCD, Group revenues increased by 0.7%, with product revenues declining by 2.3% to £1.68 billion. This reduction was partially offset by an increase in services revenues of 8.1% to £740.0 million, with Managed Services growth offsetting a contraction in Professional Services. The Professional Services and product revenue decline is mainly due to the lack of large infrastructure projects as a result of the recessionary environment. The growth in service revenues across the Group improves the forward visibility of gross margin generation and earnings resilience.

In both the UK and Germany, product revenues in December were stronger than anticipated, partially due in both countries to strong year end activity by customers to utilise existing budgets, augmented in the UK by the VAT rate change on 1 January 2010.

Adjusted profit before tax improved by 25.8% from £43.1 million to £54.2 million. After taking account of exceptional items and amortisation of acquired intangibles, statutory profit before tax increased by 22.4% from £39.5 million to £48.4 million.

Adjusted operating profit

Statutory operating profit increased from £42.6 million to £52.0 million. However, management measure the Group's operating performance using adjusted operating profit, which is stated prior to amortisation of acquired intangibles, exceptional items and the transfer of internal ERP implementation costs, and after charging finance costs on customer-specific financing ("CSF") for which the Group receives regular rental income. Gross profit is also adjusted to take account of CSF finance costs. The reconciliation of statutory to adjusted results is further explained in the segmental reporting note (Note 3).

UK

UK revenues declined in 2009 by 11.8% overall but declined by 7.3% when the impact of the staged withdrawal from trade distribution is removed. Ongoing product sales declined 10.8% whilst Services revenues increased by 2.2%, driven by a 6.0% growth in contractual services, offset by a reduction in Professional Services revenues linked to the downturn in spending on capital projects.

The decline in product sales resulted in an improved gross profit mix, with adjusted gross profit increasing from 14.0% to 14.8%. This is despite margin challenges on the start-up of certain new Managed Service contracts and the more difficult Professional Services market.

Adjusted operating expenses decreased by £22.0 million (13.3%), reflecting the effects of the cost reduction programme which was initiated in 2008. The SG&A cost reduction included the cost reduction from the partial exit from trade distribution, the reduction in the mid-market product sales business and a reorganisation aimed at the simplification of the organisation structure including a reduction of the management layers. The cost reduction process was assisted by the recessionary environment which resulted in lower staff attrition, recruitment costs and lower travel and other costs, in total approximately £2.0 million. Exceptional charges incurred to achieve these savings were £3.3 million in redundancy charges and £1.9 million of vacant property costs.

Germany

Revenue increased by 12.0% to £930.7 million (2008: £830.7 million) whilst revenue in constant currency decreased by 0.1%, however this included a revenue contribution of £12.1 million from the acquisition of becom Informationsysteme GmbH ("becom"). Services revenues increased by 0.3% and product revenues decreased by 0.3% in constant currency.

Gross profit percentage for Germany as a whole decreased from 13.7% to 13.4% of sales, mainly due to an increasing proportion of sales of lower margin PCs within product revenue.

SG&A reduced by 5.9% in constant currency mainly due to a tight focus on control of all variable SG&A costs. The net outcome of the above factors was an improvement in adjusted operating profit from £14.3 million to £19.6 million. Included within the adjusted operating profit is £0.3 million from becom since acquisition.

France

Revenue increased by 3.6% to £319.4 million (2008: £308.2 million) whilst revenue in constant currency reduced by 7.6%. Constant currency product revenue reduced by 10.8% whilst service revenue increased by 10.2%. Within this, Professional Services reduced by 15.8% whilst Managed Services revenue increased by 27.9%.

Gross profit decreased from 12.6% to 11.7% of revenues with the favourable mix effect of increased services revenues being more than offset by a reduction in margin due to the renewal of a major product contract.

Exceptional charges of £1.6 million were incurred to help reduce operating expenses, which declined by 11.6% in constant currency, although this is reported as a 0.8% reduction when translated into Sterling.

The adjusted* operating loss increased to £2.7 million (2008: £1.7 million), which is a better than expected performance in the year, taking account of the impact of the contract renewal with a large customer.

Benelux

Reported revenue reduced by 12.6% to £26.2 million (2008: £30.0 million) whilst revenue in constant currency reduced by 22.1%. In constant currency, product revenue reduced by 29.0% whilst service revenue reduced by 8.7%.

Exceptional costs of £0.2 million were incurred which helped to reduce SG&A by 7.5% in constant currency.

The net result of the above was an increase in the operating loss to £0.8 million (2008: £0.1 million)

Acquisitions

On 26 November 2009, the Group acquired 100% of the voting shares of becom Informationssysteme GmbH ("becom") for a consideration of €2.3 million inclusive of costs. The becom business is based in Germany and is a leading provider of large IBM systems. The acquisition of becom has resulted in goodwill arising of £12.1 million.

becom will be integrated fully with Computacenter Germany during 2010. As a result, it is expected that going forward the cash flows will not be reliably and separately identifiable and that the goodwill relating to this acquisition will be tested for impairment against the Computacenter Germany cash-generating unit.

On 27 November 2009 the Group acquired certain assets and liabilities of Thesaurus Computer Services Limited from Thesaurus Computer Services Limited and BDO LLP for a consideration of £0.9 million inclusive of costs. Thesaurus is a private company based in the UK which provides mainframe service solutions.

The assets of Thesaurus were acquired by and the business was immediately integrated within Computacenter UK. The goodwill arising on the acquisition of £1.5 million has been tested against the Computacenter UK cash generating unit.

Disposals

On 27 November 2009, the Group disposed of CCD to Ingram Micro. The Group received consideration of £3.0 million in cash. After the disposal of goodwill of £1.0 million and disposal costs of £0.1m, a profit of £1.9 million was realised.

The disposal does not represent a separate major line of business or geographical area of operations and hence is not treated as a discontinued operation.

Exceptional items

Statutory operating profit is stated after charging exceptional items of £5.3 million, which consist of the profit on the sale of CCD in the UK (£1.9 million), redundancy costs of £5.3 million and provisions for empty property of £1.9 million, both related to restructuring activities across the Group.

Redundancy costs were principally incurred in the UK (£3.3 million) and France (£1.6 million). This action contributed to a reduction in net operating expenses of over £30 million across the Group (in constant currency).

Finance income and costs

Net finance costs on a statutory basis increased from £3.0 million in 2008 to £3.7 million in 2009. This takes account of finance costs on customer specific financing of £4.0 million (2008: £4.0 million). On an adjusted basis, prior to the interest on customer specific finance ("CSF"), net finance income reduced to £0.3 million from £1.0 million.

Taxation

Excluding the exceptional items, the adjusted effective tax rate was 22.6% (2008 was 24.9%). The improvement in 2009 is mainly attributable to the losses utilised on earnings in Germany.

Deferred tax assets of £11.4 million (2008: £13.5 million) have been recognised in respect of losses carried forward. In addition, at 31 December 2009, there were unused tax losses across the Group of £188.1 million (2008: £212.0 million) for which no deferred tax asset has been recognised. Of these losses, £111.1 million (2008: £138.8 million) arise in Germany, albeit a significant proportion have been generated in statutory entities that no longer have significant levels of trade. The remaining unrecognised tax losses relate to other loss-making overseas subsidiaries.

Earnings per share and dividend

Whilst statutory diluted earnings per share has grown by 2.9% to 24.9p (2008: 24.2p), adjusted* diluted earnings per share provides a more appropriate reflection of performance, increasing by 31.9% from 21.0p in 2008 to 27.7p in 2009. The earnings per share increase exceeds the profit growth mainly due to losses utilised on earnings in Germany and the reduced corporation tax rate in the UK from April 2008.

The Board is recommending an additional interim dividend of 8.0p per share, in lieu of a final dividend, bringing the total dividend for the year to 11.0p (2008: 8.2p). This will be payable on 1 April 2010 to registered shareholders as at 19 March 2010.

Cash flow

The Group's trading net funds position takes account of factor financing, but excludes customer specific financing ("CSF"). There is an adjusted cash flow statement provided in note 9 that restates the statutory cash flow to take account of this definition.

The net funds (excluding CSF) improved from £4.6 million to £86.4 million by the end of the year. The Group has a history of strong cash generation, however the increase in 2009 was exceptional due to a number of factors. Firstly the exit from CCD in the UK, partially in late 2008 and finally in late 2009, released an estimated £30.0 million working capital; secondly the Group benefited by an estimated £30.0 million from a temporary improvement in credit terms with a significant vendor; cash receipts from customers at the end of December 2009 were stronger than usually experienced; and finally, there was a benefit of £10.0 million due to early settlement on a customer contract that is financed by a customer-specific financing arrangement. The increase in the year is achieved after taking account of investment in the ERP system in the period of some £11 million.

Whilst the increase in net cash in the year is particularly strong, changes in future periods are more likely to be in line with the underlying earnings of the business, except if the improvement in credit terms with a significant vendor is reversed.

CSF reduced in the year from £89.2 million to £49.1 million partially due to a decision to restrict this form of financing in the light of the credit environment and reduced customer demand. Taking CSF into account, total net cash at the end of the year was £37.3 million, compared to net debt of £84.6 million at the start of the year.

Customer specific financing

In certain circumstances, the Group enters into customer contracts that are financed by leases or loans, which are secured only on the assets that they finance. Whilst the outstanding balance of CSF is included within the net funds for statutory reporting purposes, the Group excludes CSF when managing the net funds of the business, as this CSF is matched by contracted future receipts from customers.

Whilst CSF is repaid through future customer receipts, Computacenter retains the credit risk on these customers and ensures that credit risk is only taken on customers with a strong credit rating.

The committed CSF financing facilities, are thus outside of the normal working capital requirements of the Group's product resale and service activities.

Capital Management

Details of the Group's capital management policies are included within note 25 of the financial statements.

Financial instruments

The Group's financial instruments comprise borrowings, cash and liquid resources, and various items that arise directly from its operations. The Group occasionally enters into hedging transactions, principally forward exchange contracts or currency swaps. The purpose of these transactions is to manage currency risks arising from the Group's operations and its sources of finance. The Group's policy remains that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate, liquidity and foreign currency risks. The overall financial instruments strategy is to manage these risks in order to minimise their impact on the financial results of the Group. The policies for managing each of these risks are set out below. Further disclosures in line with the requirements of IFRS 7 are included in note 24 of the financial statements.

Interest rate risk

The Group finances its operations through a mixture of retained profits, bank borrowings, invoice factoring in France and the UK and finance leases and loans for certain customer contracts. The Group's bank borrowings, other facilities and deposits are at floating rates. No interest rate derivative contracts have been entered into. When long-term borrowings are utilised, the Group's policy is to maintain these borrowings at fixed rates to limit the Group's exposure to interest rate fluctuations.

Liquidity risk

The Group's policy is to ensure that it has sufficient funding and committed bank facilities in place to meet any foreseeable peak in borrowing requirements. The Group's net funds position improved substantially during 2009, and at the year-end was £86.4 million excluding customer-specific financing, and £37.3 million on a statutory basis.

At 31 December 2009, the Group had available £100.3 million (2008:£ 163.4 million) of uncommitted overdraft and factoring facilities. However, £8.9 million of these facilities will expire during March 2010 and will not be renewed as they are no longer required as the Group has access to a £60.0 million 3 year committed facility established in May 2008, of which £42.9 million is not utilised at the balance sheet date. Customer-specific financing facilities are committed.

The Group manages its counterparty risk by placing cash on deposit across a panel of reputable banking institutions, with no more than £30.0 million deposited at any one time except for Government backed counterparties where the limit is £50.0 million.

Foreign currency risk

The Group operates primarily in the UK, Germany, France, and the 'Benelux' countries, using local borrowings to fund its operations outside of the UK, where principal receipts and payments are denominated in Euros. In each country a small proportion of the sales are made to customers outside those countries. For those countries within the Euro zone, the level of non-Euro denominated sales is very small and, if material, the Group's policy is to eliminate currency exposure through forward currency contracts. For the UK, the vast majority of sales and purchases are denominated in Sterling and any material trading exposures are eliminated through forward currency contracts.

Credit risk

The Group principally manages credit risk through management of customer credit limits. The credit limits are set for each customer based on the creditworthiness of the customer and the anticipated levels of business activity. These limits are initially determined when the customer account is first set up and are regularly monitored thereafter. In France, credit risk is mitigated through a credit insurance policy which applies to non-Government customers and provides insurance for approximately 50% of the relevant credit risk exposure.

There are no significant concentrations of credit risk within the Group. The Group's major customer, disclosed in note 3 to the financial statements consists of entities under the control of the UK Government. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date.

Going concern

As disclosed in the Directors Report, the directors have a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the consolidated financial statements.

Tony Conophy

Risk Management

The Group undertakes a formal annual process, facilitated by the Risk Department, to identify and analyse the potential likelihood and impact that various identified risks pose to the Group's strategic goals. Once a risk has been identified and quantified, an associated mitigation strategy is developed. The agreed mitigation strategy is followed by the nominated and most appropriate 'owner' of the risk and any associated programme of work is monitored by the Group's Internal Audit Department.

Throughout the year any new risks of significance identified within the Group are added to the Risk Log. The Group Risk Committee formally monitors the Risk Log and the overall effectiveness of the risk mitigation strategy on a quarterly basis.

Primarily, the risks contained in the Risk Log are categorised according to the specific strategic objective potentially impacted and some of these principal risks and their mitigations are highlighted below.

Strategic Objectives	Principal Risks	Principal Mitigations
1. Accelerating the growth of our contractual services businesses.	Failure to identify opportunities to promote to customers the benefits of enhanced value added services, in addition to traditional services, results in lost opportunities.	Follow the restructured account planning and sales methodologies.
	Failure to adapt service offerings that grow/enhance the business, leading to inability to compete.	Continued investment in and utilisation of the services and solutions functions that focus upon enhancing service offerings.
	Failure to compete effectively with the current off-shoring trend, resulting in lost opportunity.	Continued investment in a programme to expand Computacenter's current off-shoring facilities into non-European geographies.
2. Reducing cost through increased efficiency and industrialisation of our service operations.	Failure to deploy appropriate service automation tools to minimise the need for manual intervention, leading to the lack of optimised resource.	Continuation of our investment programme towards an industrialised tool suite and embedded targets into management pay plans.
	Increasing demand for working capital tied-up in large longer term services contracts, which would prevent working capital from being deployed optimally. Increasing demand for extended credit from large customers, which would delay and reduce return on working capital and increase credit risk exposure.	Apply appropriate incentive structures which also account for working capital elements.
Elevate extended credit requests to the Board for approval and apply appropriate incentive structures.		
4. Growing our profit margin through increased services and high-end product sales.	Failure to align operational and commercial processes with contractual requirements of complex or long term services engagements, resulting in customer dissatisfaction and margin decline.	Apply the recently enhanced bid review processes and internal approval/authorisation matrices to ensure commercial and operational awareness and authorisation at the appropriate level.
	Delays or overruns in complex projects (including transition and transformation activity in larger services contracts) leading to lower than expected margins.	In addition to the mitigation set out above, implement the governance processes during and after contract take-on.

5. Ensuring the successful implementation of the Group-wide ERP system.	Failure to materialise the expected benefits of the Group-wide ERP system, thereby threatening the anticipated return on investment.	Follow the robust internal governance structure at all relevant levels and ensure targets are embedded into senior management pay plans.
	Ongoing business demands detract from appropriate focus on the ERP design process, resulting in either business interruption or ERP go-live delays.	Dedicate specific resource exclusively to the ERP project and continuously monitor business resource demands.

Directors' responsibility statement

- The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit for the Company and undertakings included in the consolidation taken as a whole; and
- Pursuant to the Disclosure and Transparency Rules, the final results announcement and the Company's annual report and accounts, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Mike Norris
Chief Executive

Tony Conophy
Finance Director

10 March 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Revenue	3	2,503,198	2,560,135
Cost of sales		(2,153,395)	(2,205,276)
Gross profit		349,803	354,859
Distribution costs		(19,032)	(20,268)
Administrative expenses		(272,876)	(288,418)
Operating profit:			
Before amortisation of acquired intangibles and exceptional items		57,895	46,173
Amortisation of acquired intangibles		(517)	(525)
Exceptional items	4	(5,299)	(3,046)
Operating profit		52,079	42,602
Finance income		1,307	3,095
Finance costs		(4,977)	(6,161)
Profit before tax:			
Before amortisation of acquired intangibles and exceptional items		54,225	43,107
Amortisation of acquired intangibles		(517)	(525)
Exceptional items		(5,299)	(3,046)
Profit before tax		48,409	39,536
Income tax expense:			
Before exceptional items		(12,113)	(10,571)
Tax on exceptional items	4	1,415	–
Exceptional tax items	4	–	8,377
Income tax expense	5	(10,698)	(2,194)
Profit for the year		37,711	37,342
Attributable to:			
Equity holders of the parent	6	37,703	37,337
Non-controlling interests		8	5
		37,711	37,342
Earnings per share	6		
– basic		25.7p	24.7p
– diluted		24.9p	24.2p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 £'000	2008 £'000
Profit for the year	37,711	37,342
Exchange differences on translation of foreign operations	(10,173)	24,864
Total comprehensive income for the period	27,538	62,206
Attributable to:		
Equity holders of the parent	27,543	62,198
Non-controlling interests	(5)	8
	27,538	62,206

CONSOLIDATED BALANCE SHEET

As at 31 December 2009

	Notes	2009 £'000	2008 £'000
Non-current assets			
Property, plant and equipment		105,290	123,315
Intangible assets		72,965	51,551
Investment in associate		57	–
Deferred income tax asset	5	16,444	16,672
		194,756	191,538
Current assets			
Inventories		67,086	105,831
Trade and other receivables		475,646	529,501
Prepayments		55,785	53,766
Accrued income		29,538	43,942
Forward currency contracts		726	–
Cash and short-term deposits		108,017	53,372
		736,798	786,412
Total assets		931,554	977,950
Current liabilities			
Trade and other payables		378,929	378,721
Deferred income		123,861	115,274
Financial liabilities		48,647	96,154
Forward currency contracts		–	644
Income tax payable		3,815	10,275
Provisions		2,202	2,100
		557,454	603,168
Non-current liabilities			
Financial liabilities		22,022	41,809
Provisions		11,605	9,565
Other non-current liabilities		227	615
Deferred income tax liabilities		1,674	1,582
		35,528	53,571
Total liabilities		592,982	656,739
Net assets		338,572	321,211
Capital and reserves			
Issued capital		9,186	9,181
Share premium		2,929	2,890
Capital redemption reserve		74,950	74,950
Own shares held		(9,657)	(11,169)
Foreign currency translation reserve		16,208	26,368
Retained earnings		244,940	218,970
Shareholders' equity		338,556	321,190
Non-controlling interests		16	21
Total equity		338,572	321,211

Approved by the Board on 10 March 2010

MJ Norris
Chief Executive

FA Conophy
Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to equity holders of the parent						Total £'000	Non- controlling interests £'000	Total equity £'000
	Issued capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held £'000	Foreign currency translation reserve £'000	Retained earnings £'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 year	–	–	–	–	–	37,703	37,703	8	37,711
Other comprehensive income	–	–	–	–	(10,160)	–	(10,160)	(13)	(10,173)
Total comprehensive income	–	–	–	–	(10,160)	37,703	27,543	(5)	27,538
Cost of share-based payments	–	–	–	–	–	2,555	2,555	–	2,555
Deferred tax on share-based payment transactions	–	–	–	–	–	298	298	–	298
Exercise of options	5	39	–	2,072	–	(2,072)	44	–	44
Purchase of own shares	–	–	–	(560)	–	–	(560)	–	(560)
Equity dividends	–	–	–	–	–	(12,514)	(12,514)	–	(12,514)
At 31 December 2009	9,186	2,929	74,950	(9,657)	16,208	244,940	338,556	16	338,572
At 1 January 2008	9,504	2,890	74,627	(11,380)	1,507	201,035	278,183	13	278,196
Profit for the year	–	–	–	–	–	37,337	37,337	5	37,342
Other comprehensive income	–	–	–	–	24,861	–	24,861	3	24,864
Total comprehensive income	–	–	–	–	24,861	37,337	62,198	8	62,206
Cost of share-based payments	–	–	–	–	–	2,525	2,525	–	2,525
Exercise of options	–	–	–	298	–	(298)	–	–	–
Purchase of own shares	–	–	–	(9,695)	–	–	(9,695)	–	(9,695)
Cancellation of own shares	(323)	–	323	9,608	–	(9,608)	–	–	–
Equity dividends	–	–	–	–	–	(12,021)	(12,021)	–	(12,021)
At 31 December 2008	9,181	2,890	74,950	(11,169)	26,368	218,970	321,190	21	321,211

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Operating activities			
Profit before taxation		48,409	39,536
Net finance costs		3,670	3,066
Depreciation		35,326	36,719
Amortisation		4,631	4,764
Share-based payments		2,555	2,525
Loss on disposal of property, plant and equipment		23	526
Impairment of intangible assets		–	3,046
Loss on disposal of intangible assets		–	48
Profit on disposal of business	4	(1,879)	–
Decrease in inventories		34,126	19,793
Decrease/(increase) in trade and other receivables		52,348	(34,844)
Increase in trade and other payables		10,960	16,190
Other adjustments		283	(760)
Cash generated from operations		190,452	90,609
Income taxes paid		(17,500)	(6,052)
Net cash flow from operating activities		172,952	84,557
Investing activities			
Interest received		1,717	3,884
Acquisition of subsidiaries, net of cash acquired		(9,742)	–
Proceeds from sale of business	4	2,982	–
Sale of property, plant and equipment		7	30
Purchases of property, plant and equipment		(9,511)	(10,065)
Purchases of intangible assets		(11,790)	(14,278)
Net cash flow from investing activities		(26,337)	(20,429)
Financing activities			
Interest paid		(4,540)	(7,254)
Dividends paid to equity shareholders of the parent	7	(12,514)	(12,021)
Proceeds from share issues		44	–
Purchase of own shares		(560)	(9,695)
Repayment of capital element of finance leases		(20,956)	(25,713)
Repayment of loans		(40,248)	(28,633)
New borrowings		16,357	46,610
(Decrease)/increase in factor financing		(25,600)	12,763
Net cash flow from financing activities		(88,017)	(23,943)
Increase in cash and cash equivalents		58,598	40,185
Effect of exchange rates on cash and cash equivalents		(533)	(562)
Cash and cash equivalents at the beginning of the year	8	46,889	7,266
Cash and cash equivalents at the year-end	8	104,954	46,889

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

1 Authorisation of financial statements and statement of compliance with IFRS

The consolidated financial statements of Computacenter plc for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the Directors on 10 March 2010. The balance sheet was signed on behalf of the Board by MJ Norris and FA Conophy. Computacenter plc is a limited company incorporated and domiciled in England whose shares are publicly traded.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2009 and applied in accordance with the Companies Act 2006.

2 Summary of significant accounting policies

Basis of preparation

The consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Computacenter plc and its subsidiaries as at 31 December each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using existing Generally Accepted Accounting Practice (GAAP) in each country of operation. Adjustments are made on consolidation translating any differences that may exist between the respective local GAAPs and IFRS.

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

Subsidiaries are consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which the Group no longer retains control.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented separately within equity in the consolidated balance sheet, separately from parent shareholders' equity.

3 Segmental analysis

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. At a Group level however management measures performance on adjusted profit before tax. Adjusted operating profit or loss takes account of the interest paid on customer-specific financing (CSF) which management considers 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 as management do not consider these items when reviewing the underlying performance of a segment.

Segmental performance for the years ended 31 December 2009 and 2008 was as follows:

	UK £'000	Germany £'000	France £'000	Benelux £'000	Total £'000
For the year ended 31 December 2009					
Results					
Revenue	1,226,917	930,673	319,384	26,224	2,503,198
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 segment operating profit/(loss)	37,839	19,564	(2,721)	(759)	53,923
Adjusted net interest					302
Adjusted profit before tax					54,225

Other segment information

Capital expenditure:

Property, plant and equipment	11,042	8,107	783	118	20,050
Intangible fixed assets	11,891	15,301	71	–	27,263

Depreciation	24,015	10,064	1,118	129	35,326
Amortisation	3,302	1,209	120	–	4,631

Share-based payments	1,893	357	305	–	2,555
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	UK £'000	Germany £'000	France £'000	Benelux £'000	Total £'000
For the year ended 31 December 2008					

Results

Revenue	1,391,177	830,740	308,210	30,008	2,560,135
Adjusted gross profit	194,934	113,703	38,821	3,372	350,830
Adjusted net operating expenses	(165,324)	(99,386)	(40,511)	(3,465)	(308,686)
Adjusted segment operating profit/(loss)	29,610	14,317	(1,690)	(93)	42,144
Adjusted net interest					963
Adjusted profit before tax					43,107

Other segment information

Capital expenditure:

Property, plant and equipment	28,725	7,663	1,105	229	37,722
Intangible fixed assets	11,903	1,067	1,308	–	14,278

Depreciation	27,715	7,804	1,078	122	36,719
Amortisation	2,816	827	1,121	–	4,764

Share based payments	2,009	334	182	–	2,525
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Reconciliation of 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:

	2009 £'000	2008 £'000
Adjusted profit before tax	54,225	43,107
Amortisation of acquired intangibles	(517)	(525)
Exceptional items	(5,299)	(3,046)
Profit before tax	48,409	39,536

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:

	UK £'000	Germany £'000	France £'000	Benelux £'000	Total £'000
For the year ended 31 December 2009					
Adjusted segment 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

For the year ended 31 December 2008

Adjusted segment operating profit/(loss)	29,610	14,317	(1,690)	(93)	42,144
Add back interest on CSF	3,292	737	–	–	4,029
Amortisation of acquired intangibles	(481)	(44)	–	–	(525)
Exceptional items	(1,922)	–	(1,124)	–	(3,046)
ERP implementation costs	(1,673)	950	723	–	–
Segment operating profit/(loss)	28,826	15,960	(2,091)	(93)	42,602

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.

	2009 £'000	2008 £'000
Sources of revenue		
Product revenue		
Ongoing operations	1,678,613	1,717,269
Trade distribution	84,589	158,588
Total product revenue	1,763,202	1,875,857
Services revenue		
Professional services	175,364	181,219
Support and managed services	564,632	503,059
Total services revenue	739,996	684,278
Total revenue	2,503,198	2,560,135

Information about major customers

Included in revenues arising from the UK segment are revenues of approximately £397 million (2008: £400 million) which arose from sales to the Group's largest customer. For the purposes of this disclosure a single customer is considered to be a group of entities known to be under common control. This customer consists of entities under control of the UK Government, and

includes the Group's revenues with central government, local government and certain government controlled banking institutions.

4 Exceptional items

	2009 £'000	2008 £'000
Operating profit		
Profit on disposal of business, net of goodwill	1,879	–
Restructuring costs	(7,178)	–
Impairment of intangible assets	–	(3,046)
	(5,299)	(3,046)
Income tax		
Tax on exceptional items included in operating profit	1,415	–
Adjustment following agreement of certain items for earlier years	–	3,611
Changes in recoverable amounts of deferred tax assets	–	4,766
	1,415	8,377

2009

The net gain on disposal of business of £1,879,000 arises from the Group disposing of its trade distribution division to Ingram Micro in October 2009. The disposal does not match the criteria of IFRS 5 'Non-current assets held-for-sale and discontinued operations' as the disposal does not represent a separate major line of business or geographical area of operations and hence was not treated as a discontinued operation. The Group received consideration of £2,982,000 in cash and cash equivalents, net of costs incurred in relation to the sale. This is offset by the disposal of goodwill associated with the business of £1,002,000. The directly attributable goodwill associated with the Trade Distribution business originally arose from the acquisition of Metrologie UK in 1999. Separately, related inventories of £8,574,000 were sold to Ingram Micro at cost.

Restructuring costs arise from the change programme to reduce costs. They include expenses from headcount reductions of £5,309,000 and vacant premises costs of £1,869,000.

2008

The forecasted cash-flows for Computacenter France do not support the value of the non-current assets in the business. An exceptional impairment was recognised in 2008 in relation to additions to intangible assets relating to the Group ERP programme that were specifically allocated to the French cash-generating unit.

After the 2008 year-end a decision was reached to cease using the Digica brand following the integration of the Digica operations into those of Computacenter (UK) Limited. An exceptional impairment of the trademark, generated at the time of acquisition, was recognised accordingly.

The tax charge for 2008 contained two items which, due to their size, were disclosed separately, as follows:

- during 2008 agreement was reached on certain significant items for earlier years; and
- the deferred tax asset in respect of losses in Germany was re-assessed in line with management's view of the entities future performance. Where the reassessment exceeded the losses utilised in the year, the change in the recoverable amount of the deferred tax asset was shown as an exceptional item.

5 Income tax

a) Tax on profit on ordinary activities

	2009 £'000	2008 £'000
Tax charged in the income statement		
Current income tax		
UK corporation tax	11,181	11,881
Foreign tax	1,394	673
Adjustments in respect of prior periods	(853)	(4,028)
Total current income tax	11,722	8,526
Deferred tax		
Origination and reversal of temporary differences	(2,284)	(2,379)
Losses utilised	4,803	4,841
Changes in recoverable amounts of deferred tax assets	(3,691)	(4,145)

Exceptional changes in recoverable amounts of deferred tax assets	–	(4,766)
Adjustments in respect of prior periods	148	117
Total deferred tax	(1,024)	(6,332)
Tax charge in the income statement	10,698	2,194

b) Reconciliation of the total tax charge

	2009 £'000	2008 £'000
Accounting profit before income tax	48,409	39,536
At the UK standard rate of corporation tax of 28.0% (2008: 28.5%)	13,555	11,268
Expenses not deductible for tax purposes	803	806
Exceptional expenses not deductible for tax purposes	–	548
Non-deductible element of share-based payment charge	350	719
Exceptional adjustments in respect of current income tax of previous periods	–	(3,611)
Adjustments in respect of current income tax of previous periods	(853)	(300)
Higher tax on overseas earnings	69	664
Other differences	(309)	(104)
Capital gain relieved by unrecognised losses brought forward	(835)	–
Changes in recoverable amounts of deferred tax assets	–	(4,766)
Losses utilised	(3,691)	(4,145)
Losses of overseas undertakings not available for relief	1,609	1,115
At effective income tax rate of 22.1% (2008: 5.5%)	10,698	2,194

c) Tax losses

Deferred tax assets of £11.8 million (2008: £13.5 million) have been recognised in respect of losses carried forward. Where deferred tax assets have been reassessed in excess of the losses utilised in the year, the change in the recoverable amount of the deferred tax asset is shown as an exceptional item in the income tax expense for the year, due to the material nature and expected infrequency of this reassessment.

In addition, at 31 December 2009, there were unused tax losses across the Group of £188.1 million (2008: £212.0 million) for which no deferred tax asset has been recognised. Of these losses, £111.1 million (2008: £138.8 million) arise in Germany, albeit

a significant proportion have been generated in statutory entities that no longer have significant levels of trade. The remaining unrecognised tax losses relate to other loss-making overseas subsidiaries.

6 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 amortisation of acquired intangibles and exceptional items.

	2009 £'000	2008 £'000
Profit attributable to equity holders of the parent	37,703	37,337
Amortisation of acquired intangibles	517	525
Tax on amortisation of acquired intangibles	(145)	(150)
Exceptional items within operating profit	5,299	3,046
Tax on exceptional items included in profit before tax	(1,415)	–
Exceptional items within the total tax charge for the year:		
– adjustment following agreement of certain items for earlier years	–	(3,611)
– changes in recoverable amounts of deferred tax assets	–	(4,766)
Profit before amortisation of acquired intangibles and exceptional items	41,959	32,381
	2009	2008

	000's	000's
Basic weighted average number of shares (excluding own shares held)	146,918	151,279
Effect of dilution:		
Share options	4,671	3,077
Diluted weighted average number of shares	151,589	154,356
	2009 pence	2008 pence
Basic earnings per share	25.7	24.7
Diluted earnings per share	24.9	24.2
Adjusted basic earnings per share	28.6	21.4
Adjusted diluted earnings per share	27.7	21.0

7 Dividends paid and proposed

	2009 £'000	2008 £'000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2008: 5.5 pence (2007: 5.5 pence)	8,097	8,063
Interim for 2009: 3.0 pence (2008: 2.7 pence)	4,417	3,958
	12,514	12,021
Proposed for approval at AGM (not recognised as a liability as at 31 December)		
Equity dividends on ordinary shares:		
Additional interim dividend for 2009: 8.0 pence (2008: nil pence)	11,863	–
Final dividend for approval at AGM for 2008 5.5 pence	–	8,120

8 Analysis of changes in net (debt)/funds

	At 1 January 2009 £'000	Cash flows in year £'000	Non-cash flow £'000	Exchange differences £'000	At 31 December 2009 £'000
Cash and cash equivalents	46,889	58,598	–	(533)	104,954
Other loans non-CSF	–	(3,705)	–	–	(3,705)
Factor financing	(42,280)	25,600	–	1,834	(14,846)
Net funds excluding customer-specific financing	4,609	80,493	–	1,301	86,403
Customer-specific finance leases	(55,191)	21,056	(10,163)	1,731	(42,567)
Customer-specific other loans	(34,009)	27,496	–	25	(6,488)
Total customer-specific financing	(89,200)	48,552	(10,163)	1,756	(49,055)
Net (debt)/funds	(84,591)	129,045	(10,163)	3,057	37,348

	At 1 January 2008 £'000	Cash flows in year £'000	Non-cash flow £'000	Exchange differences £'000	At 31 December 2008 £'000
Cash and cash equivalents	7,266	40,185	–	(562)	46,889
Factor financing	(23,453)	(12,763)	–	(6,064)	(42,280)
Net funds excluding customer-specific financing	(16,187)	27,422	–	(6,626)	4,609
Customer-specific finance leases	(47,642)	25,713	(27,657)	(5,605)	(55,191)
Customer-specific other loans	(15,975)	(17,977)	–	(57)	(34,009)
Total customer-specific financing	(63,617)	7,736	(27,657)	(5,662)	(89,200)
Net debt	(79,804)	35,158	(27,657)	(12,288)	(84,591)

9 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 are adjusted for as follows:

- a. Interest paid on customer-specific financing is reclassified from interest paid to adjusted operating profit; and
- 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 and is also offset within working capital.

	2009 £'000	2008 £'000
Adjusted profit before taxation	54,225	43,107
Net finance income	(302)	(963)
Depreciation and amortisation	17,695	18,055
Share-based payment	2,555	2,525
Working capital movements	65,337	16,306
Other adjustments	(1,567)	(186)
Adjusted operating cash inflow	137,943	72,792
Net interest received	1,149	659
Income taxes paid	(17,500)	(6,052)
Capital expenditure and investments	(21,294)	(24,313)
Acquisitions and disposals	(6,775)	–
Equity dividends paid	(12,514)	(12,021)
Cash inflow before financing	81,009	37,117
Financing		
Proceeds from issue of shares	44	–
Purchase of own shares	(560)	(9,695)
Increase in net funds excluding CSF in the period	80,493	27,422
Increase in net funds excluding CSF	80,493	27,422
Effect of exchange rates on net funds excluding CSF	1,301	(6,626)
Net funds/(debt) excluding CSF at beginning of period	4,609	(16,187)
Net funds excluding CSF at end of period	86,403	4,609

10 Related party transactions

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

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

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

	Sales to related parties £'000	Purchases from related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Biomni Limited	10	925	–	–

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. The Group has not recognised any provision for doubtful debts relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

11 Publication of non-statutory accounts

The financial information in the preliminary statement of results does not constitute the Group's statutory accounts for the year ended 31 December 2009 but is derived from those accounts and the accompanying Directors' report. Statutory accounts for

the year ended 31 December 2009 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The auditors have reported on those accounts; their report was unqualified and did not contain statements under Section 498 (2) or Section 498 (3) of the Companies Act 2006.

The financial statements, and this preliminary statement, of the Group for the year ended 31 December 2009 were authorised for issue by the Board of Directors on 10 March 2010 and the balance sheet was signed on behalf of the Board by MJ Norris and FA Conophy.

The statutory accounts have been delivered to the Registrar of Companies in respect of the year ended 31 December 2008. The report of the auditors was unqualified and did not contain statements under Section 237 (2) or (3) of the Companies Act 1985.